RULES AND REGULATIONS OF THE TVA RETIREMENT SYSTEM

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The initial Rules and Regulations of the Retirement System were approved by the TVA Board of Directors on September 6, 1939, including provision for amendments set out in section 13. The Rules and Regulations, as amended, follow.

SECTION 1

1. Definitions

Except where the content plainly requires a different meaning, the following words and phrases shall have the following meanings:

1. "Accumulated contributions" shall mean the aggregate of the contributions of a member of the system, including contributions made in accordance with section 9A; contributions and interest credited thereon transferred from the Retirement and Pension System for employees of Memphis Light, Gas and Water Division; and regular interest thereon, all as credited to the member in the Annuity Savings Account or standing to the member's credit in the Accumulation Account. It shall also include the shares or participation units standing to the member's credit in the Variable Annuity Fund and the member's equity in the Deferral Plan when transferred to the Accumulation Account or the Variable Annuity Fund, as provided in article 7.1 of the Provisions of the Deferral Plan.

2. "Actuarial equivalent" shall mean a benefit of equivalent value computed on the basis of regular interest, mortality tables, and other actuarial factors as included in the appendix to these Rules and Regulations.

3. "Age" or "attained age" shall mean, solely for purposes of applying the provisions of sections 6B1 and 6B2 of these Rules, the actual age of the member and, at the member's election, forfeited annual leave credit or unused sick leave credit, or both. For purposes of section 6B2, any actuarial equivalent shall be based on attained age, prior to any offset.

4. "Annuity" shall mean an annual allowance for life, payable in monthly installments, derived from contributions made by a member as hereinafter provided.

5. "Average compensation" shall mean the average annual earnable compensation of a member during any three successive years of creditable service designated by the member or during the member's total years of creditable service if the member has had less than three years of such service at retirement; provided, however, that the period on which the member's average compensation is based shall not include any unused sick leave credit or forfeited annual leave credit.

6. "Beneficiary" shall mean any person in receipt of a retirement allowance or other benefit, as provided by these Rules and Regulations.

7. "Code" shall mean the Internal Revenue Code of 1986 and amendments thereto.

8. "Creditable service" shall mean the total of membership service; any previous service established as creditable in accordance with the provisions of section 6.Q; military service established as creditable service in accordance with section 5.2; and service with the Memphis Light, Gas and Water Division which the Division, TVA, and the Retirement System have agreed by letter agreement dated November 20, 1964, shall be creditable. Creditable service shall also include, at the member's election, any forfeited annual leave credit or any unused sick leave credit, or both, for purposes of determining the amount of a benefit. Unused sick leave credit and forfeited annual leave credit may be considered as creditable service for determining a member's eligibility for: (a) any benefit which requires a minimum of creditable service; (b) an increased rate of benefit which is based on a minimum combination of age and creditable service; or (c) both. Military service established as creditable service in accordance with section 5.2 shall not be considered creditable service for determining a member's eligibility for any benefit which requires a minimum of creditable service.

9. "Date of establishment" shall mean November 1, 1939.

10. "Deferral Plan" shall mean the TVA Savings and Deferral Retirement Plan established by the Trust Agreement between TVA and the Board on February 14, 1986.

11. "Directors" or "Board" shall mean the Board of Directors of the Retirement System and "Trustee" shall mean the Trustee as designated and appointed in accordance with the terms and conditions of the Trust Agreement and of these Rules and Regulations.

12. "Earnable compensation" shall mean the rate of regular salary or wages which a member would earn if the member worked full time on the basis of the stated salary or wage paid the member; provided, however, that earnable compensation shall include the total of any amount deferred as a salary deferral contribution by the member pursuant to the Deferral Plan, the total of any pretax contributions by the member for employee benefits pursuant to a flexible benefit or spending arrangement established under section 125 of the Code or for qualified transportation fringe benefits under section 132 of the Code, and differential wage payments under section 3401(h) of the Code. Notwithstanding any other provision of this plan, the earnable compensation of each member taken into account under the plan for any year shall not exceed the compensation limit established under section 401(a)(17)(B) of the Code, as adjusted for cost-of-living increases in accordance with that section. For plan years beginning on or after January 1, 2002, the annual earnable compensation of each member taken into account in determining allocations for any plan year shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual earnable compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the Rules and Regulations (the determination period). The cost-of-

living adjustment in effect for a calendar year applies to annual earnable compensation for the determination period that begins with or within such calendar year.

Provided, however, that earnable compensation shall include lump-sum payments of up to 3 percent of regular salary or wages for Fiscal Year 1998, and lump-sum payments of up to 4 percent of regular salary or wages for Fiscal Years 1999 through 2013, which TVA informs the System were made available, in lieu of a base wage or salary increase, across a represented or non-represented group of employees as agreed to during annual negotiations, in the case of represented groups, or approved by TVA in connection with an annual review of management and excluded compensation. Provided further, that earnable compensation shall include (a) lump-sum payments of up to 1.7 percent of regular salary or wages, and minimum awards of $500 and prorated amounts where applicable, made in Fiscal Year 2001 for Fiscal Year 2000 performance under the TVA Performance Success Award Plan; (b) lump-sum payments of up to 3 percent of regular salary or wages (excluding any overtime pay adjustments) made in Fiscal Years 2001 through 2005 under the Memorandum of Understanding regarding Transition to Multiple Skill Classifications in TVA's River System Operations and Environment organization; and (c) lump-sum payments of up to 6.25 percent of regular salary or wages (excluding any overtime pay adjustments), as approved by TVA, under the TVA Winning Performance Team Incentive Plan.

13. "Employee" shall mean any officer or employee of the Tennessee Valley Authority who is employed at an annual rate of pay and any officer or employee of the Tennessee Valley Authority who is employed on a permanent, prepermanent, or indefinite annual part-time appointment with a minimum work schedule of 16 hours per week except (a) a Member of the Board of Directors of TVA; (b) a member of the Civil Service Retirement System or of the Federal Employees' Retirement System; (c) any person employed for a predetermined period of six months or less; (d) any person employed part time other than as provided in this subsection (13); (e) any person whose services are engaged on a contract basis. Provided, that, notwithstanding the minimum work schedule of 16 hours per week required above, the term "employee" shall also include a person who meets the other requirements of this definition and who is participating for no more than one year in a TVA part-time employment program approved pursuant to the TVA Board Resolution on recruitment, retention, and reward of excellence approved by the TVA Board as of November 15, 2001. In the event of a question arising as to the right of any person to be classified as an employee under these Rules and Regulations, the decision of the board shall be final.

14. "Federal Compensation benefits" shall mean benefits under the provisions of the Federal Employees' Compensation Act, as amended, 5 U.S.C. secs. 8101-50 (1970), excepting, however, payments for hospital, medical, funeral, or related expenses and any schedule payment under 5 U.S.C. sec. 8107 (1970).

15. "Forfeited annual leave credit" shall mean the service equivalent of the sum of the annual leave forfeited by a member while a member of the System after January 1, 1980.

16. "In service" shall mean the period during which TVA pays a contribution on behalf of a member of the Retirement System.

17. "Member" shall mean any person included in the membership of the Retirement System as provided in section 2.

18. "Membership service" shall mean service of an employee since last becoming a member of the Retirement System and on account of which contributions are made by TVA.

19. "Pension" shall mean an annual allowance for life, payable in monthly installments, derived from contributions made by TVA as hereinafter provided.

20. "Previous service" shall mean (a) service of an employee rendered prior to the date he last became a member of the System; (b) military or other service which was established as creditable during a period of previous membership in the System; and (c) military service which occurred between periods of membership in the System, if the employee returned to service as an employee under such circumstances that he would have been entitled under the regulations of the System and TVA to claim the period of military service as creditable if he had retained his membership in the System during such service. Previous service, however, shall not include any service which has been established and retained as creditable service under the Civil Service Retirement System or the Federal Employees' Retirement System.

21. "Regular interest" shall mean interest at the rate or rates set from time to time in accordance with section 4(5).

22. "Retiree" or "retired member" shall mean a former member no longer in service who is entitled to an immediate or deferred vested (nonforfeitable) benefit.

23. "Retirement allowance" shall mean the annuity plus the pension, except in cases where a member or retiree has elected to receive in a single sum all the member's accumulated contributions or a single sum in place of all future annuity payments as provided herein. In such cases, retirement allowance shall mean the pension only.

24. "Retirement System" or "System" shall mean the Retirement System of the Tennessee Valley Authority including the Variable Annuity Plan as provided under section 16.

25. "Rule of 80" shall mean that the member's attained age plus the number of years of the member's creditable service (each including any fraction of a year calculated to the

nearest full month) totals 80 or more. "Attained age" shall have the meaning set forth in section 1(3) above.

26. "Social Security Act" shall mean the Federal Social Security Act as in effect on January 1, 1956, or as thereafter amended.

27. "Social security offset" shall mean the reduction in a member's pension to reflect the benefits provided under Title II of the Social Security Act. It shall be one-half of one percent (.5%) of the final average compensation up to $4,200 multiplied by years (not in excess of 30) of creditable service (exclusive of any forfeited annual leave credit and unused sick leave credit) rendered after December 31, 1955.

28. "TVA" shall mean Tennessee Valley Authority.

29. "Unused sick leave credit" shall mean the service equivalent of the unused sick leave to a member's credit at the time he ceases to be an employee.

30. "Variable Annuity Fund" shall mean the fund established under the Variable Annuity Plan.

31. "Variable Annuity Plan" shall mean the plan established to provide variable annuities as provided under section 16.

32. The masculine pronoun wherever used shall include the feminine pronoun.

33. “Assumed rate of investment return” shall mean the rate of investment return on the System’s assets used for the actuarial valuation of System for the fiscal year that ends on the previous September 30. The assumed rate of investment return for a fiscal year is the discount rate determined by the Board with the System’s actuary under ASC 960 (as amended, updated or superseded) and is based on the System’s asset allocation policy and long-term capital market assumptions for asset classes.

SECTION 2

2. Membership

1. Any person who becomes an employee after the date of establishment shall become a member of the Retirement System as a condition of his employment and shall be classified as a new entrant.

2. Each employee who becomes a member shall promptly file with the directors a form giving such information as they shall consider necessary.

3. Membership shall cease if a member shall not be an employee for one year, or if he shall withdraw his contributions, or retire, or die. The membership of a member who has six months or less creditable service shall cease as of the date he ceases to be an employee. A person who returns to membership after his membership has ceased shall receive no benefit on account of services rendered prior to such return, except as otherwise specifically provided in sections 6 and 7.

4. A leased employee shall not be eligible to become a member of the Retirement System. "Leased employee" shall mean an individual who is not a common law employee of TVA and who provided services to TVA if (i) such services are provided pursuant to an agreement between TVA and a leasing organization, (ii) such individual has performed such services for TVA on a substantially full-time basis for a period of at least 1 year, and (iii) such services are performed under primary direction or control by TVA; provided that an individual shall not be treated as a leased employee with respect to services performed for TVA if such individual is covered by a money purchase pension plan maintained by the leasing organization that has a nonintegrated employer contribution rate for each participant of at least 10% of compensation, provides for full and immediate vesting, and provides for immediate participation for employees of the leasing organization (other than employees who perform substantially all of their services for the leasing organization).

5. Notwithstanding any other provisions of these Rules and Regulations, the following members will be eligible for a retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan and will not be eligible for, or eligible to accrue, any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19: (a) employees who first became members of the System on or after July 1, 2014, and (b) employees (i) who first became members of the System prior to July 1, 2014, (ii) who terminated employment with TVA and are reemployed by TVA on or after July 1, 2014, and (iii) who 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 their entire benefit in a single, lump-sum payment as set forth in sections 6K, 6L or 7D4, as applicable.

6. Notwithstanding any other provisions of these Rules and Regulations, effective as of October 1, 2016, employees who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and have less than ten (10) years of cash balance service as of October 1, 2016, will be eligible for a future retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan and, except as set forth in section 7C3 with respect to interest-based credits to Cash Balance

Accounts and section 19A1 with respect to rates of return on contributions to the Retirement System, will not be eligible to accrue any additional retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19.

7. Notwithstanding any other provisions of these Rules and Regulations, effective as of October 1, 2018, employees who (a) either (i) first became members of the System prior to January 1, 1996, and elected to become Cash Balance Participants, or (ii) first became members of the System on or after January 1, 1996, and had ten (10) or more years of cash balance service as of October 1, 2016, and (b) made the election as permitted by section 7B5(a) will be eligible to earn future retirement benefit accruals on and after October 1, 2018 composed solely of the benefit accrued as a participant in the Deferral Plan and, except as set forth in section 7C3 with respect to interest-based credits to Cash Balance Accounts and section 19A1 with respect to rates of return on contributions to the Retirement System, will not be eligible to accrue any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19, on and after October 1, 2018.

8. Notwithstanding any other provisions of these Rules and Regulations, Cash Balance Participants whose Cash Balance Account was transferred to the Deferral Plan pursuant to an election permitted by section 7B5(b) will not be eligible for, or eligible to accrue, any retirement benefit under the provisions of these Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19, on and after the date the Cash Balance Participant's Cash Balance Account is transferred.

SECTION 3

3. Administration of the System

1. The Board of Directors of the Retirement System of the Tennessee Valley Authority shall have the control over and the responsibility for the general administration of the System in accordance with the Trust Agreement and the Rules and Regulations insofar as are involved matters relating to the computation of necessary contributions by TVA and by the members, the allowance of benefits, and the rights generally of the beneficiaries of the System.

2. a. The board shall consist of seven members, three of whom shall be elected by and from the membership of the System, three of whom shall be appointed by TVA, and one of whom shall be a retiree selected by a majority vote of the other six. Except for the members of the initial board who were designated for staggered terms of one, two, and three years, respectively, the term of each

director shall be three years. Each term shall be deemed to expire with the end of the day preceding the respective anniversary date of the establishment of the System, and all appointments and elections except those made to fill vacancies for unexpired terms shall be effective on such anniversary dates; provided however, in the event the three elected directors and the three appointed directors do not select a seventh director by the expiration of the seventh director's term, then the current sitting seventh director (i) shall continue to serve as a member of the board for an additional one (1) year or until such time as the six directors select the seventh director by a majority vote, if earlier, and (ii) during such continuation period, such seventh member shall be restricted from voting on amendments to these Rules and Regulations and the Deferral Plan Provisions, with the exception of any amendments required by IRS rules or related to the tax-qualified status of the System and Deferral Plan. Any vacancy on the board shall be filled by election or appointment, as the case may be, for only the unexpired portion of the predecessor's term.

b. As the term of each of the three directors elected by the membership expires or when a vacancy among such directors occurs, a successor shall be elected from such nominees as may be put in nomination by a petition subscribed to by not less than twenty-five members. Such election shall be by a majority of votes cast and, if no nominee obtains a majority in the initial balloting, a second vote shall be taken between the two nominees receiving the greatest number of votes in the initial balloting; provided, however, that when there are more than two nominees for a directorship, the board may in its discretion prescribe a form of ballot in which the voting members indicate the order of their preference among the various nominees and, if none of the nominees obtains a majority of first-choice votes among those cast, such order of preference shall be used in determining which of the two nominees receiving the greatest numbers of first-choice votes is elected. Ballots shall be distributed and received in such manner as the board shall determine to assure the integrity of the election. In the event only one person is duly nominated for the directorship to be filed, the board may declare such nominee elected without the necessity of formal balloting by the membership.

c. An individual is eligible to serve as a director of the board (either elected, appointed, or selected) no more than three full 3-year terms. Any partial term less than 3 years for which an individual has been elected, appointed, or selected under the provisions of this section 3(2) for the unexpired portion of a predecessor's term does not count toward this term limit of three full 3-year terms. Notwithstanding the above, any individual who has already served as a director for three full 3-year terms as of the effective date of this provision will be eligible to continue as a member of the board for the remainder of the director's current 3-year term.

d. Notwithstanding the other provisions of this section 3(2), when a director, elected by and from the membership, ceases to be a member of the System, that individual also ceases to be a director and an election shall be held immediately to replace that director for the unexpired portion of that term except that elected directors whose membership in the System ceases during the last 9 months of their elected term or during the 9 months prior to March 4, 1994, shall remain members of the Board for the remainder of that term unless they withdraw their entire retirement allowance from the System, resign from the Board, or die.

e. Notwithstanding the other provisions of this section 3(2), the board may initiate and enforce disciplinary actions against a director for violation of written policies formally adopted by the board, and such discipline may include action up to and including removal of the director from his or her position as a director on the board. A super-majority vote of the board (5 votes) is required for the removal of a director from the board pursuant to disciplinary actions under this subsection.

3. The board shall hold regular quarterly meetings and such other special meetings as it shall deem necessary. Four directors shall constitute a quorum of the board, and each director shall be entitled to one vote, but four concurring votes shall be necessary for every decision by the board. From its own members it shall elect a chairman and appoint a secretary, who need not be a director, and shall arrange for such administrative, clerical, medical, and actuarial services as it may require in carrying out the provisions of the System. At the request of the board, the TVA General Counsel shall be available as legal advisor of the board, the TVA Comptroller shall be available as its financial advisor, and the Director of the TVA Division of Medical Services shall be available as the medical advisor of the board. The board shall appoint three physicians, who shall not be eligible to participate in the System, to serve as a Medical Board. The Medical Board shall make or cause to be made all medical examinations and reports it may require for applications or cases referred to it by the board.

4. The board shall from time to time adopt actuarial assumptions and mortality tables necessary as the basis for determining the rate of contribution by TVA and for purposes of determining the actuarial equivalent of certain benefit payments, and shall also adopt from time to time the service equivalents of unused sick leave and forfeited annual leave, which equivalents may reflect the board's consideration of encouraging the avoidance of the unnecessary use of sick leave by employees and of recognizing the loss by forfeiture of annual leave by employees. The board shall cause to be included in the appendix to these Rules and Regulations certain of the assumptions. The board shall establish the rates of contributions to the System as provided in section 9. As an aid to the board in adopting tables and in fixing the rates of contribution payable to the System, the board shall designate an actuary to make annual actuarial valuations and to

certify to the board the tables and the rates of contribution which the actuary recommends for use by the board. In the third year after the date of establishment, and at least once in each five-year period thereafter, the board shall cause an actuarial investigation to be made into the mortality, service, and compensation experience of the members and the beneficiaries of the Retirement System.

5. The board shall maintain accounts showing the fiscal transactions of the System, as hereinafter provided, and shall cause to be kept in convenient form such data as may be necessary for actuarial valuations of the assets and liabilities of the various accounts of the System.

   The board shall submit annually to the Board of Directors of TVA a report showing the fiscal transactions during the preceding year, the accumulated cash and securities of the System as certified by an auditor employed by the board of directors of the System, and the last balance sheet showing the financial condition of the Retirement System by means of an actuarial valuation of the assets and liabilities of the System.

6. Subject to the limitations of these Rules and Regulations, the board may from time to time make such additional rules and regulations as may be necessary to carry out the provisions of the Retirement System.

7. The Board shall have sole and exclusive responsibility for determining under these Rules and Regulations what benefits are payable by the Retirement System and to whom they shall be paid; and the board's interpretation and application of the Rules and Regulations in these and all other matters pertaining to the System's operations and its determination of the facts in making any such application shall be final and conclusive as to all parties. The Board shall have the right to delegate to the Executive Secretary, or such other persons as it deems appropriate, the responsibilities for the day-to-day administration of the System including, but not limited to, initial determinations with respect to claims.

8. The board may maintain checking accounts in any convenient national bank or banks in such amounts as may be necessary to pay accruing benefits and to defray the administrative expenses of the board. The board may direct TVA to pay over to it such amounts of TVA's or members' contributions as may be necessary to meet currently accruing benefits and administrative expenses but, in the absence of such direction, all contributions shall be paid over by TVA to the Trustee as hereinafter provided. The board may also authorize the Trustee to transfer to it such portions of the trust funds as may be necessary for currently accruing benefits and administrative expenses. After such transfer of funds by the Trustee on the written authorization of the board, the Trustee shall be discharged and released of all further liability and responsibility with respect to the funds thus transferred.

9. In addition to their responsibilities for the administration of the Retirement System, the members of the board shall serve as trustees of the Deferral Plan established by the Trust Agreement between TVA and the board on February 14, 1986.

10. The board shall maintain an investment committee as one of its standing committees pursuant to the bylaws of the Retirement System. The board shall select as non-voting members of and advisers to the investment committee one or more independent investment professionals or financial experts.

SECTION 4

4. Management of the Funds of the System

1. The general management, custody, control, and investment of the funds of the System which are not required to defray administrative expenses and are not necessary for the payment of currently accruing benefits shall be vested in one or more Trustees or such functions may be divided as the board determines between a Trustee or Trustees and one or more Investment Managers, except that custody of such funds shall at all times be vested in a Trustee or Trustees. Any such Trustee shall be a corporation authorized to act as Trustee under the laws of the state of its residence, which state shall be one of the United States of America. All transfers and contributions to any such trust shall be deemed to take place at the residence of such Trustee. It is the intention that any trust established as provided in this section shall be domiciled in the state of the residence of such Trustee and shall be subject to the laws of that state.

2. The board shall designate and select either a Trustee or Trustees or a Trustee or Trustees and one or more Investment Managers upon such terms and conditions and at such compensation as may to it seem appropriate; provided, however, that no such designation or selection shall now or hereafter be made without the prior approval of the Board of Directors of TVA. Upon the removal or resignation of any Trustee, another Trustee or another Trustee and one or more Investment Managers may be designated by the board and upon the removal or resignation of an Investment Manager another Investment Manager may be designated by the board. Any of the foregoing designations shall be made in the same manner and subject to the same approval by the Board of Directors of TVA as hereinabove provided.

3. The board shall have authority to enter into Trust Agreements and Investment Management Agreements with any Trustee or Investment Manager selected as aforesaid. Any such agreement shall be in such form and shall contain such covenants, agreements, and provisions with such Trustee and Investment Manager with respect to the trust fund and the property constituting the trust, and such limitations of the

authority and the liability of the Trustee and Investment Manager as shall be approved by the board and TVA, and by agreement of the board and such Trustee and Investment Manager and by approval of TVA shall be subject to amendment. Any such Trust Agreement may provide that the Trustee shall be responsible only for the moneys transferred to it by the board or TVA and shall provide that the Trustee shall transfer funds to the board from time to time as the board may direct. It may also provide that investments may be made without limitation to the classes of securities or property in which trustees are authorized by law or any rule of court to invest trust funds and without regard to the proportion any such securities or property may bear to the entire amount of the trust fund. It may also provide that all taxes on the trust property and all expenses incident to the investment of the trust fund may be charged against the fund. It shall provide that the assets held in the Variable Annuity Fund, and all transactions with respect thereto, be separately accounted for as if such fund constituted a trust apart from all other assets held thereunder. It may also provide that such Trustee shall make investments only as directed by an Investment Manager. Any Investment Management Agreement shall provide that the Investment Manager shall have authority to direct the Trustee to make investments only in securities and property of the kind in which investments are permitted under the Trust Agreement. An Investment Management Agreement shall also provide that the Investment Manager shall be held to the standard of care and diligence which applies to a corporate trustee of a pension trust governed by the laws of the State of New York or the state of the residence of an appropriate corporate trustee appointed hereunder or the state of the residence of the Investment Manager. Notwithstanding anything herein to the contrary, the board may waive the requirements that certain provisions be included in any Investment Management Agreement covering a limited partnership or private equity arrangement to the extent necessary due to the nature of such investments and as permitted by applicable law and by any applicable Trust Agreement. Such Trust Agreements and Investment Management Agreements may also provide that such agreement may be enforced on behalf of the members, nominees, and beneficiaries solely by the board, who shall represent all such members, nominees, and beneficiaries. Notwithstanding anything to the contrary in this section 4, any such Trust Agreement may also provide that the Trustee may rely on investment advice from outside sources which have not been designated as Investment Managers in accordance with these Rules and Regulations; provided, however, that in such cases the Trust Agreement shall provide that the Trustee shall have the complete and sole responsibility and liability for investment decisions made with respect to Retirement System funds, as though the Trustee made those decisions without relying on outside advice, notwithstanding the Trustee's reliance on such advice from outside sources and notwithstanding recognition by TVA and the Retirement System that the Trustee may receive and act upon investment advice from such sources. Any such Trust Agreement shall provide that in all events, all funds of the Retirement System shall be used, as the board may determine, exclusively for the payment of expenses of the Retirement System and for the sole benefit of members, retirees, and beneficiaries of the Retirement System and shall also

provide that no funds of the Retirement System shall be paid to, or used for the benefit of, any other entity or person.

4. If current contributions to the Retirement System in the possession and custody of the board are not sufficient for the payment of current benefits and the expenses and disbursements which may be incurred by the System, the board shall have authority to require the Trustee to pay and transfer to a national bank for the account of the System such funds as the board may deem necessary.

5. The regular interest rate or rates to be used in all actuarial and other calculations shall be determined from time to time by resolution of the board.

6. No Trustee, no Investment Manager, no member of the board, and no employee of the board shall have any direct interest in the gains or profits of any investment of the trust as agent, endorser, or otherwise; provided, however, that where by the nature of an investment of the trust, the Investment Manager would typically share in the gains or profits of an investment, including, without limitation, in a limited partnership or venture capital arrangement, an Investment Manager may share in the gains or profits of an investment to the extent approved by the board.

7. The board is responsible for setting the asset allocation policy for the investment of the funds of the System. Effective October 1, 2016, the board shall give TVA written notice of any proposed change in asset allocation that would change the System's assumed rate of investment return. Within sixty (60) days of receipt of notice from the board, TVA may veto any proposed change in the asset allocation by written notice to the board, in which event the proposed change shall not become effective and implemented by the board. TVA shall have the right in its discretion to permanently eliminate its right of review under this section 4(7) effective upon sending written notice to the board, and once eliminated, this right of review may only be reinstated by further amendment to these Rules and Regulations pursuant to section 13. In the event TVA discontinues contributions to the System, contributes to the System less than the minimum required under section 9B, or terminates the System, and sections 11B or 11C are in effect, TVA's right of review of asset allocation changes pursuant to this section 4(7) will terminate and no longer be in effect. Upon request by TVA, the Executive Secretary will provide to TVA any information about the System, its investments, and its asset allocation reasonably necessary for TVA to evaluate any proposed change in asset allocation pursuant to this section.

SECTION 5

5. Service Creditable Under the Retirement System

1. All membership service, and all military service of a member since he last became a member and on account of which contributions have been made by TVA pursuant to regulations of the System and TVA, shall be credited; and, except as provided in sections 1(8), 5.2, 6 and 7, no other service shall be credited.

2. Notwithstanding any other section of these Rules and Regulations, a member who is a veteran or disabled veteran as defined under 5 U.S.C. § 2108, as modified by 38 U.S.C. § 5303A(d)(1), who was separated from the armed forces under honorable conditions and who retires on or after October 1, 1994 with eligible military service, shall receive creditable service in the Retirement System for that military service in accordance with the following schedule:

Years of TVA Service	Maximum Years of Credit for Military Service
less than 10	0
at least 10 but less than 15	1
at least 15 but less than 20	2
at least 20 but less than 25	3
25 or more	4

if the member makes a deposit with the Retirement System. For purposes of this section 5.2 eligible military service shall mean six months or more of active duty (other than for training) in the Army, Navy, Air Force, Marine Corps, or Coast Guard which occurred prior to the member's most recent TVA employment and is not eligible to be creditable service under section 5.1 of the Rules and Regulations. The amount of the deposit required to establish credit for this military service shall be seven percent of the member's basic pay for each period of such military service, with interest after the later of the date the military service ends or October 1, 1986 at the rates applicable to deposits for military service under the Civil Service Retirement System. The deposit shall be made after the member has completed the requisite TVA service and on or before retirement. The service established under this subsection shall not be considered as creditable service for determining a member's eligibility for any benefit which requires a minimum amount of creditable service. All determinations and interpretations under this section 5.2, including but not limited to, who is a veteran or disabled veteran, the amount of military service, or the amount of the deposit shall be made by the board pursuant to section 3.7.

3. Breaks in service as an employee before or after the System becomes operative shall not count as service. After the date of establishment, a temporary leave of absence without pay not exceeding one year shall not be considered a break in service if TVA shall elect to continue its contributions on account of such member during such period. Upon special arrangement and the payment of any additional cost thereof by TVA and the member, the directors in their discretion may extend the period over which an absence may be prolonged without being considered a break in service.

4. For any person whose part-time service qualifies them as "employees" under section 1(13), creditable service during the period of part-time employment will be computed as follows: eight hours in pay status shall constitute one day of service and 2,080 hours in pay status shall constitute one year; however, any hours in pay status in excess of eight during any one day or in excess of forty in any calendar week shall be disregarded in computing creditable service.

SECTION 6

6. Benefits of the System

A. Service Benefit

1. The normal retirement age shall be 65. A member, upon or after attainment of age 65, while in service as an employee, (a) who has five or more years of creditable service, or (b) who first became a member of the System prior to April 1, 1991, shall be retired upon his own application, or upon application by TVA, filed with the directors while he is in service or not later than 60 days after he ceases to be an employee. A member retiring pursuant to the provisions of this subsection shall be retired by the directors as of the day following the date he ceases to be an employee.

2. On retirement under the provisions of section 6A1 hereof, a member shall (subject, however, to the provisions of section 11 hereof) receive a service retirement allowance consisting of

    a. An annuity equal to the actuarial equivalent of the member's accumulated contributions.

b. A pension equal to one and three-tenths percent (1.3%) of the member's average compensation for each year of his creditable service, reduced by the social security offset.

3. Notwithstanding anything contained herein to the contrary, a member who for the first time becomes a member after January 1, 1990, shall be required to elect an optional retirement allowance described in Option 2 or Option 3 of sections 6E or 6F and shall be required to name the member's spouse as the beneficiary for that allowance unless the member certifies that he or she is not married at the time the allowance is applied for, or the member provides the Retirement System with written consent of his or her spouse to the designation of another form of retirement allowance or to the designation of a beneficiary other than the member's spouse. Once made, such written consent by the spouse shall be irrevocable. The board at its discretion may waive this spousal consent requirement where the member establishes that his or her spouse cannot be located.

B. Special Service Benefit

1. Any member less than age 65 on the date the member ceases to be in service (a) who has 5 or more years of creditable service or (b) who has attained age 60 and who first became a member of the System prior to April 1, 1991, may be retired upon application filed with the directors while the member is in service or not later than 60 days after the member ceases to be an employee. The directors shall retire such member as of the day following the date on which the member ceases to be an employee.

2. On retirement under the provisions of section 6B1, hereof, a member shall (subject, however, to the provisions of section 11) receive a special service retirement allowance which shall consist, at the member's option, of a deferred or immediate retirement allowance beginning at attained age 55 or later, with a further option in the case of a member whose services as an employee are discontinued by TVA through no act or delinquency of the member, that the allowance may begin immediately regardless of age. Such allowance shall consist of an annuity equal to the actuarial equivalent of the member's accumulated contributions and a pension computed by reducing the applicable amount set forth below by the actuarial equivalent of the social security offset:

a. If the pension commences at attained age 60 or over, the amount is equal to one and three-tenths percent (1.3%) times the member's average compensation times the member's years of creditable service; or

b. Effective for retirements on or after June 8, 1998, if the pension commences before attained age 60 and at the time the member ceases to be an employee the member is at least actual age 45:

i. If the member meets the Rule of 80 at the time the member ceases to be an employee, the amount is equal to one and three-tenths percent (1.3%) times the member's average compensation times the member's years of creditable service, and the pension cannot commence before attained age 55;

ii. But if the member's services as an employee are discontinued by TVA through no act or delinquency of the member, the amount is one and three-tenths percent (1.3%) times the member's average compensation times the member's years of creditable service, but reduced by subtracting from the one and three-tenths percent (1.3%) five-thousandths of one percent (0.0050%) for each month the member lacks of (a) attaining age 60 or (b) meeting the Rule of 80, whichever reduction is less, on the date the first payment of the member's allowance begins to accrue; or

iii. If the member’s services as an employee are discontinued by TVA through an act or delinquency of the member, the amount is calculated as in subsection b.ii above but the pension cannot commence before attained age 55.

c. Effective for retirements on or after June 8, 1998, if at the time the member ceases to be an employee the member is less than actual age 45:

i. If the pension commences at or after attained age 55 and before attained age 60, the amount is one and three-tenths percent (1.3%) times the member's average compensation times the member's years of creditable service but reduced by subtracting from the one and three-tenths percent (1.3%) seven and one-half thousandths of one percent (0.0075%) for each month the member lacks of attaining age 60 on the date of the first payment of the member's allowance begins to accrue.

ii. But if the member’s services as an employee are discontinued by TVA through no act or delinquency of the member and the pension commences before attained age 55, the amount is the actuarial equivalent of a pension beginning at age 55 of eighty-five hundredths of one percent (0.85%) times the member’s

average compensation times the member's years of creditable service.

iii. But if the member's services as an employee are discontinued by TVA through an act or delinquency of the member, the pension is calculated as under subsection c.i above and the pension cannot commence before attained age 55.

3. A member retired under the provisions of this section 6B who has elected a deferred retirement allowance, the payments of which have not yet become normally due as provided in section 6F, may elect to withdraw the retired member's accumulated contributions with allowable interest upon application therefor as provided in section 6D1 without surrendering the pension provided for in this section 6B. In the event of the retired member's death prior to the date on which the first payment of a deferred allowance becomes normally due, unless the retired member has elected an optional benefit in accordance with the provisions of section 6F, the pension provided for in this section 6B shall be surrendered and the retired member's accumulated contributions with full interest shall be paid in a lump sum to the designated beneficiary, or to the member's estate, upon establishment of a valid claim therefor in accordance with the requirements set forth in section 6D3. Notwithstanding anything contained herein to the contrary, a member who for the first time becomes a member after January 1, 1990, may make the withdrawal described in this section 6B3 only if the member certifies that he or she is not married at the time the withdrawal is applied for, or the member provides the written consent of his or her spouse to the withdrawal. Once made, such written consent by the spouse shall be irrevocable. The board at its discretion may waive this spousal consent requirement where the member establishes that his or her spouse cannot be located.

4. Notwithstanding anything contained herein to the contrary, a member who for the first time becomes a member after January 1, 1990, shall be required to elect an optional retirement allowance described in Option 2 or Option 3 of sections 6E or 6F and shall be required to name the member's spouse as the beneficiary for that allowance unless the member certifies that he or she is not married at the time the allowance is applied for, or the member provides the written consent of his or her spouse to the designation of another form of retirement allowance or the designation of a beneficiary other than the member's spouse. Once made, such written consent shall be irrevocable. The board at its discretion may waive this spousal consent requirement where the member establishes that his or her spouse cannot be located.

C. Disability Benefit

1. Any member with 5 or more years of creditable service may, upon the application of TVA or upon his own application, filed with the board while the member is in service or not later than 60 days after he ceases to be in service, be retired by the board on a disability retirement allowance upon a determination by the board which shall include the consideration of a report either by the Medical Board or by the Director of the TVA Division of Medical Services and information from the TVA Employment Branch that the member cannot be continued in his present position because of a physical or mental disability that is likely to be permanent and that there is no other position available for which he is qualified and can perform with the member's medical restrictions. Such retirement shall begin as of the day following the date on which the application is filed, except that the board may in its discretion and for good cause establish an earlier beginning date, but in no case will the beginning date be earlier than the day following the date the member ceases to be in pay status.

2. A member retired on account of such disability shall (subject, however, to the provisions of section 11) receive a disability retirement allowance which shall correspond to the service retirement allowance if the member has attained age 65 on the date of his retirement, and which shall otherwise consist of:

   a. An annuity which is the actuarial equivalent of the member's accumulated contributions.

   b. A pension equal to one and one-tenth percent (1.1%) of the member's average compensation for each year of his creditable service except that if the pension as so calculated is less than thirty percent (30%) of the member's average compensation, it shall be increased to thirty percent (30%); provided, however, that such increase in percentage rate shall not in any event exceed one and one-half percent (1.5%) times the number of years the member lacks of attainment of age 65 on the date of retirement. If and when the member becomes entitled to a Disability Insurance Benefit or an Old-Age Benefit under Title II of the Social Security Act, the pension shall be reduced by the smaller of (1) an amount equal to nine-tenths of the social security offset, or (2) the amount, if any, by which the disability pension before such reduction exceeds the service pension to which the member would have been entitled if he had been age 65 at the time of retirement; provided, however, that if the member commences to receive a reduced Old-Age Benefit before reaching age 65, the pension shall be reduced by the actuarial equivalent of the aforesaid reduction. This provision for

reduction of the pension shall apply to all members retiring on and after July 1, 1962.

3. Any member eligible for a disability pension hereunder shall be obligated upon request by the directors to file a proper application for a Social Security Disability Insurance Benefit or, when he reaches age 65, a Social Security Old-Age Benefit, and if he does not file such application within 30 days after such request, the disability pension may be discontinued.

4. Notwithstanding anything contained herein to the contrary, a member who for the first time becomes a member after January 1, 1990, shall be required to elect an optional retirement allowance described in Option 2 or Option 3 of sections 6E or 6F and shall be required to name the member's spouse as the beneficiary for that allowance unless the member certifies that he or she is not married at the time the allowance is applied for, or the member provides the written consent of his or her spouse to the designation of another form of retirement allowance or the designation of a beneficiary other than the member's spouse. Once made, such written consent shall be irrevocable. The board at its discretion may waive this spousal consent requirement where the member establishes that his or her spouse cannot be located.

D. Benefit Upon Termination of Employment

1. Within 60 days of the filing of request by a member who has ceased to be an employee for any cause other than death, he shall be entitled to receive a lump sum equal to the full amount of his accumulated contributions to the date of the termination of his membership or to the date of the filing of his request in case of a retired member, except that if the member has six months or less of creditable service and he ceases to be an employee for any cause other than death or retirement, such amount shall be refunded to him irrespective of whether he has filed a request for it. A member retired on a deferred allowance and who withdraws his accumulated contributions under section 6B3 shall not surrender his pension (except his pension shall be surrendered when all or any portion of his creditable service is used to establish benefit credits under another retirement plan for Federal Government employees financed in whole or in part by the Federal Government). Notwithstanding and as an exception to the foregoing provisions, upon the request of TVA the contributions of any member against whom TVA has a claim for indebtedness of any kind shall not be refunded until TVA shall notify the System that the claim has been satisfied. Should the member fail to respond to TVA's collection attempts, or should he respond and not deny the validity of the claim, TVA shall have the right of setoff against the member's accumulated contributions upon certification to the System by the

TVA General Counsel that the claim is just and valid and that all reasonable attempts at collection, short of filing suit, have failed. Upon receipt of such certification the Retirement System will pay to TVA from the accumulated contributions of a member who has ceased to be an employee a sum sufficient to satisfy TVA's claim or, in the event the claim exceeds the contributions, the whole of such contributions. Payment of all of the member's contributions to TVA on account of TVA's claim shall terminate his membership as of the date of preparation of the voucher covering such payment and such payment shall be in lieu of any benefit financed by the member's contributions.

2. Upon the receipt of proper proofs of the death of a member who shall have died in service, there shall (subject, however, to the provisions of section 11) be paid to such person, if any, as the member shall have nominated by written designation, duly filed with the board, or in default of such designation to the member's estate, the amount of the member's accumulated contributions, and in addition a lump sum the amount of which shall be determined by the member's annual salary rate in effect on the date of the member's death and the member's total creditable service as follows: Fifty percent (50%) of the member's annual salary rate plus five-twelfths of one percent (5/12%) of such salary rate for each month of the member's creditable service up to a maximum benefit of two hundred percent (200%) of the annual salary rate; except that the benefit may exceed two hundred percent (200%) of the member's annual salary rate by five-twelfths of one percent (5/12%) of such salary rate for each month of the member's unused sick leave credit and forfeited annual leave credit not used in obtaining the two hundred percent (200%). Any member who:

   a. Shall have died within 60 days after the date the member ceased to be in service and who was eligible for an immediate Special Service or Service Retirement allowance but had not filed application for any benefit, or

   b. While in service or within 60 days after the date the member ceased to be in service had applied for an immediate retirement allowance for which the member was eligible, had not elected an optional benefit, and shall have died before the date on which the first payment on account of the member's retirement allowance becomes normally due, or

   c. While in service or within 60 days after the member ceased to be in service had applied for an immediate retirement allowance for which the member was eligible, had elected an optional benefit within the period provided in section 6E and shall have died before the option becomes effective shall be deemed to have died in service for the purpose of the death benefit described hereinabove.

d. Notwithstanding anything contained herein to the contrary, a member, who for the first time becomes a member after January 1, 1990, shall be required to name the member's spouse as the beneficiary unless the member certifies that he or she is not married at the time the beneficiary is designated, or the member provides the written consent of the member's spouse for a beneficiary other than the member's spouse to be designated. The board at its discretion may waive this spousal consent requirement where the member establishes that his or her spouse cannot be located. Once made, such written consent of a member's spouse shall be irrevocable. The designation of a beneficiary shall automatically be revoked upon a member's marriage if that beneficiary is not the member's spouse, and a new designation of beneficiary shall be required at that time. If no new designation is made, benefits payable under section 6D shall be paid to the member's spouse, if the member is survived by a spouse, and otherwise to the member's estate.

3. Upon receipt of proper proofs of the death of a member, or of a retired member who shall have died before the first installment of his retirement allowance becomes due and payable or who having elected an optional benefit shall have died before the election of his option becomes effective, and for whom no death benefit is otherwise provided in section 6B3 or 6D2, there shall be paid to such person, if any, as he shall have nominated by written designation duly filed with the board, or in default of such designation to his estate, the amount of his accumulated contributions as determined in the case of separation from service as provided in section 6D1.

E. Optional Benefits Upon Retirement for Members Retiring on an Immediate Allowance

Except for members retiring on a deferred allowance, the first payment on account of a retirement allowance becomes normally due on the last day of the month in which the member is scheduled to be retired, or on the last day of the calendar month next following the date on which the application is filed, whichever is the later. Until the first payment becomes normally due, any member may elect to convert the retirement allowance otherwise payable into a retirement allowance of equivalent actuarial value of one of the optional forms named below. Such election of an optional benefit shall become effective on the date of the filing of the election with the directors or on the date as of which the member is retired by the directors, whichever is later.

Option 1: A reduced retirement allowance payable during the member's life, with the provision that at the member's death a lump sum equal in amount to the accumulated contributions standing to the member's credit shall be paid to such person or persons, if any, as the member shall have nominated, otherwise, to the member's estate; or

Option 2: A reduced retirement allowance payable during the member's life, with the provision that it shall continue after the member's death for the life of the beneficiary nominated by the member at the time of retirement should such beneficiary survive the member; or

Option 3: A reduced retirement allowance payable during the member's life, with the provision that it shall continue after the member's death at one-half of the rate paid to the member and be paid for the life of the beneficiary nominated by the member at the time of retirement should such beneficiary survive the member; or

Option 4: A reduced retirement allowance payable during the member's life, with the provision of some other benefit, provided that the total value of such allowance and benefit shall be computed to be of actuarial value equivalent to the allowance which the member would receive without optional modification provided that such benefit is otherwise consistent with these Rules including section 15 relating to benefit distribution requirements.

F. Optional Benefits Upon Retirement for Members Retiring on a Deferred Allowance

The first payment on account of a deferred retirement allowance becomes normally due on the last day of the month in which the member reaches the age to which the allowance is deferred. Any member retired on a deferred allowance may elect to convert the retirement allowance otherwise payable into a retirement allowance of equivalent actuarial value of one of the optional forms named below. Such election shall be made at retirement within the time limitation prescribed in section 6B1 and shall be effective at the time of retirement or the date of the filing of the election with the directors, whichever is later and may be changed by the member or retiree by filing an election with the board at any time prior to the date the first payment becomes normally due. Prior to the payment becoming normally due, an optional election is automatically revoked upon the death of the beneficiary or upon the member's divorce from a spouse nominated as the beneficiary.

Option 1 (Deferred): A reduced retirement allowance payable during the member's life after the deferred allowance becomes normally due, with the provision that at the member's death a lump sum equal in amount to the accumulated contributions standing to the member's credit shall be paid to such person or persons, if any, as the member shall have nominated, otherwise, to the member's estate; or

Option 2 (Deferred): After payment of a deferred allowance becomes normally due, a reduced retirement allowance payable during the member's life with the provision that it shall continue after the member's death for the life of the beneficiary nominated by

the member should such beneficiary survive the member; if the member's death occurs before the member's first benefit payment becomes normally due, a benefit shall be payable to the member's nominated beneficiary for life as follows:

1. If the member's death occurs on or after the member's attainment of age 55, an amount equal to that the member would have received under this option if the member's first benefit payment had been normally due on the date of the member's death, such payments to begin immediately after the member's death;

2. If the member's death occurs prior to the member's attainment of age 55, an amount equal to that the member would have received under this option at the time the member would have attained age 55; or

Option 3 (Deferred): After payment of a deferred allowance becomes normally due, a reduced retirement allowance payable during the member's life with the provision that it shall continue after the member's death at one-half of the rate paid to the member and be paid for the life of the beneficiary nominated by the member should such beneficiary survive the member; if the member's death occurs before the member's first benefit payment becomes normally due, a benefit shall be payable to the member's nominated beneficiary for life as follows:

1. If the member's death occurs on or after the member's attainment of age 55, an amount equal to one-half of the rate that the member would have received under this option if the member's first benefit payment had been normally due on the date of the member's death, such payments to begin immediately after the member's death;

2. If the member's death occurs prior to the member's attainment of age 55, an amount equal to one-half of the rate that the member would have received under this option at the time the member would have attained age 55, such payments to begin at the time the member would have attained age 55; or

Option 4 (Deferred): After payment of a deferred allowance becomes normally due, a reduced retirement allowance payable during the member's life, with the provision of some other benefit, provided that the total value of such allowance and benefit shall be computed to be of actuarial value equivalent to the allowance which the member would receive without optional modification; if the member's death occurs before payments to the member become normally due, some other benefit shall be payable to the member's nominated beneficiary as follows:

1. If the member's death occurs on or after the member's attainment of age 55, a benefit shall be payable provided that the total value of such benefit shall be

computed to be of actuarial value equivalent to the allowance the member would have received without optional modification if the member's first benefit payment had been normally due on the date of the member's death, such payment to begin immediately after the member's death;

2. If the member's death occurs prior to the member's attainment of age 55, a benefit shall be payable provided that the total value of such benefit shall be computed to be of actuarial value equivalent to the allowance the member would have received without optional modification at the time the member would have attained age 55, such payment to begin at the time the member would have attained age 55.

Any Option 4 (Deferred) modification shall be otherwise consistent with these Rules including section 15 relating to benefit distribution requirements.

G. Optional Survivor Benefits Upon Death In Service

In lieu of payment in a lump sum of the total survivor benefit payable upon death as provided in section 6D2, a member while in service may elect to have payment made as a life annuity in one of the optional forms of settlement described below either of which shall be the actuarial equivalent of the total benefit payable under section 6D2, provided only one natural person has been named as primary beneficiary to receive the life annuity. Irrespective of the settlement form elected by the member, the primary beneficiary may elect, within 60 days after the member's death, to receive a life annuity under either Option A or Option B. Provided, further, that if the primary beneficiary of a member deceased on or after March 3, 2000 receives a life annuity hereunder, in no event shall it be less than the monthly retirement amount calculated under section 6 hereof, further reduced as provided under Option 2 of section 6E hereof, to which the beneficiary would have been entitled had the member retired the day immediately preceding his or her death. The election of an optional benefit by the member or the beneficiary, however, shall not be effective if the amount of the monthly installments thereof is less than ten dollars, or if the beneficiary dies before the date on which the optional benefit is otherwise scheduled to become effective. If a beneficiary electing a deferred annuity under Option A or B dies before the date on which the optional benefit is scheduled to become effective, the lump-sum benefit payable under section 6D2 from said beneficiary's death shall include interest at the rate provided for death benefit annuities at the time the option election was made. Said interest shall be paid for the period of time between the date the beneficiary made the option election and the date of the beneficiary's death. Said benefit shall be paid in a lump sum to such person or persons as the primary beneficiary shall have designated or in the absence or default thereof to the primary beneficiary's estate. The election of an optional benefit by the beneficiary as hereinabove provided shall become effective 30 days after the filing of

the election thereof with the board. The benefit elected by a member and not modified by the beneficiary shall become effective 60 days after the member's death or 30 days after the beneficiary has filed notice of acceptance of the benefit, whichever is earlier.

In the event the member's death in service is alleged to have resulted from a service-connected injury and a claim for compensation with respect thereto is duly filed pursuant to the Federal Employees' Compensation Act, the time within which the beneficiary may elect to receive one of the optional benefits herein provided or the time within which the benefit elected by the member shall become effective shall be measured from the date such claim for compensation is denied, or if the claim for compensation is granted, such time shall be measured from the date the beneficiary has elected, in accordance with section 11D1, to receive the death benefit payable by the Retirement System in lieu of compensation under the Federal Employees' Compensation Act.

Option A: A life annuity payable throughout the beneficiary's lifetime with no further payments due or payable after the beneficiary's death. In lieu of the life annuity, and subject to section 15, the beneficiary may designate an actuarial equivalent annuity, with payments to commence at such future date as the beneficiary chooses which annuity may not provide for future payments due or payable after the beneficiary's death.

Option B: A reduced life annuity payable throughout the beneficiary's lifetime or in lieu of the life annuity, and subject to section 15, the beneficiary may designate an actuarial equivalent annuity, with payments to commence at such future date as the beneficiary chooses and at the beneficiary's death the difference, if any, between the present value of the total benefit payable at the time of the member's death and the sum of the payments made to the beneficiary during the beneficiary's lifetime, exclusive of any increases in such payments which are provided in subsections H and I of this section 6, shall be paid in a lump sum to such person or persons as the member shall have designated as contingent beneficiaries under this option, or in the absence or default of such designation, to such person or persons as the primary beneficiary shall have designated or in the absence or default thereof to the primary beneficiary's estate.

H. Level-Income Plans

1. A member who retired under the provisions of section 6B and receives a retirement allowance beginning before the member is eligible to receive a reduced Old-Age Benefit under Title II of the Social Security Act may choose, before the date the first payment of the member's allowance becomes normally due, the level-income plan which provides that:

a. The member's pension will be increased until the earliest age at which the member is eligible for a reduced Old-Age Benefit by the actuarial equivalent of the Old-Age Benefit estimated to be payable to the member at that age under Title II of the Social Security Act, as amended, except that in no case will the member's pension be increased above a pension of equivalent actuarial value ending at such age; and

b. This increased pension will be reduced, beginning with the month in which the member reaches the age determined in section 6H1a, by the full amount of the previously estimated social security benefit, but by not more than the amount of such increased pension.

Any survivorship benefit under one of the options in section 6E or 6F shall be calculated as if this level-income plan had not been chosen.

2. The widow or widower of a retiree or of a member who died in service, who receives a monthly benefit under one of the options specified in section 6E, 6F, or 6G may, if she or he meets the requirements for a widow's or widowers' social security benefit, choose the level-income plan described below. This choice may be made at the time of eligibility for the System's monthly benefit, except that if eligible for other social security benefits beginning earlier, the level-income plan may not be chosen until eligibility for such other benefits ceases. The level-income plan provides that:

a. The pension portion of the monthly benefit in the case of a deceased retiree, or the portion of the monthly benefit derived from the lump sum based upon the member's annual salary as specified in section 6D2 in the case of a deceased member, will be increased until the earliest age at which a widow or widower could be entitled to social security benefits, by the actuarial equivalent of the amount estimated to be payable at that age under Title II of the Social Security Act, as amended, as the insurance benefit to a widow or widower without dependents on account of the death of such member or retiree, except that in no case will such portion of the monthly benefit be increased above a pension of equivalent actuarial value ending at such age; and

b. This increased monthly benefit will be reduced, beginning with the month in which the widow or widower reaches the age determined in section 6H2a, by the amount of the previously estimated social security benefit, but by not more than the amount of such increased portion.

Any survivorship benefit under Option B of section 6G shall be calculated as if this level-income plan had not been chosen.

I. Cost-of-Living Adjustments (COLAs)

1. Prior to October 1, 2016

The board shall increase (subject, however, to the provisions of section 11) that portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) whenever the 12-month average of the Consumer Price Index (CPI) for any year after 1966 exceeds by as much as one percent (1%) the CPI average for the prior year for which an adjustment hereunder was made. To be eligible for the increase, which shall be made beginning with the monthly payment for January following the year in which the CPI increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI increase occurred; provided, however, that the portion of the benefit subject to adjustment hereunder of any retiree whose benefit begins after January 1, 1975, or after any subsequent January 1, shall not be less than it would have been had it begun on such January 1, but in the administration of this provision a retiree shall be deemed for the purpose of determining creditable service pursuant to section 1(8) on said January 1 to have to the retiree's credit the amount of unused sick leave credited to the retiree on the retiree's actual date of retirement rather than the amount to the retiree's credit on said January 1; provided further that no benefit granted under section 6B1(a) to begin before age 55 shall be increased hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached attained age 55; and provided further that for members who become retired members on or after January 1, 2010, no benefit granted under sections 6B1(a) and 6J to begin before actual age 60 shall be increased hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 60. The rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the prior year since the last adjustment; provided, however, that the increase for any year shall not exceed five percent (5%) except that the board may, in its discretion and with the approval of TVA, apply for any year a maximum different from that specified above. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%); provided, however, for calendar years 2011 and 2013, the rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the preceding year of the prior year since the last adjustment if the CPI average decreased the preceding year. The 12-month periods used in determining the

increases in CPI averages which provide the basis for increases in benefits hereunder shall conform as closely as practicable to calendar years.

2. On or after October 1, 2016

a. The portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is (i) derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) and (ii) based on earnable compensation up to the rate of basic pay for Executive Schedule Level IV, shall be adjusted whenever the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for any year exceeds by as much as one percent (1%) the CPI-U average for the prior year for which an adjustment hereunder was made. The 12-month periods used in calculating the change in CPI-U averages will be the period November 1 through October 31.

b. To be eligible for the cost-of-living adjustment (COLA) set forth in subsection 2(a) above, which shall be made beginning with the monthly payment for January following the year in which the CPI-U increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI-U increase occurred; provided, however, that the portion of the benefit subject to adjustment hereunder of any retiree whose benefit begins after January 1 shall not be less than it would have been had it begun on such January 1, but in the administration of this provision, a retiree shall be deemed for the purpose of determining creditable service pursuant to section 1(8) on said January 1 to have to the retiree's credit the amount of unused sick leave credited to the retiree on the retiree's actual date of retirement rather than the amount to the retiree's credit on said January 1. Retirees who were participants in TVA’s Supplemental Executive Retirement Plan or any similar non-qualified executive retirement plan maintained by TVA, and who had less than ten (10) years of membership service at termination of employment or retirement, shall not be eligible for COLAs hereunder.

c. No benefit granted under section 6B1(a) to begin before age 55 shall be adjusted hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached attained age 55. For members who become retired members on or after January 1, 2010, no benefit granted under sections 6B1(a) and 6J to begin before actual age 60 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 60. For members or retirees who are under age 50 as of October 1, 2016, no benefit granted under sections 6B1(a) and 6J which began or will begin before actual age 65 shall be adjusted hereunder until the

first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 65.

d. The amount of COLA set forth in subsection 2(a) above shall be equal to the following: (i) the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment, minus (ii) 0.25%; provided, however, that the COLA for any year shall not exceed six percent (6%).

J. Additional Benefit

Each retired member or other beneficiary who is receiving a retirement allowance from the Retirement System calculated under this section 6 shall (subject, however to the provisions of section 11) receive, in addition to the retirement allowance otherwise provided under these Rules, a benefit in the amount of $5 per month for each month that the retirement allowance is paid. The benefit provided in this subsection shall not apply to individuals who first became members of the System after January 1, 1992, and their beneficiaries.

K. Lump-Sum Payment of Small Benefits

Any retirement allowance whose actuarial equivalent present value is $30,000 or less (including any benefits payable under section 6(J)) shall, in lieu of the monthly allowance otherwise payable, be paid in a lump sum to the member: (a) at the option of the member in the case of a member who is entitled to and has selected an immediate retirement allowance and (b) in all cases without regard to the member's consent in the case of a member who has selected a deferred retirement allowance.

L. Withdrawal of Member's Accumulated Contributions

1. Each member who retires effective on or after July 1, 1988, may withdraw at retirement in a single sum, any amount of the member's accumulated contributions without any reduction in the member’s pension otherwise provided for herein, notwithstanding any other part of these Rules and Regulations. Such withdrawal must be elected irrevocably at the time of retirement except as provided in section 6B3.

2. Notwithstanding anything contained herein to the contrary, a member, who for the first time became a member after January 1, 1990, may withdraw at retirement in a single sum any amount of the member's contributions only if the

member certifies that he or she is not married at retirement or provides the written consent of his or her spouse to the withdrawal. Once made, such written consent shall be irrevocable. The board may, at its discretion, waive this spousal consent requirement where the member establishes that his or her spouse cannot be located.

3. The beneficiary of a deceased member, or the beneficiary of a deceased retiree entitled to a deferred vested benefit, may at any time prior to the commencement of a monthly retirement allowance or monthly death benefit elect to withdraw in a single sum the accumulated contributions of the deceased member or retiree.

4. The provisions of sections 6L1, 6L2 and 6L3 above shall apply equally to retirees who participate in the Cash Balance Benefit Structure under section 7 hereof and to the beneficiaries of deceased members or retirees participating in such structure at the time of their deaths.

5. A former spouse, designated as such under a domestic relations order which meets the requirements of section 414(p)(1)(A)(i) of the Code and is in accord with the procedures on domestic relations orders included in the Appendix to these Rules and Regulations, may withdraw the share of a member's accumulated contributions awarded by the domestic relations order to such former spouse, regardless of whether the member participates in the Original Benefit Structure or the Cash Balance Benefit Structure, even if such withdrawal is made prior to the date the member would have been eligible to withdraw accumulated contributions or would have reached earliest retirement age under these Rules and Regulations.

M. Immediate Special Service Retirement Allowance

Notwithstanding any other provisions of these Rules and Regulations, a member regardless of age retiring under the provisions of section 6B1 who voluntarily ceases to be an employee shall (subject, however, to the provisions of section 11) at the member's option receive an immediate special service retirement allowance computed as set forth in this section 6M in lieu of any other retirement allowance provided for in these Rules and Regulations. Such allowance shall consist of an annuity equal to the actuarial equivalent of the member's accumulated contributions and a pension computed by applying section 6B2 as if the member's services as an employee were discontinued by TVA through no act or delinquency of the member.

N. Limited Time Retirement Incentive

Notwithstanding any other provisions of these Rules and Regulations, a member retiring under the provisions of sections 6.A or 6.B, who voluntarily offers to resign during the period beginning August 15, 1994 and ending October 3, 1994, who leaves TVA employment pursuant to TVA's acceptance of that offer, and who files an appropriate election with TVA shall (subject, however, to the provisions of section 11) receive a retirement allowance calculated by adding three years of creditable service and three years of age to the creditable service and attained age otherwise established under these Rules and Regulations provided, however, that the three years of additional creditable service provided herein shall not be considered creditable service for determining a member's eligibility for any benefit which requires a minimum of creditable service. The creditable service provided under this section 6.N shall not in any way affect the definition or calculation of average compensation provided elsewhere in these Rules and Regulations.

O. Reexamination of Members Retired for Disability

1. Once each year during the first five years following the retirement of a member on a disability retirement allowance and once in every three-year period thereafter the directors may require such retired member, if he has not attained age 65, to submit to a medical examination by a physician or physicians designated by the Medical Board. Should any such retired member refuse to undergo the medical examination as so prescribed, his disability retirement allowance may be suspended until the examination is made, and should the refusal continue for one year, all rights in and to the pension, commencing from the date of the original suspension, may be revoked by the directors, in which event the unexpended portion of the annuity reserve shall be returned to the member in a lump sum, and the member, his executors, administrators, or assigns, shall thereafter have no further rights, title, claim, or interest therein.

2. If it shall appear from the report of the Medical Board that the retired member's disability has been wholly or partially removed, or that he has regained or acquired earning capacity, or if the board determines that the member is earning more than the difference between his annual compensation at the time of retirement and his disability retirement allowance, his pension may be reduced by such amount as the board deems equitable; provided, however, that (subject to the provision of section 11) the pension shall not be reduced on that account to the extent that the total retirement allowance then payable to the member shall be less than the retirement allowance to which he would have been entitled at the time of his retirement had he retired under the provisions of

section 6B as modified in accordance with the option, if any, previously selected by him. The determination of the board as to any disputed question, after due consideration accorded to the member, shall be conclusive. Should the disability pension of any member be so reduced and should he again suffer a recurrence of the original disability within five years of the date of his recovery and again lose his earning capacity in whole or in part, he shall be entitled to apply to the board for a restoration or partial restoration of his original pension and the board may, in its discretion, restore all or part of his original pension.

P. Restoration to Service After Retirement

Should a beneficiary who has retired under section 6 be restored to service as an employee, the beneficiary's retirement allowance shall cease and any election of an optional benefit in effect thereunder shall be of no further effect. The beneficiary shall again become a member of the Retirement System. All service to the beneficiary's credit at the time of the beneficiary's retirement shall be restored to full force and effect, and the beneficiary shall be credited with all subsequent service as a member, including any subsequent forfeited annual leave credit and, at the member's election, any subsequent unused sick leave credit; provided, however, that upon the member's subsequent retirement, any unused sick leave credit, regardless of when established, shall be treated as elsewhere provided in the Rules and Regulations.

Upon subsequent retirement, a member who previously retired under section 6A or 6B shall receive a pension benefit computed as follows:

For members who have 5 years or more of creditable service after returning to service, and any member who has 2 years or more of creditable service after returning to service, whose services as an employee are discontinued by TVA after such restoration through no act or delinquency of the member's, the pension benefit is the greater of 1 or 2 below; for all other members, the pension benefit would be determined using only the provisions described in 2 below:

1. The amount determined as if all creditable service were worked consecutively with no break.

2. (i) The amount of the member's pension payable at the time of the restoration to service, updated to the subsequent retirement date by adding all cost-of-living adjustments which would have been granted under section 6.I if the member had not returned to service, plus (ii) an amount determined by multiplying the member's average compensation and creditable service since the most recent date of hire by a pension multiple determined under section 6, aggregating all creditable service.

In addition to the pension benefit described above, a member whose pension is being calculated pursuant to this section shall receive an annuity benefit equal to the actuarial equivalent of the member's annuity benefit at the time of the restoration to service, plus all accumulated contributions of the member after restoration to service. The actuarial equivalent of the member's annuity at the time of restoration to service shall also be the value of the reserve required to be transferred to the Annuity Savings Account pursuant to section 10C4.

Notwithstanding the above, in the event the member is reemployed by TVA on or after July 1, 2014, and either (i) terminated employment with TVA without five (5) years of creditable or (ii) 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 and 6L, effective as of the reemployment date, the member will not be eligible to accrue any additional retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19, and the member will be eligible for a retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan.

Q. Establishing Credit for Previous Service

A member shall be credited with all of his or her previous service; provided, however, that a member who previously received a lump-sum benefit under section 6(K), who has been restored to service as an employee, shall receive credit for such service only for determining a member's eligibility for any benefit which requires a minimum of creditable service.

R. Default Elections

1. Members Who Fail to Make an Election

Any member who ceases to be an employee of TVA and who fails to file an application for a retirement allowance with the directors within the 60-day period set forth under section 6 will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. The default payment of their retirement allowance will be in the form of a single life annuity, or if the member is subject to the spousal consent requirement under the Rules, in the form of a 100% joint and survivor annuity. As allowed for under the Rules, such members who are defaulted to a deferred retirement allowance may notify the System during this deferral period to (i) elect a survivor benefit or different

survivor benefit, and/or (ii) begin payments prior to age 65 but not before age 55, in which case the effective date for payments to begin will be the date the application is received.

2. Members Who Fail to Begin Payments at Age 55

Any member who elects a deferred retirement allowance within the 60-day period set forth under section 6 will be notified by the System prior to age 55 of the option to begin receiving payments beginning at age 55. If the member either elects not to begin payments at age 55 or fails to make such an election within 60 days following notification by the System, then the member will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. As allowed for under the Rules, such members who are subsequently defaulted to receive payments beginning at age 65 may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65, in which case the effective date for payments to begin will be the date the application is received.

3. Spousal Beneficiaries Who Elect to Defer Death-in-Service Benefit

Any spousal beneficiary who elects to receive a death-in-service benefit under section 6 in the form of a deferred retirement allowance will be notified by the System prior to the time the beneficiary turns age 55 of the option to begin receiving payments beginning at age 55. If the spousal beneficiary either elects not to begin payments at age 55 or fails to make such an election within 60 days following notification by the System, then the spousal beneficiary will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. As allowed for under the Rules, such spousal beneficiaries who are subsequently defaulted to receive payments beginning at age 65 may notify the System during this deferral period to begin payments prior to age 65, in which case the effective date for payments to begin will be the date the application is received.

SECTION 7

7. Cash Balance Benefit Structure

A. Definitions

For purposes of this section, the following words and phrases shall have the meanings indicated below.

1. "Account" or "Cash Balance Account" shall mean the account established and maintained for each Participant or retiree pursuant to the provisions of section 7. Such accounts are intended to be only bookkeeping accounts and neither the maintenance nor the making of credits thereto shall be construed as an allocation of assets of the Plan to or a segregation of such assets in any account or otherwise as creating a right in any person to receive specified assets of the System. Benefits provided under section 7 shall be paid from the general assets of the System in the amounts, in the forms, and at the times provided under the terms contained therein.

2. "Actuarial equivalent" shall mean a benefit of equivalent value computed on the basis of regular interest, mortality tables, and other actuarial factors as included in this section 7 and the appendix to these Rules and Regulations.

3. "Age" shall mean, for purposes of applying the provisions of section 7 of these Rules, the actual age of the Participant, retiree, or beneficiary.

4. "Cash Balance Participant" or "Participant" shall mean an employee who is a member of the System and who is a Participant in the Cash Balance Benefit Structure in accordance with the terms of section 7.B.

5. "Cash Balance Service" shall mean a Participant's creditable service as defined in section 1.8 except that it shall not include credit for unused sick leave, forfeited annual leave, or credit for military service established pursuant to section 5.2.

B. Participation

1. Initial Enrollment

Each employee who first becomes a member of the System on or after January 1, 1996, and prior to July 1, 2014, shall be a Cash Balance Participant effective on the date he or she becomes a member of the System. Except as provided below in this section, all employees who were members of the System on December 31, 1995, and who during the initial enrollment period filed an appropriate election to waive the benefit calculated under section 6 in consideration for receiving a benefit calculated in accordance with the provisions of this section 7, shall be deemed to be Cash Balance Participants effective as of January 1, 1996; provided, however, that such members of the System on December 31, 1995 who elected to become Cash Balance Participants shall, during a limited time enrollment period from July 1, 1998 until November 6, 1998, have the right to waive the benefit calculated in accordance with section 7 and elect to receive a benefit calculated under section 6. Such election shall be effective as of January 1, 1999. Provided, further, that such members shall be deemed to be automatically vested in any TVA matching contributions made while they were Cash Balance Participants notwithstanding the fact that they did not complete five years of cash balance service.

2. Subsequent Enrollment

Subject to section 6P, employees who first became members of the System prior to December 31, 1995, and either (a) were not eligible to make the election described in section 7B1 above during the initial enrollment period or the election during the enrollment described in section 7B3 below, or (b) are, on or after January 1, 2000, re-employed by TVA after a break-in-service of 180 or more consecutive days and under these Rules and Regulations are members of the Original Benefit Structure upon re-employment, shall upon subsequent eligibility for System coverage be given an opportunity to file an appropriate election to waive the benefit calculated under section 6 in consideration for receiving a benefit calculated in accordance with this section 7. Such election shall be filed within three months from the date of subsequent eligibility and will be effective as of the last day of the TVA pay period following receipt of such election. Employees who first became members of the System on or after July 1, 2014, and employees (i) who first became members of the System prior to July 1, 2014, (ii) who terminated employment with TVA and are reemployed by TVA on or after July 1, 2014, and (iii) who 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 their entire benefit in a single, lump-sum payment as set forth in sections 6K, 6L or 7D4, as applicable, are not eligible for subsequent enrollment under this section 7B2.

3. Limited Time Enrollment for Cash Balance Participation

Notwithstanding any other provisions of these Rules and Regulations, each employee who is a member of the System, but not a Cash Balance Participant, as of July 1, 1998, shall be given an opportunity, from July 1, 1998 until November 6, 1998, to file an appropriate election to waive the benefit calculated under section 6 in consideration for receiving a benefit calculated in accordance with the provisions of this section 7. A member making such an election shall be deemed to be a Cash Balance Participant effective as of January 1, 1999.

4. Cash Balance Participation

Notwithstanding any other provisions of these Rules and Regulations, eligibility for benefits and the calculation of said benefits under these Rules and Regulations for all Cash Balance Participants as defined in this section 7 shall be determined in accordance with the provisions of this section 7 and not section 6. Provided, however, that members eligible to elect until November 6, 1998 to become Cash Balance Participants as described under section 7B3 above, or those Cash Balance Participants eligible to elect until November 6, 1998 to return to the Original Benefit Structure as described under the proviso in section 7B1 above, shall upon a retirement between June 8, 1998 and December 31, 1998 be entitled to elect retirement benefits as calculated under either section 6 or section 7 of these Rules and Regulations.

5. Future Participation and Transfer Elections

a. During a limited-time period from July 1, 2018 to August 31, 2018, a Cash Balance Participant who either (i) first became a member of the System prior to January 1, 1996, or (ii) first became a member of the System on or after January 1, 1996, and had ten (10) or more years of cash balance service as of October 1, 2016, may elect in writing provided to the System to waive future retirement benefit accruals under the provisions of the Rules and Regulations on and after October 1, 2018, and to earn future retirement benefit accruals on and after October 1, 2018 solely as a participant in the Deferral Plan. Such election shall become irrevocable if received by the System in writing, and not subsequently revoked by the Cash Balance Participant in writing provided to the System, at or prior to 11:59 p.m. Eastern time on August 31, 2018, and shall be effective October 1, 2018. Subject to an election under section 7B5(b) below, the Cash Balance Account of a Cash Balance Participant who makes the election under this section shall be maintained and shall continue to be credited with interest under the Rules and Regulations solely as set forth in section 7C3 concerning interest-based credits to Cash Balance Accounts and section 19A1 with respect to rates of return on contributions to the Retirement System.

b. During a limited-time period from July 1, 2018 to August 31, 2018, a Cash Balance Participant who either (i) made the election under section 7B5(a) above or (ii) first became a member of the System on or after January 1, 1996, and had less than ten (10) years of cash balance service as of October 1, 2016, may elect in writing provided to the System to have the entire amount credited to the Participant's Cash Balance Account (as of September 29, 2018) transferred to the Deferral Plan on October 1, 2018. Such election shall become irrevocable if received by the System in writing, and not subsequently revoked by the Cash Balance Participant in writing provided to the System, at or prior to 11:59 p.m. Eastern time on August 31, 2018, with the transfer being made from the System to the Deferral Plan on October 1, 2018. Any Cash Balance Participant whose account is transferred to the Deferral Plan as provided herein shall not be entitled to any retirement benefits under the provisions of these Rules and Regulations on and after October 1, 2018. For purposes of the Deferral Plan, these amounts will be treated as transfer contributions to participants' accounts as set forth in article 6.1C of the Deferral Plan. For purposes of clarity, the spousal consent provisions of section 7M shall not apply to this election.

c. A Cash Balance Participant who makes the election under section 7B5(a) as permitted under the applicable provisions of section 7, but not the election under section 7B5(b), shall continue to earn Cash Balance Service in accordance with the terms of these Rules and Regulations.

C. Accounts and Credits to Accounts

1. Accounts

An account shall be established and maintained for each Participant to which credits shall be made pursuant to the provisions of this section 7C, subject to the limitations of section 17, as of the date the employee becomes a Participant.

In case of an individual who was a member of the Retirement System on December 31, 1995, and who elected to become a Cash Balance Participant as of January 1, 1996, such Participant's initial account shall be established as of January 1, 1996, and shall be credited with the amount calculated by multiplying the Participant's annual rate of earnable compensation as of July 1, 1995 by the Participant's years of cash balance service (rounded to the nearest full month) as of December 31, 1995, times 9 percent.

An employee who elects to become a Cash Balance Participant as permitted by section 7B2 or section 7B4 above, shall have such Participant's initial account balance established as of the last day of the TVA pay period following the Participant's election (the "effective date") and Participant shall be credited with an amount calculated by multiplying the Participant's annual rate of earnable compensation on the date of TVA employment closest to July 1, 1998, by the Participant's years of cash balance service (rounded to the nearest month) as of the "effective date" of the Participant's election, multiplied by 9 percent.

An employee who elects to become a Cash Balance Participant as permitted by section 7B3 above, shall have such Participant's initial account balance established as of January 1, 1999 and Participant shall be credited with an amount calculated by multiplying the Participant's annual rate of earnable compensation on July 1, 1998, by the Participant's years of cash balance service (rounded to the nearest month) as of January 1, 1999, multiplied by 9 percent.

2. Pay-Based Credits to Participant's Accounts

a. Beginning as of the first day of the first pay period beginning after January 1, 1996, and as of the first day of each pay period thereafter, each Cash Balance Participant's account shall be credited with an amount equal to 6 percent of the earnable compensation received by the Participant for the previous pay period.

b. Beginning September 1, 2011, on the last day of each month, the Account of each Cash Balance Participant shall be credited with an amount equal to 6 percent of the Participant's earnable compensation for that month. Upon retirement or termination of employment, the Participant's Account shall receive as a final pay-based credit an amount equal to 6 percent of the Participant's earnable compensation for the period of time from the beginning of the month in which retirement of termination of employment occurs, to the actual date of retirement or termination.

c. Beginning October 1, 2016, on the last day of each month, the Account of each Cash Balance Participant shall be credited with amounts equal to the following: (i) for Cash Balance Participants who first became members of the System prior to January 1, 1996, an amount equal to 6 percent of the Participant's earnable compensation for that month, and upon retirement or termination of employment, the Participant's Account shall receive as a final pay-based credit an amount equal to 6 percent of the Participant's earnable compensation for the period of time from the beginning of the month in which retirement of termination of employment occurs, to the actual date of retirement or termination; and

(ii) for Cash Balance Participants who first became members of the System on or after January 1, 1996, and have ten (10) or more years of cash balance service as of October 1, 2016, an amount equal to 3 percent of the Participant's earnable compensation for that month, and upon retirement or termination of employment, the Participant's Account shall receive as a final pay-based credit an amount equal to 3 percent of the Participant's earnable compensation for the period of time from the beginning of the month in which retirement of termination of employment occurs, to the actual date of retirement or termination.

d. Effective September 30, 2016, the Accounts of each Cash Balance Participant who first became a member of the System on or after January 1, 1996, and has less than ten (10) years of cash balance service as of October 1, 2016, shall not be credited with any additional pay-based credits on or after October 1, 2016.

e. Effective October 1, 2018, the Cash Balance Account of any Cash Balance Participant who makes the election permitted by section 7B5(a) shall not be credited with any pay-based credits on and after October 1, 2018, or, if later, the effective date of the Participant's election under section 7B5(a) pursuant to section 7J2 or 7J4.

f. If TVA elects to keep in service a Participant, who is on temporary leave of absence without pay and who would otherwise be eligible to receive pay credits under section C2(c) above, and TVA continues its contributions on account of such Participant during such period, then such Participant shall continue to receive pay-based credits based on the rate of the Participant's earnable compensation in effect on the last day in pay status; provided, however, that the earnable compensation used to calculate the pay-based credits will include any subsequent adjustments resulting from normal salary or wage increases, salary or wage negotiations, or position reclassification where the Participant is on leave of absence without pay (i) to serve in a full-time position with a labor organization, (ii) to serve in the uniformed services as defined in 38 U.S.C. §4303 (USERRA), or (iii) pursuant to any other federal law or regulation that would require such adjustments for crediting purposes.

3. Interest-Based Credits to Accounts

a. (i) 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.

(ii) Cash Balance Participants Who First Became Members of the System Prior to January 1, 1996, and Who Made the Election As Permitted by Section 7B5(a)

Interest-based credits shall continue to be made to the Account of the Cash Balance Participant as described above in subsection C3(a)(i), except that 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.

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 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.

D. Benefits for Cash Balance Participants

1. Normal Retirement Benefit

The normal retirement age shall be 65. A Participant, upon or after reaching age 65, while in service as an employee, who has five or more years of cash balance service, shall be retired upon his or her own application, or upon application by TVA, filed with the directors while the Participant is in service or not later than 60 days after the Participant ceases to be an employee. A Participant retiring pursuant to the provisions of this subsection shall be retired by the directors as of the day following the date the Participant ceases to be an employee.

2. Early Retirement Benefit

A Participant who has completed five years of cash balance service and who has either reached age 55 or whose services are discontinued by TVA through no act or delinquency of the Participant, shall be retired upon filing an application with the Board not later than 60 days after the Participant ceases to be an employee. A Participant retiring pursuant to the provisions of this subsection shall be retired by the directors as of the day following the date the Participant ceases to be an employee.

Upon retirement under the provisions of sections 7D1 or 7D2, a Participant shall have the option of either a deferred or immediate retirement allowance which shall consist of an annuity equal to the actuarial equivalent of the Participant's accumulated contributions; however, a Participant may irrevocably elect to withdraw all or part of the Participant's accumulated contributions in a single sum at retirement (or in the case of a Participant electing a deferred retirement allowance, the election to receive a single sum may be made and the single sum paid at any time prior to the date the deferred allowance becomes normally due), and a pension equal to the quotient of (i) the Participant's account balance as of the day preceding the date the first payment becomes normally due, divided by (ii) the applicable conversion factor from the monthly payment conversion table contained in section 7K based on the Participant’s age in years and months as of the date the first payment becomes normally due.

3. Benefit Upon Termination of Employment Prior to Retirement

a. Participants with Less Than Five Years of Cash Balance Service at Termination

A Participant shall have no right to a benefit based on the amount of the Participant's cash balance account prior to completing five years of cash balance service.

Within 60 days of the filing of a request by a Participant with less than five years of cash balance service who has ceased to be an employee for any cause other than death, the participant shall be entitled to receive a lump sum equal to the full amount of the Participant's accumulated contributions as of the earlier of the date of termination of the Participant's membership or the date of the filing of the Participant's request; provided, however, that if the Participant has six months or less of cash balance service and ceases to be an employee for any cause other than death, such amount shall be refunded to the Participant irrespective of whether the Participant has filed a request for it.

b. Participants with Five or More Years of Cash Balance Service at Termination

A Participant with a minimum of five years of cash balance service, who is less than age 55 on the date the Participant ceases to be in service and who is not eligible for an early retirement benefit under subsection D2 above, may be retired upon application filed with the directors while the Participant is in service or not later than 60 days after the Participant ceases to be an employee.

Upon retirement under the provisions of this section 7D3b, a Participant shall receive a deferred retirement allowance beginning at age 55 or later, consisting of an annuity equal to the actuarial equivalent of the Participant's accumulated contributions, and a pension equal to the quotient of (i) the Participant's cash balance account balance as of the day preceding the date the first payment becomes normally due, divided by (ii) the applicable conversion factor from the monthly payment conversion table contained in section 7K based on the Participant’s age in years and months as of the date the first payment becomes normally due.

Provided, however, that (i) a Participant retiring on a deferred retirement allowance may, prior to the date the deferred allowance becomes

normally due, elect to withdraw all or part of the Participant's accumulated contributions in a single sum, and (ii) in the event a deferred retirement Participant elects a single life annuity and dies prior to the date the retirement allowance begins, the entire amount of the Participant's accumulated contributions (if any) and the entire amount of the Participant's cash balance account will be paid in a lump sum to the Participant's surviving spouse at the time of death, or if there is no surviving spouse, then to the Participant's estate.

4. Lump-Sum Payment of Cash Balance Accounts

Notwithstanding any provisions of this section 7 or section 11 to the contrary, a Participant with a minimum of five years of cash balance service may elect to receive the entire amount of the Participant's cash balance account in a lump sum at termination of employment or retirement in lieu of the pension benefit and COLA benefit provided herein.

E. Optional Benefits Upon Retirement for Participants Retiring on an Immediate Allowance

Except for Participants retiring on a deferred allowance, the first payment on account of a retirement allowance becomes normally due on the last day of the month in which the Participant is scheduled to be retired, or on the last day of the calendar month next following the date on which the application is filed, whichever is later. Until the first payment becomes normally due, any Participant may elect to convert the retirement allowance otherwise payable into a retirement allowance of equivalent actuarial value of one of the optional forms named below. Such election of an optional benefit shall become effective on the date of the filing of the election with the directors or on the date as of which the Participant is retired by the directors, whichever is later.

Option 1: A reduced retirement allowance payable during the Participant's life, with the provision that at the Participant's death a lump sum equal in amount to any remaining accumulated contributions standing to the Participant's credit shall be paid to such person or persons, if any, as the Participant shall have nominated, otherwise, to the Participant's estate; or

Option 2: A reduced retirement allowance payable during the Participant's life, with the provision that it shall continue after the Participant's death for the life of the beneficiary nominated by the Participant at the time of retirement should such beneficiary survive the Participant; or

Option 3: A reduced retirement allowance payable during the Participant's life, with the provision that it shall continue after the Participant's death at one-half of the rate paid

to the Participant and be paid for the life of the beneficiary nominated by the Participant at the time of retirement should such beneficiary survive the Participant; or

Option 4: A reduced retirement allowance payable during the Participant's life, with the provision of some other benefit, provided that the total value of such allowance and benefit shall be computed to be of actuarial value equivalent to the allowance which the Participant would receive without optional modification provided that such benefit is otherwise consistent with these Rules including section 15 relating to benefit distribution requirements.

F. Optional Benefits Upon Retirement for Participants Retiring on a Deferred Allowance

The first payment on account of a deferred retirement allowance becomes normally due on the last day of the month in which the Participant reaches the age to which the allowance is deferred. Any Participant retired on a deferred allowance may elect to convert the retirement allowance otherwise payable into a retirement allowance of equivalent actuarial value of one of the optional forms named below. Such election shall be made at retirement within the 60-day time limitation prescribed in section 7D1 and shall be effective at the time of retirement or the date of the filing of the election with the directors, whichever is later; and may be changed by the Participant by filing an election with the board at any time prior to the date the first payment becomes normally due. Prior to the payment becoming normally due, an optional election is automatically revoked upon the death of the beneficiary or upon the Participant's divorce from a spouse nominated as the beneficiary.

Option 1 (Deferred): A reduced retirement allowance payable during the Participant's life after the deferred allowance becomes normally due, with the provision that at the Participant's death a lump sum equal in amount to any remaining accumulated contributions standing to the Participant's credit shall be paid to such person or persons, if any, as the Participant shall have nominated, otherwise, to the Participant's estate; or

Option 2 (Deferred): After payment of a deferred allowance becomes normally due, a reduced retirement allowance payable during the Participant's life with the provision that it shall continue after the Participant's death for the life of the beneficiary nominated by the Participant should such beneficiary survive the Participant; if the Participant's death occurs before the Participant's first benefit payment becomes normally due, a benefit shall be payable to the Participant's nominated beneficiary for life as follows:

1. If the Participant's death occurs on or after the Participant's attainment of age 55, an amount equal to that the Participant would have received under this option if the Participant's first benefit payment had been normally due on the

date of the Participant's death, such payments to begin immediately after the Participant's death;

2. If the Participant's death occurs prior to the Participant's attainment of age 55, an amount equal to that the Participant would have received under this option at the time the Participant would have attained age 55; or

Option 3 (Deferred): After payment of a deferred allowance becomes normally due, a reduced retirement allowance payable during the Participant's life with the provision that it shall continue after the Participant's death at one-half of the rate paid to the Participant and be paid for the life of the beneficiary nominated by the Participant should such beneficiary survive the Participant; if the Participant's death occurs before the Participant's first benefit payment becomes normally due, a benefit shall be payable to the Participant's nominated beneficiary for life as follows:

1. If the Participant's death occurs on or after the Participant's attainment of age 55, an amount equal to one-half of the rate that the Participant would have received under this option if the Participant's first benefit payment had been normally due on the date of the Participant's death, such payments to begin immediately after the Participant's death;

2. If the Participant's death occurs prior to the Participant's attainment of age 55, an amount equal to one-half of the rate that the Participant would have received under this option at the time the Participant would have attained age 55, such payments to begin at the time the Participant would have attained age 55; or

Option 4 (Deferred): After payment of a deferred allowance becomes normally due, a reduced retirement allowance payable during the Participant's life, with the provision of some other benefit, provided that the total value of such allowance and benefit shall be computed to be of actuarial value equivalent to the allowance which the Participant would receive without optional modification; if the Participant's death occurs before payments to the Participant become normally due, some other benefit shall be payable to the Participant's nominated beneficiary as follows:

1. If the Participant's death occurs on or after the Participant's attainment of age 55, a benefit shall be payable provided that the total value of such benefit shall be computed to be of actuarial value equivalent to the allowance the Participant would have received without optional modification if the Participant's first benefit payment had been normally due on the date of the Participant's death, such payment to begin immediately after the Participant's death;

2. If the Participant's death occurs prior to the Participant's attainment of age 55, a benefit shall be payable provided that the total value of such benefit shall be

computed to be of actuarial value equivalent to the allowance the Participant would have received without optional modification at the time the Participant would have attained age 55, such payment to begin at the time the Participant would have attained age 55.

Any Option 4 (Deferred) modification shall be otherwise consistent with these Rules including section 15 relating to benefit distribution requirements.

Notwithstanding any provisions in these Rules and Regulations to the contrary, a Participant's pension shall be surrendered when all or any portion of the Participant's cash balance service is used to establish benefit credits under another retirement plan for Federal Government employees financed in whole or in part by the Federal Government.

G. Level-Income Plans

1. A Participant who retired under the provisions of section 7D and receives a retirement allowance beginning before the Participant is eligible to receive a reduced Old-Age Benefit under Title II of the Social Security Act may choose, before the date the first payment of the Participant's allowance becomes normally due, the level-income plan which provides that:

   a. The Participant's pension will be increased until the earliest age at which the Participant is eligible for a reduced Old-Age Benefit by the actuarial equivalent of the Old-Age Benefit estimated to be payable to the Participant at that age under Title II of the Social Security Act, as amended, except that in no case will the Participant's pension be increased above a pension of equivalent actuarial value ending at such age; and

   b. This increased pension will be reduced, beginning with the month in which the Participant reaches the age determined in section 7G1a, by the full amount of the previously estimated social security benefit, but by not more than the amount of such increased pension.

   Any survivorship benefit under one of the options in section 7.E or 7.F shall be calculated as if this level-income plan had not been chosen.

2. The widow or widower of a retiree or of a Participant who died in service, who receives a monthly benefit under one of the options specified in section 7.E, 7.F, or 7.I may, if she or he meets the requirements for a widow's or widower's social security benefit, choose the level-income plan described below. This choice may

be made at the time of eligibility for the System's monthly benefit, except that if eligible for other social security benefits beginning earlier, the level-income plan may not be chosen until eligibility for such other benefits ceases. The level-income plan provides that:

a. The pension portion of the monthly benefit in the case of a deceased retiree, or the portion of the monthly benefit derived from the lump sum as specified in section 7I2 in the case of a deceased member, will be increased until the earliest age at which a widow or widower could be entitled to social security benefits, by the actuarial equivalent of the amount estimated to be payable at that age under Title II of the Social Security Act, as amended, as the insurance benefit to a widow or widower without dependents on account of the death of such member or retiree, except that in no case will such portion of the monthly benefit be increased above a pension of equivalent actuarial value ending at such age; and

b. This increased monthly benefit will be reduced, beginning with the month in which the widow or widower reaches the age determined in section 7G2a, by the amount of the previously estimated social security benefit, but by not more than the amount of such increased portion.

Any survivorship benefit under section 7I shall be calculated as if this level-income plan had not been chosen.

H. Disability Retirement

1. Except as set forth in section 7H3 below, any Participant with 5 or more years of cash balance service may, upon the application of TVA or upon the Participant's own application, filed with the board while the Participant is in service or not later than 60 days after the Participant ceases to be in service, be retired by the board on a disability retirement allowance upon a determination by the board which shall include the consideration of a report either by the Medical Board or by TVA Medical Services and information from TVA Human Resources that the Participant cannot be continued in the Participant's present position because of a physical or mental disability that is likely to be permanent and that there is no other position available for which the Participant is qualified and can perform with the Participant's medical restrictions. Such retirement shall begin as of the day following the date on which the application is filed, except that the board may in its discretion and for good cause establish an earlier beginning date, but in no case will the beginning date be earlier than the day following the date the Participant ceases to be in pay status.

2. A Participant retired on account of such disability shall (subject, however, to the provisions of section 11) receive a disability retirement allowance which shall correspond to the normal retirement benefit if the member has reached age 65 on the date of his retirement, and which shall otherwise consist of:

   a. An annuity which is the actuarial equivalent of the Participant's accumulated contributions.

   b. A pension equal to one and one-tenth percent (1.1%) of the Participant's average compensation for each year of the Participant's cash balance service except that if the pension as so calculated is less than thirty percent (30%) of the Participant's average compensation, it shall be increased to thirty percent (30%); provided, however, that such increase in percentage rate shall not in any event exceed one and one-half percent (1.5%) times the number of years the Participant lacks of attainment of age 65 on the date of retirement. If and when the member becomes entitled to a Disability Insurance Benefit or an Old-Age Benefit under Title II of the Social Security Act, the pension shall be reduced by the smaller of (1) an amount equal to nine-tenths of the social security offset, or (2) the amount, if any, by which the disability pension before such reduction exceeds the normal pension to which the Participant would have been entitled if the Participant had been age 65 at the time of retirement; provided, however, that if the Participant commences to receive a reduced Old-Age Benefit before reaching age 65, the pension shall be reduced by the actuarial equivalent of the aforesaid reduction.

3. a. Effective October 1, 2016, Cash Balance Participants (i) who first became members of the Retirement System on or after January 1, 1996, (ii) have less than ten (10) years of cash balance service as of October 1, 2016, and (iii) have not yet filed for a disability retirement as of October 1, 2016, that is subsequently approved by the board, will not be eligible for or have a right to disability retirement benefits as set forth under this section 7H.

   b. Effective October 1, 2018, Cash Balance Participants who (i) elected under section 7B5(a) to receive a future retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan, as permitted by that section and sections 7J2 and 7J4, and (ii) have not yet filed for a disability retirement as of the date their election described in (i) becomes final, will not be eligible for, or have a right to, disability retirement benefits as set forth under this section 7H.

I. Benefit Payable in the Event of Death Before Retirement

Upon the receipt of proper proofs of death of a Participant who shall have died in service, there shall (subject, however, to the provisions of section 11) be paid to such person as the Participant shall have nominated by written designation duly filed with the board a benefit as follows:

1. For Participants Who First Became Members Prior to January 1, 1996, and For Participants Who First Became Members On or After January 1, 1996, and Have Ten (10) or More Years of Cash Balance Service as of October 1, 2016

   a. If the Participant's beneficiary is any person other than such Participant's spouse, the beneficiary may elect to receive either (1) a cash lump sum, payable as of the first day of the month following the month in which the Participant's death occurs, in an amount equal to the value of such Participant's accumulated contributions plus the greater of the amount calculated using the formula contained in section 6D2 based on the Participant's annual salary rate or the Participant's account balance as of the last day of the month in which the death of the Participant occurs, or (2) a life annuity commencing no later than one year after the member's death and consisting of a pension, payable monthly, which is the greater of the amount calculated using the formula contained in section 6D2 based on the Participant's annual salary rate or the amount equal to the quotient of (i) the Participant's cash balance account balance as of the date preceding the date the payments commence, divided by (ii) the applicable conversion factor from the table contained in section 7K based on the beneficiary’s age in years and months as of the date payments commence, and an annuity equal to the actuarial equivalent of the Participant's accumulated contributions. In lieu of the life annuity, and subject to section 15, the beneficiary may designate an actuarial equivalent annuity, with payments to commence at such future date as the beneficiary chooses and at the beneficiary's death the difference, if any, between the present value of the total benefit payable at the time of the Participant's death and the sum of the payments made to the beneficiary during the beneficiary's lifetime, exclusive of any increases in such payments which are provided in subsections G and L of this section 7, shall be paid in a lump sum to such person or persons as the Participant shall have designated as contingent beneficiaries under this option or, in the absence or default of such designation, to such person or persons as the primary beneficiary shall have designated or in the absence or default thereof to the primary beneficiary's estate. If no beneficiary survives the death of the Participant, such benefit, which

would have been payable to the beneficiary, shall be paid to the Participant's estate.

b. If the Participant's beneficiary is the Participant's spouse, such spouse shall be entitled to receive a life annuity for such beneficiary's life commencing no later than the date the Participant would have reached age 70-1/2 (if the Participant was born before July 1, 1949), effective January 1, 2020, age 72 (if the Participant was born after June 30, 1949 and before January 1, 1951), or effective January 1, 2023, age 73 (if the Participant was born after December 31, 1950), if such Participant had survived to such date. Such benefit to the spouse shall be a pension, payable monthly, which is the greater of the amount calculated using the formula contained in section 6D2 based on the Participant's annual salary rate or the amount equal to the quotient of (i) the Participant's cash balance account balance as of the date preceding the date the payments commence, divided by (ii) the applicable conversion factor from the table contained in section 7K based on the beneficiary's age in years and months as of the date payments commence, and an annuity equal to the actuarial equivalent of the Participant's accumulated contributions. In lieu of the life annuity, and subject to section 15, the beneficiary may designate an actuarial equivalent annuity, with payments to commence at such future date as the beneficiary chooses and at the beneficiary's death the difference, if any, between the present value of the total benefit payable at the time of the Participant's death and the sum of the payments made to the beneficiary during the beneficiary's lifetime, exclusive of any increases in such payments which are provided in subsections G and L of this section 7, shall be paid in a lump sum to such person or persons as the Participant shall have designated as contingent beneficiaries under this option or, in the absence or default of such designation, to such person or persons as the primary beneficiary shall have designated or in the absence or default thereof to the primary beneficiary's estate. Notwithstanding the foregoing, the spouse may request to receive, in lieu of any other benefits under the System to which such spouse would otherwise be entitled, a distribution of a cash lump sum equal to the greater of the amount calculated using the formula contained in section 6D2 based on the Participant's annual salary rate or the value of the Participant's cash balance account balance as of the Participant's date of death, and the Participant's accumulated contributions payable as soon as practicable after the Participant's death.

2. For Participants Who First Became Members On or After January 1, 1996, and Have Less Than Ten (10) Years of Service as of October 1, 2016

If the Participant had a minimum of five (5) years of cash balance service as of the date of the Participant's death, the Participant's designated beneficiary will receive the entire amount of the Participant's accumulated contributions (if any) and the entire amount of the Participant's cash balance account in a lump sum.

If the Participant had less than five (5) years of cash balance service as of the date of the Participant's death, the Participant's designated beneficiary will receive the entire amount of the Participant's accumulated contributions (if any) in a lump sum.

3. For Cash Balance Participants who made the election permitted by section 7B5(a), but not under section 7B5(b),the Cash Balance Participant's designated beneficiary will receive the entire amount of the Cash Balance Participant's accumulated contributions (if any) and the entire amount of the Cash Balance Participant's Cash Balance Account in a lump sum.

J. Reinstatement of Participant's Accounts Upon Reemployment

This subsection shall apply upon the employment of a Participant who was a former Participant that had terminated employment on or after January 1, 1996.

1. Participants who had less than five years of cash balance service at previous termination date - In the event the Participant is reemployed prior to July 1, 2014, the Participant's account balance and cash balance service on the Participant's most recent previous termination date will be restored as of the date the Participant's most recent employment date and the Participant will be eligible for credits in accordance with the terms of sections 7C2 and 7C3. In the event the Participant is reemployed on or after July 1, 2014, the Participant will not be eligible to have his or her previous account balance restored and, effective as of the reemployment date, the member will be eligible for a retirement benefit composed solely of the benefit accrued as a Participant in the Deferral Plan and will not be eligible to accrue any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19.

2. Participants who had a minimum of five years of cash balance service at previous termination date but had not received a pension or lump-sum benefit based on TVA's contributions to the System - The Participant's election of an optional benefit shall be of no further effect and the Participant's account balance will again be eligible to receive credits in accordance with the terms of sections 7C2 and 7C3 as of the Participant's most recent employment date. For Cash Balance Participants who are reemployed after July 1, 2018, within three (3) months of

the date of reemployment, the Cash Balance Participant shall be given the opportunity to file an appropriate election with the System as permitted by, and to the extent eligible, under section 7B5(a) and/or (b). Any such election shall become irrevocable on the first day of the first full pay period immediately following the last day of the Cash Balance Participant's three (3) month election period described in the prior sentence. A Cash Balance Participant who makes one or both elections permitted under section 7B5 pursuant to this section shall be subject to the same rules applicable to a Cash Balance Participant who made the election under section 7B5(a) or (b) directly, including, but not limited to, the rules regarding the freeze on pay credits and member contributions, calculating future interest credits, and eligibility for the supplemental benefit, special benefit or a disability retirement, and beneficiary distributions.

3. Participants who had a minimum of five years of cash balance service at previous termination date and who previously received their entire account in a single-sum payment - In the event the Participant is reemployed prior to July 1, 2014, the Participant's cash balance service (but no account credits) will be restored, and a new account will be established for the Participant as of the Participant's most recent employment date which will be eligible for credits in accordance with the terms of sections 7C2 and 7C3. In the event the Participant is reemployed on or after July 1, 2014, the Participant will not be eligible to have a new account balance established and, effective as of the reemployment date, the member will be eligible for a retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan and will not be eligible to accrue any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19.

4. Participants who were in receipt of a retirement allowance - Payment of the Participant's retirement allowance shall cease and any election of an optional benefit shall be of no further effect. All cash balance service to the Participant's credit at the time of the Participant's retirement shall be restored to full force and effect. The Participant's account balance as of the date of the Participant's most recent retirement shall be adjusted to reflect an actuarially equivalent balance as of the Participant's date of reemployment, and such account shall be eligible to receive credits in accordance with sections 7C2 and 7C3 as of the Participant's reemployment date. For Cash Balance Participants who are reemployed after July 1, 2018, within three (3) months of the date of reemployment, the Cash Balance Participant shall be given the opportunity to file an appropriate election with the System as permitted by, and to the extent eligible, under section 7B5(a) and/or section 7B5(b). Such election(s) shall become irrevocable on the first day of the first full pay period immediately following the Cash Balance Participant's three (3) month election period described in the prior sentence. A Cash Balance Participant who makes one or

both elections permitted under section 7B5 pursuant to this section shall be subject to the same rules applicable to a Cash Balance Participant who made the election under section 7B5(a) or (b) directly, including, but not limited to, the rules regarding the freeze on pay credits and member contributions, calculating future interest credits, eligibility for the supplemental benefit, special benefit or a disability retirement, and beneficiary distributions.

K. Monthly Payment Conversion Factor

The applicable conversion factor for use in calculating the Participant's monthly pension payment is based on the Participant's age in years and months (rounded to the nearest month) interpolated from the table below.

Age At Distribution	Monthly Payment Conversion Factor	Age At Distribution	Monthly Payment Conversion Factor
20	155	46	166
21	155	47	167
22	155	48	168
23	155	49	169
24	155	50	170
25	155	51	171
26	155	52	172
27	155	53	173
28	155	54	174
29	155	55	175
30	155	56	170
31	155	57	165
32	155	58	160
33	155	59	155
34	155	60	150
35	155	61	145
36	156	62	140
37	157	63	135
38	158	64	130
39	159	65	125
40	160	66	123
41	161	67	121
42	162	68	119
43	163	69	117
44	164	70	115
45	165	71	113

L. Cost-of-Living Adjustments (COLAs)

1. Prior to October 1, 2016

The board shall increase (subject, however, to the provisions of section 11) that portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) whenever the 12-month average of the Consumer Price Index (CPI) for any year exceeds by as much as one percent (1%) the CPI average for the prior year for which an adjustment hereunder was made. To be eligible for the increase, which shall be made beginning with the monthly payment for January following the year in which the CPI increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI increase occurred; provided that no benefit granted under section 7D2 which may begin before age 55 shall be increased hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached age 55; and provided further that for members who become retired members on or after January 1, 2010, no benefit granted under section 7D2 to begin before age 60 shall be increased hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 60. The rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the prior year since the last adjustment; provided, however, that the increase for any year shall not exceed five percent (5%) except that the board may, in its discretion and with the approval of TVA, apply for any year a maximum different from that specified above. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%); provided, however, for calendar years 2011 and 2013, the rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the preceding year or the prior year since the last adjustment if the CPI average decreased the preceding year. The 12-month periods used in determining the increases in CPI averages which provide the basis for increases in benefits hereunder shall conform as closely as practicable to calendar years.

2. On or after October 1, 2016

a. The portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is (i) derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) and (ii) based on

earnable compensation up to the rate of basic pay for Executive Schedule Level IV, shall be adjusted whenever the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for any year exceeds by as much as one percent (1%) the CPI-U average for the prior year for which an adjustment hereunder was made. The 12-month periods used in calculating the change in CPI-U averages will be the period November 1 through October 31.

b. To be eligible for the cost-of-living adjustment (COLA) set forth in subsection 2(a) above, which shall be made beginning with the monthly payment for January following the year in which the CPI-U increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI-U increase occurred. Retirees who were participants in TVA's Supplemental Executive Retirement Plan or any similar non-qualified executive retirement plan maintained by TVA, and who had less than ten (10) years of membership service at termination of employment or retirement, shall not be eligible for COLAs hereunder.

c. No benefit granted under section 7D2 to begin before age 55 shall be adjusted hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached age 55. For members who become retired members on or after January 1, 2010, no benefit granted under sections 7D2 to begin before age 60 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 60. For members or retirees who are under age 50 as of October 1, 2016, no benefit granted under sections 7D2 which began or will begin before age 65 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 65.

d. The amount of COLA set forth in subsection 2(a) above shall be equal to the following: (i) the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment, minus (ii) 0.25%; provided, however, that the COLA for any year shall not exceed six percent (6%).

M. Spousal Consent

Notwithstanding anything contained herein to the contrary, a member who for the first time becomes a member after January 1, 1990, shall (a) be required to name the member's spouse as beneficiary of the benefit payable under section 7I hereof and (b) be required to elect an optional retirement allowance described in Option 2 or Option 3

of sections 7E or 7F and shall be required to name the member's spouse as the beneficiary for that allowance unless the member certifies that he or she is not married at the time the allowance is applied for or the beneficiary is designated, or the member provides the Retirement System with written consent of his or her spouse to the designation of another form of retirement allowance or to the designation of a beneficiary other than the member's spouse. A member may withdraw the member's accumulated contributions only if the member certified that he or she is not married at retirement or provides the written consent of his or her spouse to the withdrawal. Once made, such written consent by the spouse shall be irrevocable. The board at its discretion may waive this spousal consent requirement where the member establishes that his or her spouse cannot be located.

N. Immediate Special Service Retirement Allowance

Notwithstanding any other provisions of these Rules and Regulations, a Participant regardless of age retiring under the provisions of section 7D2 who voluntarily ceases to be an employee shall (subject, however, to the provisions of section 11) at the Participant's option receive an immediate retirement allowance computed as set forth in this section 7N in lieu of any other retirement allowance provided for in these Rules and Regulations. Such allowance shall consist of an annuity equal to the actuarial equivalent of the Participant's accumulated contributions (however, a Participant may irrevocably elect to withdraw all or part of the Participant's accumulated contributions in a single sum at retirement) and a pension computed by applying section 7D2 as if the Participant's services as an employee were discontinued by TVA through no act or delinquency of the Participant.

O. Default Elections

1. Cash Balance Participants Who Fail to Make an Election

Any Cash Balance Participant who ceases to be an employee of TVA and who fails to file an application for a retirement allowance with the Board within the 60-day period set forth under section 7 will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. The default payment of their retirement allowance will be in the form of a single life annuity, or if the Participant is subject to the spousal consent requirement under the Rules, in the form of a 100% joint and survivor annuity. As allowed for under the Rules, such Participants who are defaulted to a deferred retirement allowance may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65 but not

before age 55, in which case the effective date for payments to begin will be the date the application is received. In the event a deferred retirement Participant is defaulted to a single life annuity and dies prior to the date the retirement allowance begins, the entire amount of the Participant's accumulated contributions (if any) and the entire amount of the Participant's cash balance account will be paid in a lump sum to the Participant's surviving spouse at the time of death, or if there is no surviving spouse, then to the Participant's estate.

2. Cash Balance Participants Who Fail to Begin Payments at Age 55

Any Cash Balance Participant who elects a deferred retirement allowance within the 60-day period set forth under section 7 will be notified by the System prior to age 55 of the option to begin receiving payments beginning at age 55. If the Participant either elects not to begin payments at age 55 or fails to make such an election within 60 days following notification by the System, then the Participant will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. As allowed for under the Rules, such Participants who are subsequently defaulted to receive payments beginning at age 65 may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65, in which case the effective date for payments to begin will be the date the application is received.

3. Spousal Beneficiaries Who Elect to Defer Death-in-Service Benefit

Any spousal beneficiary who elects to receive a death-in-service benefit under section 7 in the form of a deferred retirement allowance will be notified by the System prior to the time the beneficiary turns age 55 of the option to begin receiving payments beginning at age 55. If the spousal beneficiary either elects not to begin payments at age 55 or fails to make such an election within 60 days following notification by the System, then the spousal beneficiary will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. As allowed for under the Rules, such spousal beneficiaries who are subsequently defaulted to receive payments beginning at age 65 may notify the System during this deferral period to begin payments prior to age 65, in which case the effective date for payments to begin will be the date the application is received.

SECTION 8

8. Direct Rollover of Certain Distributions

A. This section applies to certain distributions made on or after January 1, 1993. Notwithstanding any provision of these Rules and Regulations to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect at the time and in the manner prescribed by the board to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

B. The following definitions apply to the terms used in this section:

1. An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee of the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; any hardship distribution; and the portion of any distribution that is not includable in gross income.

   A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to (i) an individual retirement account or annuity described in section 408(a) or (b) of the Code; (ii) for taxable years beginning after December 31, 2001 and before January 1, 2007, to a qualified trust which is part of a defined contribution plan that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible; or (iii) for taxable years beginning after December 31, 2006, to a qualified trust or to an annuity contract described in section 403(b) of the Code, if such trust or contract provides for separate accounting for amounts so transferred (including interest thereon), including separately accounting for the portion of such distribution which includible in gross income and the portion of such distribution which is not so includible.

2. An "eligible retirement plan" is an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency of

instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from the Retirement System, an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, an annuity contract described in section 403(b) of the Code, or a qualified defined contribution plan described in section 401(a) of the Code that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

3. A "distributee" includes a member or former member. In addition, the member's or former member's surviving spouse and the member's or former member's spouse or former spouse who is the alternate payee under a domestic relations order, as set forth in the Appendix, are distributees with regard to the interest of the spouse or former spouse. A distribute also includes the participant's non-spouse designated beneficiary under section 11H of the Rules and Regulations. In the case of a non-spouse beneficiary, the direct rollover may be made only to an individual retirement account or annuity described in section 408(a) or 408(b) of the Code ("IRA") that is established on behalf of the designated beneficiary and that will be treated as an inherited IRA pursuant to the provisions of section 402(c)(11) of the Code. Also, in this case, the determination of any required minimum distribution under section 401(a)(9) of the Code that is ineligible for rollover shall be made in accordance with Notice 2007-7, Q&A 17 and 18, 2007-5 I.R.B. 395.

4. A "direct rollover" is a payment by the System to the eligible retirement plan specified by the distributee.

C. Direct Rollover from Other Plans

Rollovers from other plans are not accepted under these Rules and Regulations.

SECTION 9

9. Contributions to the System

A. Contributions by Members

1. a. A member, who first becomes a member of the System prior to January 1, 1996, may make contributions to the Retirement System up to $10,000 per calendar year, so long as the total of a member's contributions to the Retirement System taken together with contributions to the Deferral Plan shall not exceed the limitations set forth in section 17, as it may be amended or supplemented. Members who first become members of the System on or after January 1, 1996 may contribute to the System, but only in accordance with and subject to the provisions set forth in section 19. Effective October 1, 2018, any member who is a Cash Balance Participant and makes the election under section 7B5(a) shall become ineligible to make any further contributions to the System as otherwise permitted by this section 9A1.

   b. A member may make a one-time election to transfer, in a lump sum, the total amount of that member's accumulated contributions to the Deferral Plan. Once a member effects this lump-sum transfer, the member shall become ineligible to make any further contributions to the System as provided in this section 9A1. Effective October 1, 2018, in the event a member who is a Cash Balance Participant makes the election permitted by section 7B5(b) to transfer the entire amount of the Participant's Cash Balance Account to the Deferral Plan, the member's contributions to the Retirement System pursuant to section 19A shall also be transferred, in a lump sum, to the Deferral Plan on the same date that the Participant's Cash Balance Account is transferred. Such member shall become ineligible to make any further contributions to the System as otherwise permitted by this section 9A1 immediately after the date that the member's Cash Balance Account and accumulated contributions to the Retirement System are transferred to the Deferral Plan.

   c. Any member who first becomes a member of the System prior to January 1, 1996 and who, as of April 30, 2005, is ineligible to make contributions to the System pursuant to section 9A1(b) above may make, on or after May 1, 2005, a one-time election to contribute again to the System subject to and in accordance with the provisions set forth in this section 9A.

   d. The above notwithstanding, a member who receives a distribution of elective deferrals from the Deferral Plan on account of hardship shall be prohibited from making contributions to the Retirement System for 6 months after receipt of the distribution.

2. Each member's contributions shall be deducted from his compensation each pay period and credited to his annuity savings account, or such portion as he shall

have elected to contribute to the Variable Annuity Fund shall be credited to his account thereunder, and the balance, if any, shall be credited to his annuity savings account. The deductions from the compensation of the member as provided herein shall be paid by TVA in trust to the appropriate Trustee or the board at such intervals as TVA and the board may agree.

3. In determining the amount earnable by a member in a payroll period, the board may consider the rate of compensation payable to such member on the first day of the payroll period as continuing throughout such payroll period, and it may omit deductions from compensation for any period less than a full payroll period if an employee was not paid or was not a member as of the first day of the payroll period and to facilitate the making of deductions, it may modify deductions required of any member by such an amount as shall not exceed one-tenth of one percent (0.1%) of the annual compensation upon the basis of which such deductions are to be made. Every member shall be deemed to consent and agree to the deductions made and provided for herein and shall receipt in full for his compensation, and the payment of compensation less said deductions shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment, except his claim to such benefit as he may be entitled to under the provisions of these Rules and Regulations.

4. A member who has been kept in service during a period of leave without pay may elect upon his return to pay status to pay in the manner directed by the board the contributions he missed during such leave.

5. Contributions permissible under section 9A1 may be made by lump sum, by payroll deductions, or by combination of such methods, in a manner prescribed by the Board; provided that lump-sum payments may be made only by members in service, and may be made no more often than once each month, or more frequently as prescribed by the Board, except that upon retirement a member may make a lump-sum additional contribution without regard to the date of any previous lump-sum payment.

B. TVA's Contributions

1. Such contributions as TVA may make to the Retirement System shall be made at such intervals as may be agreed upon with the board and shall be paid by TVA in trust to the Trustee or to the board in accordance with the direction of the board as hereinabove provided. Contributions of TVA shall consist of a "normal contribution" and an "accrued liability contribution," each of which is determined as a percentage of the payroll of all members in accordance with the

provisions of section 9B2 and 9B3, respectively. Such contributions are designed to provide the funds necessary to pay all expenses of operating the Retirement System and all benefits provided by these Rules and Regulations other than those derived from the member's contributions.

2. After each actuarial valuation as herein provided, the board shall determine a "normal contribution." The "normal contribution" shall be the sum of the contribution amounts determined for each member accruing benefits under these Rules and Regulations. Such contribution is determined by actuarial computation as the percent of the compensation of the members accruing benefits under these Rules and Regulations, which, if accumulated on account of such members, would be sufficient to provide for all pensions and other benefits and expenses on his account, which are payable from the contributions of TVA. Such contribution shall be calculated as a constant percentage to be payable on account of each member during his future active service.

3. The "accrued liability" is the amount by which the present value of all benefits payable from contributions of TVA on account of all members and beneficiaries, as determined actuarially each year, exceeds the balance in the Accumulation Account as provided in section 10, and the present value of the aforesaid normal contribution to be made on account of such members during the remainder of their active service. Immediately following the valuation as of June 30, 1963, and following each annual valuation thereafter, the actuary engaged by the board shall compute the "accrued liability contribution," which shall be the percent of the total annual compensation of all members which, if paid over a period of 42 years beginning July 1, 1963, or the remainder thereof, would liquidate within such period the accrued liability as determined by the respective valuation. Provided, however, that for fiscal years after 2005, the "accrued liability contribution" shall be the percent of the total annual compensation of all members which, if paid over a period of 30 years, would liquidate within such period the accrued liability as determined by the respective valuation. Provided, however, that for fiscal years after 2016, the "accrued liability contribution" shall be a nominal contribution amount, which, if paid over 30 years, would liquidate within such period the accrued liability as determined by the respective valuation.

4. The total amount payable each year by TVA to the Retirement System shall be not less than the sum of the normal contribution and the accrued liability contribution subject, however, to the provisions of section 11. Provided, however, for a period of 20 years (from fiscal year 2017 through fiscal year 2036) or, if earlier, through the fiscal year in which it is determined by actuarial valuation that the Retirement System has reached and remained at a 100% funded status under the actuarial rules applicable to the System (ASC 960, as

amended, updated or superseded), the total amount payable each year by TVA to the Retirement System shall not be less than the greater of (a) the sum of the normal contribution and the accrued liability contribution, or (b) $300 million; all subject, however, to the provisions of section 11.

5. TVA may, at its discretion, make additional contributions at any time to the Retirement System in excess of the minimum contribution determined each year under section 9B4. Any such additional contributions made by TVA pursuant to this section 9B5 shall be maintained and credited with annual interest based on the System's actual rate of investment return (as calculated by the System's investment consultant net of investment expenses paid by the System) and may be used toward the minimum contribution in a future year or future years at the direction of TVA. Interest on these additional contributions will start to accrue at the beginning of the fiscal year following the year in which these additional contributions are made.

6. Notwithstanding any of the foregoing and without regard to section 11A, the board may, as it determines and at its discretion, suspend TVA's required contribution under section 9B4 for a fiscal year.

7. Upon notification to TVA by the board of the amounts of TVA's contributions to the System for the succeeding fiscal year as determined by the board under the above provisions of this section, TVA shall decide by no later than the first day of such fiscal year whether contributions in the amounts so determined or any contributions shall be made for such fiscal year. If TVA shall decide to make and shall authorize any contributions for any succeeding period, the contributions so authorized shall thereupon become due and payable by TVA as follows: at least one-half (1/2) of the authorized contribution for the fiscal year by no later than March 31 and any remaining amount of the authorized contribution for the fiscal year by no later than September 30; provided that if TVA authorizes contributions for any fiscal year in amounts not less than those determined by the board, any nonpayment of such contributions in whole or in part when due shall not constitute a discontinuance or reduction within the meaning of section 11. The obligation to make contributions when previously authorized shall constitute the sole obligation of TVA to make contributions, except as set out in section 11 hereof.

SECTION 10

10. Method of Accounting

A. Establishment of Accounts

The board shall maintain such accounts as are necessary to provide appropriate financial information for its own use and for the use of the actuary in making an annual actuarial evaluation of the assets and liabilities of the System. Two basic accounts, to be known as (a) the Annuity Savings Account and (b) the Accumulation Account, shall be maintained, which shall show the total assets of the System other than those held in the Variable Annuity Fund. The assets held in the Variable Annuity Fund shall be separately accounted for as provided under section 16.

B. Annuity Savings Account

The Annuity Savings Account shall show the part of the accumulated contributions of members in active service, and those members who have deferred retirement, which is not credited under the Variable Annuity Plan. On the retirement of a member, or upon the death of a member prior to retirement whose beneficiary is to receive the death benefit in the form of a life annuity, such part of the member's accumulated contributions not transferable to the Variable Annuity Fund shall be transferred to the Accumulation Account. In case a member withdraws such contributions or dies prior to retirement, such contributions with interest paid in a lump sum to him or to his designated beneficiary or estate shall be charged to the Annuity Savings Account.

C. Accumulation Account

1. The Accumulation Account shall be credited with (a) the contributions by TVA, (b) all investment and miscellaneous income and realized capital gains, not derived from assets held in the Variable Annuity Fund, (c) all amounts transferred from the Annuity Savings Account for payment of retirement benefits or death benefit annuities, and (d) such amounts as may from time to time be transferred from the Variable Annuity Fund or the Deferral Plan.

2. The Accumulation Account shall be adjusted, for actuarial purposes only, to reflect unrealized appreciation or depreciation on all assets except assets held in the Variable Annuity Fund, according to such formula or method as the board deems appropriate.

3. The Accumulation Account shall be charged with (a) all benefits paid to retired members or their beneficiaries and death benefit annuities except benefits chargeable to the Variable Annuity Fund, (b) all lump-sum death benefits derived from TVA's contributions which are payable on account of the death of a

member prior to retirement, (c) all regular expenses of the System, (d) realized capital losses not derived from assets held in the Variable Annuity Fund, (e) such amounts as are needed to allow members the benefit of regular interest on their contributions in the Annuity Savings Account, and (f) such amounts as may from time to time be transferred to the Variable Annuity Fund.

4. If a retired member is restored to service, the reserve held for payment of his annuity other than the annuity payable under the Variable Annuity Plan shall be transferred to the Annuity Savings Account.

SECTION 11

11. General Conditions

A. TVA's Obligations

It is TVA's intention to make contributions in accordance with section 9B in such amounts as to produce the benefits under sections 6 and 7 intended to be provided from TVA's contributions. However, except as to authorized contributions which have become due and payable and contributions which may be necessary to comply with section 11B and 11C, nothing contained herein shall be construed as obligating TVA in any way to make regular or definite contributions to the Retirement System, or as conferring any rights upon any employee or other person against TVA, or as impairing the right of TVA to treat every employee without regard to the existence of the Retirement System; and, except as to authorized contributions which have become due and payable and contributions which may be necessary to comply with sections 11B and 11C, TVA reserves the right in its discretion to discontinue or reduce contributions to the Retirement System at any time, and TVA further reserves the right in its discretion to revoke and terminate the Retirement System at any time. Nothing contained herein shall be construed as entitling any employee of TVA to be continued in employment, or (except as provided in sections 11B and 11C) as an undertaking by TVA that TVA's or the member's contributions or the funds at any time in the hands of the Trustee shall be adequate to produce the benefits described herein.

B. Vested (Nonforfeitable) Benefits and Segregation of Funds

1. Rights to benefits based on a member's own contributions shall be nonforfeitable at all times. A nonforfeitable right to accrued benefits from

creditable service and COLA benefits based on TVA's contributions shall arise on the retirement of a member; on a member's death in service; on completion by a member who was an employee on June 8, 1987 or thereafter, of five years of such creditable service; on attainment of age 60 by an individual who first became a member of the System prior to April 1, 1991, or on completion by a member whose employment ended prior to June 8, 1987, of ten years of such creditable service (but such benefits which become nonforfeitable on completion by a member of five years or ten years as applicable of such creditable service or attainment of age 60 shall be payable only if and to the extent payment becomes due as a result of the member's retirement or otherwise under and in accordance with the provisions of these Rules and Regulations). A nonforfeitable right to cash balance account benefits and COLA benefits based on TVA's contributions shall arise upon completion of 5 years of cash balance service.

The amount of a member's benefit that is forfeited due to failure of the member to satisfy the creditable or cash balance service requirements for a nonforfeitable right to accrued benefits based on TVA's contributions will be applied to reduce the amount of the "normal contribution" under section 9B2. In no event will such forfeited amounts be used to increase the benefits to which a member is otherwise entitled under these Rules and Regulations.

2. Should TVA for any reason discontinue its contributions or reduce them for any year below those computed to be required pursuant to section 9, all benefits which have not then become nonforfeitable and all benefits based on service after such discontinuance or reduction shall be reduced to such amounts as actuarial valuations indicate will be provided by the contributions theretofore made by TVA (and not allocable to payments of nonforfeitable benefits as hereinafter provided), together with reduced future contributions, if any, not made for or allocable to the making up of any insufficiencies in benefits nonforfeitable on the date of such discontinuance or reduction.

3. After the expiration of one month following the discontinuance or reduction of TVA's contributions to the System as aforesaid, and within the six months next following, each member of the System shall have the right to withdraw from membership in the System by notification in writing to the board, and upon such withdrawal shall be entitled to a prompt return of the member's accumulated contributions in the same manner as if the withdrawal were under section 6D1.

4. Upon any such discontinuance or reduction of TVA's contributions, steps shall be taken as described below:

a. Funds of the System sufficient to provide nonforfeitable benefits shall be segregated in the System's accounts and shall thereafter be used in the following order of priority (to the extent such funds are adequate for such purpose) solely for the benefit of (including payments to) persons having rights to nonforfeitable benefits or their beneficiaries to the extent they may be entitled to benefits under sections 6, 7 or 18, so long as such persons or their actual or then potential beneficiaries are alive:

(1) benefits with respect to annuities then payable to retirees and beneficiaries, including annuities pursuant to sections 6G or 7I, and all other benefits which are derived from member's then accumulated contributions;

(2) benefits with respect to pensions then payable under sections 6 or 7 to retirees and beneficiaries and all other nonforfeitable benefits which are derived from TVA's past contributions (subject, however, to the provisions of section 11C4);

(3) benefits for eligible retirees and eligible surviving spouses under section 18; and

(4) COLA benefits under sections 6I, 7L and 18C3.

b. In determining what amount is sufficient to provide such benefits, the board shall proceed on the basis of assumption approved by it following recommendations with respect thereto by the actuary, to the end that fully adequate funding (with such margins as the board considers appropriate) shall be provided for such nonforfeitable benefits, but that the balance available for disposition pursuant to section 11B2 or 11C2 shall not be unduly reduced thereby. In approving assumptions in this connection, the board shall give consideration to, among other factors, whether the System is being continued or terminated and whether and on what basis benefits will be available from another pension or benefit scheme of the Federal Government in lieu of those which would have been payable under the System had TVA not discontinued or reduced its contributions as aforesaid.

c. Such segregated funds shall be used to provide benefits for such retirees and actual or then potential beneficiaries and for such members with nonforfeitable benefits (but with respect only to accrued benefits as of the date of such discontinuance or reduction), which shall at least equal the benefits which would have been payable had TVA not discontinued or reduced its contributions as aforesaid.

d. Notwithstanding any other provision of these Rules and Regulations, TVA will from time to time make such additional contributions when and as may be determined to be actuarially necessary to make up any insufficiency in the funds segregated pursuant to section 11B4a for the purpose described therein; provided, however, that if TVA determines that the insufficiency at the time of such discontinuance or reduction in TVA's contributions is too great to be funded immediately, TVA shall fund it through additional contributions over a reasonable period of time.

e. TVA's obligations described in section 11B may, at its option, be discharged by the provision of insurance acceptable to the board, by the assumption of substantially equivalent obligations by the administrator of another pension or benefit scheme of the Federal Government, or by any combination of these or other methods acceptable to the board.

C. Termination of the Retirement System

1. Promptly upon the termination of the Retirement System, the board shall make such arrangements as it deems necessary or appropriate to assure payment of (i) benefits based on members' contributions; (ii) nonforfeitable benefits based on TVA contributions; and (iii) COLA benefits. Such arrangements shall include provision, within the discretion of the board, for either payment to, or application of such payment for the benefit of each member, retiree, or beneficiary entitled to such benefits as of the date of the termination of the System, in the amount of any reserves held on account of such member, retiree, or beneficiary as a result of prior contributions.

2. Upon any full or partial termination of the plan, amounts equal to benefits accrued to the date of termination based on either creditable service and average compensation or cash balance service at the date thereof shall become nonforfeitable, to the extent such benefits are funded as of such date.

3. In all events, all funds of the Retirement System shall be used, as the board may determine, exclusively for the payment of expenses of the Retirement System and for the sole benefit of members, retirees, and beneficiaries of the Retirement System; no funds of the Retirement System shall be paid to, or used for the benefit of, any other entity or person.

4. Notwithstanding any other provision hereof, all obligations with respect to both nonforfeitable and other benefits may be wholly or partly discharged by the provision of insurance acceptable to the board, by the assumption of

substantially equivalent obligations by the administrator of another pension or benefit scheme of the Federal Government, or by any combination of these or other methods acceptable to the board. No provision of this section 11 shall be applied so as to result in a duplication of benefits derived from TVA's contribution to the Retirement System, but no benefits payable under or pursuant to the Social Security Act, as amended or hereafter amended, shall be deemed to constitute such a duplication.

5. No such termination of the Retirement System shall affect the obligations of TVA set out in section 11B, and the board shall continue in existence for as long as may be necessary to perform its obligations hereunder.

6. For purpose of this section 11C6, "commencement date" shall mean the date of establishment of the System or effective date of an amendment to these Rules and Regulations which substantially increases benefits, and "plan year" shall mean the period from the date of establishment through the following September 30 and each subsequent October 1 through September 30. For purposes of this section 11C6, "annual benefit" shall have the meaning set forth in section 17C3, and "accumulated funding deficiency" means the full current costs of the System have not been funded. The early termination restrictions set forth in this section shall apply only to a member who on the date the 10-year period described below began was one of the 25 highest paid employees and whose then annual benefit exceeded $1,500. Such a member or former member shall be referred to as a "restricted participant" and this member's pension, to the extent the restrictions apply to it, shall be referred to as a "restricted benefit." Any death or survivor's benefit which may be provided by the System on account of the death of a member including a death benefit under sections 6D2, 6G, or 7I shall not be a restricted benefit.

The early termination restrictions set forth in this section shall be operative at all times after the date TVA terminates the System and at any time when the System has an accumulated funding deficiency, providing that the restrictions shall not become effective unless such termination occurs or accumulated funding deficiency arises within the first 10 plan years after the commencement date. If at the end of the first 10 years there is an accumulated funding deficiency, the restrictions will continue to apply until the accumulated funding deficiency has been eliminated.

If termination of the System causes the early termination restrictions to become operative or occurs while they are operative, no restricted participant may receive at any time a restricted benefit greater than can be purchased with the portion of the funds of the System attributable to TVA contributions equal to the greatest of:

(a) $20,000;

(b) An amount equal to 20 percent of the first $50,000 of the member's actual annual compensation received from TVA averaged over the five plan years preceding the date of termination multiplied by the number of years and fractions thereof between the date of establishment and the date of termination; or

(c) Such larger amounts as may be permitted under regulations issued by the Secretary of the Treasury or his delegate.

In the event the Rules are amended to substantially increase the pension for a restricted participant, such a participant may not receive a restricted benefit greater than can be purchased with funds of the System attributable to TVA contributions equal to the greatest of:

(a) $20,000;

(b) TVA's contributions (or funds attributable thereto) which would have been applied to provide the pension if the System as in effect on the day preceding the commencement date had been continued without change;

(c) The sum of:

(1) TVA's contributions (or funds attributable thereto) which would have been applied to provide a pension for the member if the System had been terminated on the day before such commencement date, plus

(2) An amount equal to 20 percent of the first $50,000 of the member's actual annual compensation received from TVA averaged over the five plan years preceding the date of termination multiplied by the number of years and fractions thereof between the date of establishment and the date of termination; or

(d) Such larger amounts as may be permitted under regulations issued by the Secretary of the Treasury or his delegate.

If a restricted participant leaves the employ of TVA or withdraws from participation in the System, benefits which that participant may receive from TVA's contributions shall not at any time within the 10-year period

after the commencement date exceed the restricted benefit set forth above which is applicable. During the 10-year period described and while the early termination restrictions are operative, no restricted participant may receive a restricted benefit in an optional form providing payments at a more rapid rate than would be provided by this member's pension in the form of a straight life annuity, unless this member agrees that if the early termination restrictions do become operative, the member will repay amounts paid to him to the extent they exceed the greater of the amount the member would have received under such pension or the pension to which the member is limited by the early termination restrictions. Such repayment shall be secured by deposit in escrow of property having a market value of 125 percent of the amount subject to repayment, and the value of the escrow shall be maintained at not less than 110 percent of such amount.

Any amount not allocated to a restricted participant by reason of the limitations set forth above shall be allocated first to members in accordance with sections 11C1, 2, 3, and 4 to the satisfaction of benefits to such members and any balance remaining shall be applied to the satisfaction of benefits of the restricted participants. This section is included in these Rules and Regulations to conform to the requirements of Treasury Regulation 1.401-4(c) and shall cease to be effective at such time as the provisions of that Regulation or any substitute therefore are not longer effective or applicable.

D. Other Federal Payments

1. Whenever a person is entitled to Federal Compensation benefits by reason of the death of a member in service and also is entitled by reason of such death to a death benefit under sections 6D2 or 7I payable out of TVA's contributions, such person shall not receive both but shall elect which benefit he shall receive. In the event the person entitled to receive the said death benefit is other than the person entitled to receive the Federal Compensation benefits, the beneficiary under sections 6D2 or 7I shall be entitled to receive and retain only that part of such death benefit payable thereunder as is in excess of the total Federal Compensation benefits, or actuarial equivalent thereof.

2. Whenever a member is entitled to Federal Compensation benefits, whether payable in installments or in a lump sum in commutation of installments, by reason by disability resulting from a service-connected injury, and also is entitled by reason of the same disability and for the same period covered by such installments or commuted payment to a disability pension under sections 6C2b

or 7H, such member shall not receive both the Federal Compensation benefits and the disability pension, but shall elect which he shall receive. If he elects to receive Federal Compensation benefits, he shall be entitled to receive in lieu of his disability pension the special service pension or early retirement benefit to which he would have been entitled at the time of his retirement had he retired under the provisions of sections 6B or 7D as modified in accordance with the option, if any, previously selected by him.

3. Whenever the beneficiary of a member retired under sections 6C2b or 7H by reason of disability resulting from a service-connected injury is entitled upon the member's death to receive Federal Compensation benefits, whether payable in installments or in a lump sum in commutation of installments, and also is entitled by reason of the member's death and for the same period covered by such installments or commuted payment to a survivorship benefit based on the member's disability pension, such beneficiary shall not receive both but shall elect which he shall receive. If said beneficiary elects to receive Federal Compensation benefits, or if some person other than such beneficiary is entitled to Federal Compensation benefits by reason of the same death, then the survivorship benefit based on the special service pension or early retirement benefit to which the member would have been entitled had he retired under the provision of sections 6B or 7D as modified by the option previously selected by him, shall be payable to said beneficiary by the System.

4. An election of benefits as provided for in paragraphs 1, 2, and 3 above shall, when made, be irrevocable insofar as liability of the System is concerned, except for good cause shown and as determined in the sole judgment of the board. The provisions of paragraphs 2 and 3 above, which permit payment under the conditions stated therein of the special service pension (or a survivorship benefit based on such pension) concurrently with benefits payable under the Federal Compensation Act, shall apply to the accrual of benefits under these Rules and Regulations after September 30, 1962, irrespective of when the member retired.

5. On the direction of TVA, the board shall deduct from any benefit payable hereunder on account of contributions made by TVA all or part of the actuarial equivalent of any amount paid or payable to or on account of any member, to the extent that such amount has been or is to be provided from contributions, premiums, or taxes paid by TVA under the provisions of any present or future insurance policy, workman's compensation law, or any similar law, or any other law, pension, or benefit scheme of the Federal Government, any State government, or any political subdivision thereof. Should any amount designed to be paid or payable to or on account of any member by reason of any contributions, premiums, or taxes paid by TVA under any governmental pension or benefit scheme fail to be paid or be payable for any reason outside the

control TVA, then the actuarial equivalent of such amount nevertheless may or shall be deducted as provided in the preceding sentence. Notwithstanding the foregoing, benefits payable under Title II of the Social Security Act as it existed on January 1, 1957, are not to be deducted from the benefits otherwise provided under these Rules and Regulations except as specifically provided therein. On the request of TVA, the board shall reduce the contributions of TVA or of members by amounts equal to all or part of any tax or premium paid or required to be paid by TVA or the members under the provision of any workmen's compensation or similar law, any other law, or any governmental pension or benefit scheme for benefits on account of members under this Retirement System; or the board may arrange with TVA to adjust its contribution to the Retirement System so that such taxes or premiums may be paid by the Retirement System acting as agent of TVA.

E. Special Membership

Upon the request of TVA and with the approval of the board, employees of TVA who are not considered as employees within the definition of section 1(13) may be admitted to membership and from their date of membership be considered as employees within the meaning of these Rules and Regulations, subject to such conditions in respect to contributions and benefits as may be approved by TVA, provided arrangement is made for the payment of special contributions on account of such special benefits on a basis certified by the actuary to be sufficient to cover the cost of such special benefits.

F. Extension of Time for Filing

The board may for good cause shown and in its sole discretion grant additional time within which any application, notice, or other instrument pertaining to the benefits provided under the System, may be filed; provided, however, that as a condition of granting such extension of time the board may require a reduction of benefits payable to the extent deemed appropriate by the board to compensate the System for any loss or special expense incurred as the direct result of such extension.

G. Prescribed Forms

Applications for or elections of benefits, including the withdrawal of contributions, and designations or changes of beneficiary shall be made on such forms as shall be prescribed or authorized by the board.

H. Beneficiary Designation

1. A member (which for the purpose of this paragraph shall include a member who has retired) may designate a person or entity as the beneficiary to receive any benefits payable hereunder upon the member's death and, except where the life expectancy of the designated beneficiary has been used as a factor in determining the amount of any optional benefit payable to or for the account of the member as elected under the provisions of sections 6E, 6F, 7E, or 7F and such election is effective, the member may change such designation at any time in accordance with such conditions as the board shall prescribe and without the knowledge or consent of any previously designated beneficiary. Except as specifically provided hereinabove, a member's right to designate and change the member's beneficiary shall remain unrestricted at all times and any encumbrance or restriction of such right, either voluntary or involuntary, is expressly prohibited. Notwithstanding any attempted restriction of this right, the Retirement System will recognize and honor any subsequent change in beneficiary by said member which is prepared and filed in accordance with the requirements of these Rules and Regulations.

2. The designation of a member's spouse as the beneficiary to receive any benefit payable hereunder upon the member's death shall, except where the life expectancy of the beneficiary has been used as a factor in determining the amount of the benefit being paid to or for the account of the member, be automatically revoked by a final decree of divorce dissolving their marriage and, unless a further designation of beneficiary is thereafter made in accordance with the provision of these Rules and Regulations, the benefit otherwise payable on the death of the member shall be paid to the member's estate; provided that this provision shall not prevent the member from redesignating the divorced spouse as the beneficiary by properly filing a new designation form for that purpose. The revocation provided herein shall be effective only if the divorce occurs after December 31, 1957. The word "member" as used herein shall include a retired member as well as a member as defined in section 1(17).

3. Notwithstanding any other provisions of these Rules and Regulations, a retired member who has commenced receipt of a retirement allowance payable hereunder may upon marriage or remarriage after commencement of the receipt of the retirement allowance elect to take an actuarial reduction in the allowance, or a further actuarial reduction in an already reduced retirement allowance, in order to provide a survivor benefit for the retired member’s new spouse by way of election of an option 2 or 3 retirement allowance under the provisions of sections 6E, 6F, 7E, or 7F. This shall not be construed, however, to permit a retired member to revoke the designation of a beneficiary whose life

expectancy has been used as a factor in determining the amount of any optional benefit payable to or for the account of the member as elected under the provisions of sections 6E, 6F, 7E, or 7F after such election is effective. A retired member, upon marriage or remarriage, shall have 90 days from the date of such marriage or remarriage to elect a survivor benefit provided hereunder; but such a spousal designation made hereunder shall not become effective, and the actuarial reduction shall not commence, until the first day of the month following the first anniversary of the marriage or remarriage. Provided, however, that retired members as of July 1, 1998, who married or remarried after commencement of the receipt of a retirement allowance and before July 1, 1998, may elect until March 31, 1999 to designate a spouse as a beneficiary hereunder and such election shall be effective the first day of the month following receipt by the System.

I. Spousal Consent

Wherever spousal consent to a benefit or beneficiary designation is provided, such consent may not be contingent upon the selection by the member of any particular beneficiary or form of benefit and once made, such consent shall be irrevocable. Where a member provides written spousal consent as provided for in these Rules and Regulations, or certifies that the member is not married at the time such certification is required herein, such consent or certification shall be treated as valid and conclusive. Any payment made or action taken by the System in reliance upon such consent or certification shall be final; and the System shall otherwise be entitled to rely on such consent or certification, unless and until the member's spouse at the time the consent is filed or certification is made shall file a claim contesting such consent or certification with the board. Upon receipt of such a claim, the board shall take appropriate action to resolve it as to payments not yet made or actions not yet taken, and the board's determination shall be final and conclusive as provided for in section 3(7) hereof. The board or its designee may prescribe the form for spousal consent to a benefit or beneficiary designation.

J. Uniformed Services Employment and Reemployment Rights Act of 1994

Notwithstanding any provision of the plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Internal Revenue Code. In addition, the survivors of any member who dies on or after January 1, 2007, while performing qualified military service, are entitled to any additional benefits (including benefit accruals and vesting service credit relating to the period of qualified military service, and any ancillary life

insurance or other survivor benefits) that would have been provided under the plan had the member resumed employment on the day preceding the member's death and then terminated employment on account of death.

K. Deemed Internal Revenue Code Section 125 Compensation

1. This section shall apply to plan years and limitation years beginning on or after January 1, 1998.

2. For purposes of the definition of earnable compensation in section 1(12), the definition of compensation in section 9A6b4, and the definition of compensation in section 17C4, amounts under section 125 include any amounts not available to a participant in cash in lieu of group health coverage because the participant is unable to certify that he or she has other health coverage. An amount will be treated as an amount under section 125 only if the employer does not request or collect information regarding the participant's other health coverage as part of the enrollment process for the health plan.

L. Governmental Plan

As a plan maintained for employees of the Tennessee Valley Authority, an agency of the Federal government, the Retirement System intends to satisfy Code section 401(a) by meeting the requirements of a governmental plan in Code section 414(d).

SECTION 12

12. Assignments Prohibited

Except as provided by Section 659 of Title 42 of the United States Code or by a domestic relations order which meets the requirements of section 414(p)(1)(A)(i) of the Code and is in accord with the procedures on domestic relations orders included in the Appendix to these Rules and Regulations, no transfer, assignment, pledge, seizure, or other voluntary or involuntary alienation or encumbrance of any pension, annuity, or other benefit provided hereunder will be permitted or recognized, and in the event of any such attempted alienation or encumbrance (including specifically, but without limitation, any attempted attachment, levy, execution, garnishment, or other legal process affecting such pension, annuity, or other benefit), the board may in its uncontrolled discretion declare the said pension, annuity, or other benefit to be temporarily or permanently forfeited by the beneficiary thereof and, in lieu of paying or applying the same to or for such beneficiary, may in its uncontrolled discretion pay or

apply such pension, annuity, or other benefit temporarily or permanently to or for the use of any persons who are dependents of, or related by blood, by marriage, or by adoption to, such beneficiary, or the board may in its uncontrolled discretion cause such pension, annuity, or other benefit to revert to the general funds of the Retirement System to be held and used for the benefit of the other members and beneficiaries thereof in accordance with these Rules and Regulations.

SECTION 13

13. Amendments to Rules and Regulations

These Rules and Regulations may be amended by the board from time to time, provided that the board gives at least 30 days' notice of the proposed amendment to TVA and to the members, and further provided that TVA may, by notice in writing addressed to the board within said 30 days, veto any such proposed amendment, in which event it shall not become effective. No amendment to these Rules and Regulations shall be adopted which will reduce the then accrued benefits of the existing members or beneficiaries which are nonforfeitable or covered by accumulated reserves held therefore.

SECTION 14

14. Amendments to Trust Agreement

Subject to the approval of TVA, the directors shall have general power, without obtaining consent of the members of the System, to amend the Trust Agreement.

SECTION 15

15. Minimum Distribution Requirements for Benefits

I. Benefit Distributions Prior to January 1, 2006

Notwithstanding anything contained herein to the contrary, any benefits to which a member is entitled shall be made in accordance with the regulations under section 401(a)(9) of the Code including regulations section 1.401(a)(9)-2 and shall be governed by the following distribution requirements:

A. Distributions, if not made in a single-sum payment, may only be made over one of the following periods or a combination thereof:

1. The life of the member,

2. The life of the member and a designated beneficiary,

3. A period certain not extending beyond the life expectancy of the member, or

4. A period certain not extending beyond the joint and last survivor expectancy of the member and a designated beneficiary.

B. If the member's entire interest is to be distributed in other than a single sum, then the amount to be distributed each year must be at least an amount equal to the quotient obtained by dividing the member's entire interest by the life expectancy of the member or joint and last survivor expectancy of the member and designated beneficiary. Life expectancy and joint and last survivor expectancy for purposes of determining required distributions under section 401(a)(9) of the Code are computed by the use of the return multiples contained in section 1.72-9 of the Income Tax Regulations. If the member's spouse is not the designated beneficiary, the method of distribution selected must assure that at least 50 percent of the present value of the amount available for distribution is paid within the life expectancy of the member.

C. Distribution to a member must commence no later than the first day of April following the calendar year in which the later of (1) termination of employment or (2) attainment of age 70 ½ occurs.

D. If the member dies after distribution of the member's interest has commenced, any remaining portion of such interest under these Rules will continue to be distributed at least as rapidly as under the method of distribution being used prior to the member's death.

E. If the member dies before distribution of the member's interest commences, any remaining benefits to be paid will be distributed in accordance with these Rules and Regulations but no later than five (5) years after the member's death except to the extent that an election is made to receive distribution in accordance with (1) or (2) below:

1. If any portion of the member's interest is payable to a designated beneficiary, distributions may be made in substantially equal installments over the life or life expectancy of the designated beneficiary commencing no later than one (1) year after the member's death;

2. If the designated beneficiary is the member's surviving spouse, the date distributions are required to begin in accordance with (1) above shall not be earlier than the date on which the member would have reached age 70 ½ and, if the spouse dies before payments begin, subsequent distributions shall be made as if the spouse had been the member.

For the purposes of (1) and (2) above, payments will be calculated by use of the return multiples specified in section 1.72-9 of the Income Tax Regulations.

F. For purposes of this section 15D through 15E, any amount paid to a child of the member will be treated as if it had been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

G. Any distribution required under the incidental death benefit requirements of subsection 401(a) of the Code shall be treated as a distribution governed by this section 15.

H. With respect to distributions under the plan made for calendar years beginning on or after January 1, 2001, the plan will apply the minimum distribution requirements of section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under section 401(a)(9) that were proposed on January 17, 2001, notwithstanding any provision of the plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under section 401(a)(9) or such other date as may be specified in guidance published by the Internal Revenue Service.

II. Benefit Distributions On or After January 1, 2006

A. General Rules.

1. Grandfather of Existing Annuity Distribution Options; Precedence. Except for any annuity distribution option provided under the terms of these Rules and Regulations as in effect on April 17, 2002, which satisfies section 401(a)(9) of the Code based on a reasonable and good faith interpretation of the provisions of section 401(a)(9), the requirements of this section 15 will take precedence over any inconsistent provisions of these Rules and Regulations.

2. Requirements of Treasury Regulations Incorporated. All distributions required under this section 15 will be determined and made in accordance with the Treasury regulations under section 401(a)(9) of the Code.

3. TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this section 15, other than subsection A(2) above, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA).

B. Time and Manner of Distribution.

1. Required Beginning Date. The member's entire interest will be distributed, or begin to be distributed, to the member no later than the member's required beginning date.

2. Death of Member Before Distributions Begin. If the member dies before distribution begins, the member's entire interest will be distributed, or begin to be distributed, no later than as follows:

a. If the member's surviving spouse is the member's sole designated beneficiary, then, except as provided in section 15G below, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the member died, or by December 31 of the calendar year in which the member would have attained age 70 ½ (if the member was born before July 1, 1949), effective January 1, 2020, age 72 (if the member was born after June 30, 1949 and before January 1, 1951), or effective January 1, 2023, age 73 (if the member was born after December 31, 1950), if later.

b. If the member's surviving spouse is not the member's sole designated beneficiary, then except as provided in section 15G below, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the member died.

c. If there is no designated beneficiary as of September 30 of the year following the year of the member's death, the member's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the member's death.

d. If the member's surviving spouse is the member's sole designated beneficiary and the surviving spouse dies after the member but before distributions to the surviving spouse begin, this subsection B(2), other than subsection B(2)(i), will apply as if the surviving spouse were the member.

For purposes of this subsection B(2) and section 15E, distributions are considered to begin on the member's required beginning date (or, if subsection B(2)(d) applies, the date distributions are required to begin to the surviving spouse under subsection B(2)(a)). If annuity payments irrevocably commence to the member before the member's required beginning date (or to the member's surviving spouse before the date distributions are required to begin to the

surviving spouse under subsection B(2)(a)), the date distributions are considered to begin is the date distributions actually commence.

3. Form of Distribution. Unless the member's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with sections 15C, 15D and 15E. If the member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of section 401(a)(9) of the Code and the Treasury regulations. Any part of the member's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of section 401(a)(9) of the Code and the Treasury regulations that apply to individual accounts.

C. Determination of Amount to be Distributed Each Year.

1. General Annuity Requirements. If the member's interest is paid in the form of annuity distributions under the Rules and Regulations, payments under the annuity will satisfy the following requirements:

a. the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

b. the distribution period will be over a life (or lives) or over a period certain not longer than the period described in section 15D or 15E;

c. once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

d. payments will either be nonincreasing or increase only as follows:

(1) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

(2) to the extent of the reduction in the amount of the member's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in section 15D dies;

(3) to provide cash refunds of employee contributions upon the member's death;

(4) to pay increased benefits that result from an amendment of the Rules and Regulations; or

(5) in the case of a variable annuity under section 16 of the Rules and Regulations, variable increases as permitted under Q&A-14(d) of section 1.401(a)(9)-6 of the Treasury regulations.

e. in the case of a joint and survivor or second survivor election after the annuity starting date under section 11H(3) of the Rules and Regulations, the annuity payment period and distributions are modified as permitted under Q&A-13 of section 1.401(a)(9)-6 of the Treasury regulations.

2. Amount Required to be Distributed by Required Beginning Date. The amount that must be distributed on or before the member's required beginning date (or, if the member dies before distributions begin, the date distributions are required to begin under section 15B(2)(a) or (b)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the member's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the member's required beginning date.

3. Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the member in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

D. Requirements for Annuity Distributions That Commence During Member's Lifetime.

1. Joint Life Annuities Where the Beneficiary Is Not the Member's Spouse. If the member's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the member and a nonspouse beneficiary, annuity payments to be made on or after the member's annuity starting date to the designated beneficiary after the member's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the member using the table set forth in Q&A-2 of section 1.401(a)(9)-6 of the Treasury regulations. If the form of distribution combines a joint and

survivor annuity for the joint lives of the member and a nonspouse beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated beneficiary after the expiration of the period certain.

2. Period Certain Annuities. Unless the member's spouse is the sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the member's lifetime may not exceed the applicable distribution period for the member under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the member reaches age 72, the applicable distribution period for the member is the distribution period for age 72 under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 72 over the age of the member as of the member's birthday in the year that contains the annuity starting date. If the member's spouse is the member's sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the member's applicable distribution period, as determined under this section 15D(2), or the joint life and last survivor expectancy of the member and the member's spouse as determined under the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the member's and spouse's attained ages as of the member's and spouse's birthdays in the calendar year that contains the annuity starting date.

E. Requirements for Minimum Distributions Where Member Dies Before Date Distribution Begins.

1. Member Survived by Designated Beneficiary. Except as provided in section 15G, if the member dies before the date distribution of his or her interest begins and there is a designated beneficiary, the member's entire interest will be distributed, beginning no later than the time described in section 15B(2)(a) or (b), over the life of the designated beneficiary or over a period certain not exceeding:

a. unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the member's death; or

b. if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the

beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

2. No Designated Beneficiary. If the member dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the member's death, distribution of the member's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the member's death.

3. Death of Surviving Spouse Before Distributions to Surviving Spouse Begin. If the member dies before the date distribution of his or her interest begins, the member's surviving spouse is the member's sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this section 15E will apply as if the surviving spouse were the member, except that the time by which distributions must begin will be determined without regard to section 15B(2)(a).

F. Definitions.

1. Designated beneficiary. The individual who is designated as the beneficiary under these Rules and Regulations and is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-4 of the Treasury regulations.

2. Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the member's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the member's required beginning date. For distributions beginning after the member's death, the first distribution calendar year is the calendar year in which distributions are required to begin under section 15B(2).

3. Life expectancy. Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.

4. Required beginning date. A member may not defer commencement of his or her benefits past his or her required beginning date. The required beginning date is April 1 of the calendar year following the later of (i) the calendar year in which the member attains age 70 ½ (if the member was born before July 1, 1949), effective January 1, 2020, age 72 (if the member was born after June 30, 1949 and before January 1, 1951), and effective January 1, 2023, age 73 (if the member was born after December 31, 1950), or (ii) the calendar year in which the member retires.

G. Optional Elections.

1. Election to Apply 5-Year Rule to Distributions to Designated Beneficiaries. If the member dies before distributions begin and there is a designated beneficiary, distribution to the designated beneficiary is not required to begin by the date specified in section 15B(2) above, but the member's entire interest will be distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the member's death. If the member's surviving spouse is the member's sole designated beneficiary and the surviving spouse dies after the member but before distributions to either the member or the surviving spouse begin, this election will apply as if the surviving spouse were the member.

2. Election to Allow Members or Beneficiaries to Elect 5-Year Rule. Members or beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in sections 15B(2) or 15E applies to distributions after the death of a member who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under section 15B(2), or by September 30 of the calendar year which contains the fifth anniversary of the member's (or, if applicable, surviving spouse's) death. If neither the member nor beneficiary makes an election under this paragraph, distributions will be made in accordance with sections 15B(2) or 15E and, if applicable, the elections in subsection F(1) above.

SECTION 16

16. Variable Annuity Plan

A. Establishment

A plan for the payment of variable annuities shall be established as of January 1, 1959, for the benefit of members and beneficiaries of the Retirement System who desire to participate. It shall be known as the Variable Annuity Plan, and it shall operate in accordance with the provisions of this section and all other provisions of these Rules and Regulations not inconsistent therewith.

B. Participation

Any member in service or retired on a deferred allowance, or any person receiving an annuity, may elect to participate in the Variable Annuity Plan or to change participation, as provided in this section 16, by filing with the board the prescribed election form. Such participation or change therein shall commence as soon as it can be administratively effected. A member may also become a Participant in the Variable Annuity Plan through transfer thereto of any part or all of the member's holdings in the Deferral Plan as provided in article 7.1 of the Provisions of the Deferral Plan.

C. Variable Annuity Fund

1. A fund to be known as the Variable Annuity Fund shall be established to which all contributions made under the provisions of the Variable Annuity Plan shall be credited, together with all income earned on the assets held therein. The Fund shall also include any amounts transferred thereto from the Accumulation Account, the Annuity Savings Account, or the Deferral Plan. All benefits payable to any beneficiary under the Variable Annuity Plan shall be paid from the Variable Annuity Fund.

2. Within the Variable Annuity Fund, two accounts, the Employee Account and the Retiree Account, shall be established. The Employee Account shall include all contributions, together with all income earned on the assets held therein, for members who have not terminated from service or any retiree who is retired on a deferred allowance. Contributions to the Employee Account shall be invested in a stock mutual fund and will be valued at the net asset value of the underlying investment. The Retiree Account shall include amounts for those members who have chosen to receive an immediate variable monthly annuity benefit and for retirees on deferred allowances who commence a variable monthly annuity benefit at the end of the period of deferment.

D. The Employee Account

1. The funds of members in service or who have retired on a deferred allowance, and who have elected to participate in the Variable Annuity Fund, shall be held in the Employee Account. All funds in the Employee Account shall be invested in a stock mutual fund for the benefit of Participants in the Employee Account and will be valued at the net asset value of the underlying investment.

2. Any member may elect to have current contributions, made in accordance with section 9A, credited to the Variable Annuity Fund. Any member may also elect at any time to change the proportion of current contributions to be credited to the Fund or to discontinue contributions to the Fund.

3. Any member who is in service or any retiree who is retired on a deferred allowance may elect once each month, or more frequently as prescribed by the board, to have: (a) any portion of their accumulated contributions in the Annuity Savings Account or Accumulation Account transferred to the Variable Annuity Fund, or (b) any portion of their accumulated contributions in the Variable Annuity Fund transferred to the Annuity Savings Account if the member is in service or to the Accumulation Account if the retiree is on a deferred allowance. Such transfer shall be made in one lump-sum amount.

4. The amounts deducted from the compensation of each member who is in service and creditable to the Variable Annuity Fund and amounts transferred by any member who is in service or any retiree on a deferred allowance from or to the Annuity Savings Account, or from or to the Accumulation Account or the Deferral Plan if the retiree is on a deferred allowance, shall be credited or debited to the member's or deferred retiree's account in mutual fund shares.

5. Amounts contributed to the Employee Account shall be used to purchase shares in the mutual fund valued at the daily value of the shares of the mutual fund on the day the contribution is received. In the event of a lump-sum withdrawal from the Employee Account, as permitted by these Rules and Regulations and the Code, the Participant's shares in the mutual fund will be redeemed at the daily value of the shares of the mutual fund on the date of withdrawal. Transfers between the Employee Account and the Annuity Savings Account, Accumulation Account, and the Deferral Plan, as permitted herein, shall be credited or debited to the Participant's account at the daily value of the shares of the mutual fund on the day the transfer is effected.

E. The Retiree Account

1. Amounts held in the Retiree Account for the purpose of providing a variable monthly annuity shall be valued in participation units.

2. The value of a participation unit for the month of January 1959 shall be one dollar.

3. Once each month on the day designated by the board, the value of a participation unit for funds remaining in the Retiree Account and used to pay

monthly benefits and for annual transfers under section 16H6 shall be determined by dividing the total market value in dollars of the net assets of the Variable Annuity Fund on such day by the total number of participation units in force on such date as determined under section 16G. The date of such determination shall be designated the unit valuation date.

F. Actuarial Valuation

Once each year on the day designated by the board, the number of units standing to the credit of each Participant in the Retiree Account shall be increased by the rate of regular interest and the present value of the number of participation units payable to beneficiaries shall be determined by actuarial valuation. The valuation number of participation units on such date shall be the sum of the units to the credit of all Participants in the Retiree Account so increased and the present value of the number of participation units payable to beneficiaries as so determined. The date so designated shall be the actuarial valuation date, except that the first actuarial valuation date shall be deemed to have been 90 days preceding the first unit valuation date and the valuation number of participation units on such date shall be zero.

G. Accounting

The Variable Annuity Fund shall show the total number of participation units in force for all Participants in the Retiree Account and shares owned for employees and deferred retirees. The number of participation units in force on a unit valuation date shall consist of the valuation number of participation units on the last actuarial valuation date not less than 90 days preceding the unit valuation date, increased by the participation units creditable since such actuarial valuation date on account of transfers to the Retiree Account and the regular interest accrued since such date, and decreased by the units disbursed since such date.

H. Benefits

1. The Rules and Regulations governing the payment of benefits based on a member's accumulated contributions shall apply to the part of the member's accumulated contributions credited to a Participant under the Variable Annuity Plan. Upon retirement and election to receive an immediate variable monthly benefit or upon the end of the period of deferment for a deferred retiree, the shares owned for the benefit of Participants in the Employee Account shall be used to purchase participation units in the Retiree Account. In the event of an

immediate retirement, shares will be redeemed for participation units and valued as of the date of the member's election, or as of the date of notification by TVA of termination, whichever is later. In the event of a deferred retiree's election to commence receiving a monthly benefit, shares will be redeemed for participation units and valued as of the date of election, or as of the date the annuity is scheduled to commence, whichever is later.

2. Any optional mode of settlement selected by a member or by the beneficiary of a member who died in service under these Rules and Regulations with respect to the payment of a benefit derived from the member's own contributions shall apply in like manner to amounts held in the Annuity Savings Account and the Variable Annuity Fund.

3. A member at retirement may elect to have part or all of his or her contributions and accumulated earnings credited to the member in the Variable Annuity Fund converted to a lump sum and transferred to the Accumulation Account, to provide a fixed-dollar annuity or, similarly, the member may elect to have part or all of the amount credited in the Annuity Savings Account converted to a lump sum and transferred to the Variable Annuity Fund to provide a variable annuity, each of which is the actuarial equivalent of the amount so transferred. Such an election must be made before the date the first payment of the retirement allowance becomes normally due, and the transfer will be made on the basis of the unit value on the date of the member's election, or the date of notification by TVA of the member's termination, whichever is later.

4. A member retiring on a deferred allowance may elect, within 30 days after the date an application is filed, or within 30 days before the first payment of the retirement allowance becomes normally due, to have part or all of the member's contributions and accumulated earnings credited in the Variable Annuity Fund converted to a lump sum and transferred to the Accumulation Account to provide a fixed-dollar annuity or, similarly, the member may elect to have part or all of the amount credited in the Annuity Savings Account converted to a lump sum and transferred to the Variable Annuity Fund to provide a variable annuity, each of which is the actuarial equivalent of the amount so transferred. If elected at retirement, the transfer will be made on the basis of the value of shares in the Employee Account on the valuation date such election is filed with the board, or the date of notification by TVA of termination, whichever is later. If elected at the end of the period of deferment, the transfer will be made on the valuation date such election is filed with the board.

5. The beneficiary of a member who died in service may elect, at the time of applying for a death benefit annuity, to have part or all of the contributions and accumulated earnings credited to the member in the Variable Annuity Fund

converted to a lump sum and transferred to the Accumulation Account to provide a fixed-dollar annuity or, similarly, may elect to have part or all of the amount credited to the member in the Annuity Savings Account converted to a lump sum and transferred to the Variable Annuity Fund to provide a variable annuity, each of which is the actuarial equivalent of the amount so transferred. Such conversion will be made on the basis of the unit value on the valuation date such election is filed with the board.

6. Any person receiving an annuity may make (with the consent of any surviving designated beneficiary whose age was a factor in determining the person's benefit) one election annually to convert a Variable Annuity allowance to a fixed-dollar annuity by filing with the board the prescribed election form, after which filing a number of Variable Annuity participation units actuarially determined to be of sufficient value to fund the fixed-dollar annuity (which shall be the actuarial equivalent of the value of the number of participation units held in the Variable Annuity Fund required to provide the Variable Annuity benefit) shall be converted to a lump sum and transferred to the Accumulation Account; or, similarly make one election annually to convert a fixed-dollar annuity to a Variable Annuity allowance by filing with the board the prescribed election form after which filing a lump-sum amount which shall be actuarially determined as being equal to the amount of reserve held in the Accumulation Account to provide the fixed-dollar annuity shall be transferred from the Accumulation Account to the Variable Annuity Fund to provide a Variable Annuity benefit which shall be actuarially determined. Such transfers into or out of the Variable Annuity Fund shall be made on the basis of the unit value on the unit valuation date next following the date such election is filed with the board.

SECTION 17

17. Limitations on Benefits and Contributions

A. Limitation on Benefits

1. Notwithstanding anything in these Rules and Regulations to the contrary, the annual benefit otherwise payable to a member at any time will not exceed the defined benefit dollar limitation. If the benefit the member would otherwise accrue in a limitation year would produce an annual benefit in excess of the defined benefit dollar limitation, the benefit will be limited (or the rate or accrual reduced) to a benefit that does not exceed the defined benefit dollar limitation.

2. The "defined benefit dollar limitation" is $160,000, as adjusted, effective January 1 of each year, under section 415(d) of the Code in such manner as the Secretary shall prescribe, and payable in the form of a straight life annuity. A limitation as adjusted under section 415(d) will apply to limitation years ending with or within the calendar year for which the adjustment applies.

B. Limitation on Contributions

1. Notwithstanding anything in these Rules and Regulations to the contrary, but subject to the limits on contributions to the Retirement System set forth in sections 9A1 and 19A1, the annual additions that may be contributed or allocated to a member's account in the Retirement System under these Rules and Regulations shall not exceed the maximum annual addition. The maximum annual addition for any limitation year is equal to (i) the lesser of (a) $40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code, or (b) 100 percent of the member's compensation for the limitation year, reduced by the annual additions credited to a member's account(s) under the Deferral Plan for the same limitation year. The compensation limit referred to in (b) above shall not apply to any contribution for medical benefits after separation from service (within the meaning of section 401(h) or section 419A(f)(2) of the Code) which is otherwise treated as an annual addition. For purposes of (b) above, the member's compensation shall include any differential wage payments under section 340(h) of the Code.

2. If contributions to the member's account under these Rules and Regulations would cause the annual additions for the limitation year to exceed the maximum

annual addition, then the member's savings contributions, if any, to the Deferral Plan shall first be reduced, and thereafter the member's voluntary employee contributions under these Rules and Regulations, if any, shall next be reduced, and lastly, the amount contributed by TVA under the Deferral Plan will be reduced so that the annual additions under all such plans for the limitation year will approximately equal and not exceed the maximum annual addition.

3. RESERVED

4. For limitation years beginning prior to July 1, 2007, if, pursuant to this section, a member's annual additions under the Deferral Plan and under these Rules and Regulations would result in an excess amount for a limitation year, the excess amount contributed will be disposed of as follows:

   Any voluntary employee contributions under these Rules and Regulations and savings contributions to the Deferral Plan, together with any earnings attributable thereto, to the extent it would reduce the excess amount, will be returned to the member in a manner determined by the board;

C. For the Purposes of this Section 17:

1. Adjustment factor shall mean the cost-of-living adjustment factor prescribed by the Secretary of the Treasury under section 415(d) of the Code for years beginning after December 31, 1987, as applied to such items and in such manner as the Secretary shall provide.

2. Annual additions shall mean the amount credited or allocated to a member's account during the limitation year that constitutes:

   a. Employer contributions (including salary deferral contributions) to the Deferral Plan;

   b. Employee contributions under these Rules and Regulations and savings contributions under the Deferral Plan (including excess contributions defined in section 401(k)(8)(B) of the Code, excess aggregate contributions as defined in section 401(m)(6)(B) of the Code, and excess deferrals as described in section 402(g) of the Code, regardless of whether such amounts are distributed or forfeited),

   c. Forfeitures, and

   d. Amounts described in sections 415(c)(2) and 419A(d)(2) of the Code.

However for any limitation year beginning before January 1, 1987, employee contributions treated as an annual addition shall be the lesser of (i) one-half of the nondeductible employee contributions or (ii) the nondeductible employee contributions in excess of six (6) percent of the member's compensation for the limitation year.

Any excess amount applied in the limitation year to reduce TVA contributions will be considered annual additions for such limitation year.

3. Annual benefit shall mean the annual pension benefit (adjusted for an actuarially equivalent straight life annuity if such pension is expressed in a form other than a straight life annuity consistent with the requirements of section 415 of the Code using the Actuarial Assumptions contained in the Appendix to these Rules and Regulations) to which the member would be entitled under the terms of these Rules and Regulations assuming: (i) the member will continue employment until normal retirement age under the Retirement System (or current age, if later), and (ii) the member's compensation for the current limitation year and all other relevant factors used to determine benefits under these Rules and Regulations will remain constant for all future limitation years.

4. Current accrued benefit shall mean a member's annual pension benefit (including optional benefit forms) accrued as of the later of the last limitation year beginning before January 1, 1983, or September 30, 1983, but determined without regard to changes in the Retirement System Rules and Regulations or cost-of-living increases occurring after July 1, 1982.

5. The defined benefit dollar limitation shall be determined as follow:

    a. If the benefit of a member begins prior to age 62, the defined benefit dollar limitation applicable to the member at such earlier age shall be adjusted as required under section 415(b) of the Code and the Treasury Regulations thereunder (including as set forth in subsection (d) below, as applicable). To the extent that a Retirement System-specified interest rate is to be applied, the plan-specified interest rate and mortality table under such applicable guidance is the interest rate and the applicable mortality table (or other tabular factor) to the extent specified in the Actuarial Assumptions contained in the Appendix to these Rules and Regulations and the “applicable mortality table” is the applicable mortality table as defined in section 1 of the Actuarial Assumptions contained in the Appendix to these Rules and Regulations. Any decrease in the defined benefit dollar limitation determined in accordance with this paragraph shall not reflect a mortality decrement if benefits are not

forfeited upon the death of the participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

b. If the benefit of a member begins after age 65, the defined benefit dollar limitation applicable to the member at such later age shall be adjusted as required under section 415(b) of the Code and the Treasury Regulations thereunder (including as set forth in subsection (d) below, as applicable). To the extent that a Retirement System-specified interest rate is to be applied, the plan specified interest rate and mortality table under such applicable guidance is the interest rate and the applicable mortality table (or other tabular factor) to the extent specified in the Actuarial Assumptions contained in the Appendix to these Rules and Regulations and the "applicable mortality table" is the applicable mortality table as defined in section 1 of the Actuarial Assumptions contained in the Appendix to these Rules and Regulations. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

c. Notwithstanding the above, for individuals who were members on July 1, 1982, the defined benefit maximum shall be not less than the member's current accrued benefit.

d. If the member has fewer than 10 years of participation in the Retirement System, the defined benefit dollar limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of participation in the Retirement System and (ii) the denominator of which is 10. This section 17C5(d) shall be applied in a manner consistent with section 415(b) of the Code and the Treasury Regulations thereunder.

e. Notwithstanding the foregoing, in the event the annual benefit does not exceed $10,000 the benefit payable shall be deemed not to exceed the defined dollar limitation as permitted under section 415(b)(4) of the Code.

6. RESERVED

7. Excess amount shall mean the excess of the member's annual additions for the limitation year over the maximum annual addition for such limitation year.

8. For the purpose of this section 17, limitation year shall mean a calendar year. The limitations of this section 17 will apply in limitation years beginning after December 31, 2001, except as otherwise provided herein.

9. Benefit increases resulting from the increase in the limitations of section 415(b) of the Code will be provided to all current and former members (with benefits limited by section 415(b) of the Code) who have an accrued benefit under the Rules and Regulations immediately prior to the effective date of this section 17 (other than an accrued benefit resulting from a benefit increase solely as a result of the increases in limitations under section 415(b) of the Code).

10. For purposes of this section 17, "compensation" means compensation within the meaning of Treasury Regulation section 1.415(c)-2(d)(4) and as otherwise required under Treasury Regulation 1.415(c)-2.

11. Notwithstanding any provision of these Rules and Regulations to the contrary, the Retirement System shall comply with the maximum contribution limits under section 415 of the Code and the applicable Treasury Regulations thereunder, as adjusted pursuant to section 415(d) of the Code, and such requirements are incorporated into these Rules and Regulations by reference.

SECTION 18

18. Supplemental Benefit

A. Members retired on or before December 31, 1998

1. A member retired on or before December 31, 1998, who receives a continuing retirement allowance and is as of December 31, 1998 receiving a contribution from TVA towards the cost of coverage under a TVA medical plan, or who as of December 31, 1998 will be eligible to receive a contribution from TVA towards the cost of coverage under a TVA retiree medical plan upon reaching actual age 55 or upon re-enrolling in a TVA retiree medical plan, shall be entitled to a supplemental monthly benefit beginning with the monthly benefit for January 1999 if the retiree was receiving a continuing retirement allowance and a TVA retiree medical plan contribution as of December 31, 1998, or beginning with the monthly benefit for the month in which the retiree receives a continuing retirement allowance and would have been eligible to begin receiving a TVA retiree medical plan contribution if later than January 1999, in accordance with the following schedule:

Schedule A

If the TVA Contribution is or would be:	The Supplemental Monthly Benefit When Eligible Hereunder is:
$75	$131.25
$60	$105.00
$35	$ 61.25
$20	$ 35.00

The foregoing amounts are increased for cost-of-living adjustments allowable under section 18C3 hereof, but the supplemental monthly benefits under this Schedule A shall not exceed the amounts set forth below:

If the TVA Contribution is or would be:	The Supplemental Monthly Benefit When Eligible Hereunder is:
$75	$185.48
$60	$148.39
$35	$86.53
$20	$49.45

Schedule B

If the TVA Contribution is or would be:	The Supplemental Monthly Benefit When Eligible Hereunder is:
$150	$262.50
$120	$210.00
$ 70	$122.50
$ 40	$ 70.00

The foregoing amounts are increased for cost-of-living adjustments allowable under section 18C3 hereof, but the supplemental monthly benefits under this Schedule B shall not exceed the amounts set forth below:

If the TVA Contribution is or would be:	The Supplemental Monthly Benefit When Eligible Hereunder is:
$150	$370.96
$120	$296.78
$70	$173.06
$40	$98.90

2. A retiree eligible for a supplemental benefit under Schedule A above shall be eligible for a supplemental benefit under Schedule B above upon reaching actual age 60.

3. If a retiree was receiving a supplemental benefit under this section 18A at the time of death, a surviving spouse of that retiree shall receive a supplemental benefit in the same amount as the monthly supplemental benefit which the retiree was receiving under this section 18A at the time of death if: (a) the spouse is receiving a monthly retirement allowance upon the death of a retiree and (b) the spouse was the current spouse of the retiree at the time of the retiree's death.

4. A surviving spouse of an employee, who died in service on or before December 31, 1998, shall receive a supplemental benefit in the same amount as that to which the deceased employee would have been eligible under this section 18A if the employee had retired upon the date of death but in no event less than $35 per month if: (a) the surviving spouse is as of December 31, 1998 receiving a contribution from TVA towards the cost of coverage under a TVA medical plan and (b) the spouse is receiving a death benefit under these Rules and Regulations in a series of monthly payments.

5. The supplemental benefit stated above in section 18A1 shall be payable to eligible retirees and eligible surviving spouses as set forth in this section 18A regardless of whether the retiree or survivor retains TVA medical coverage after the supplemental benefit has commenced.

6. An employee's or retiree's surviving spouse receiving a supplemental benefit hereunder based on Schedule A above shall receive a benefit based on Schedule B above as of the date the deceased employee or retiree would have reached actual age 60, adjusted for cost-of-living increases allowable under section 18C3 hereof.

B. Members retiring after December 31, 1998

1. A supplemental benefit of $8.75 per month, as adjusted under section 18C3 hereof, for each year of actual service as defined below, shall be payable to the following eligible retirees receiving a continuing monthly retirement allowance under sections 6 or 7 of these Rules:

a. A retiree who ceases to be a TVA employee on or after January 1, 1999 and before January 1, 2009, after having reached actual age 50 and having performed 10 years of actual service;

b. A retiree upon reaching actual age 50 who ceases to be a TVA employee on or after January 1, 1999 and before January 1, 2009, due to an involuntary reduction in force, after reaching actual age 45 and having performed 10 years of actual service; or

c. A retiree who ceases to be a TVA employee on or after January 1, 2009, and after having reached actual age 55 and having performed 10 years of actual service; or

d. A retiree upon reaching actual age 55 who ceases to be a TVA employee on or after January 1, 2009, due to an involuntary reduction in force, after reaching actual age 50 and having performed 10 years of actual service.

2. A surviving spouse of a retiree eligible to receive a supplemental benefit hereunder shall receive a supplemental benefit equal to that payable under this section 18B to the retiree while living if: (a) the spouse is receiving a monthly retirement allowance for life of at least twenty-five percent (25%) of the retiree's monthly pension allowance (exclusive of level-income plan adjustments under section 6H or 7G of these Rules) as a beneficiary upon the death of a retiree, and (b) the spouse was the current spouse of the retiree at the time of the retiree's death.

3. A surviving spouse of an employee who dies in service on or after January 1, 1999 shall receive the supplemental and additional benefits for which the employee would have been eligible under this section 18 if: (a) the deceased employee would have been eligible for ~~a~~ supplemental and additional benefits under section B1 if separated from TVA due to an involuntary reduction in force as of the date of death, and (b) the surviving spouse was the current spouse of the deceased employee at the time of the employee's death. In the event the surviving spouse elects to receive the death benefit under these Rules and Regulations in a series of monthly payments, the supplemental and additional benefits will be paid in a series of monthly payments. In the event the surviving spouse elects to receive the death benefit under these Rules and Regulations in a lump sum cash payment, the supplemental and additional benefits will be paid in a lump sum equal to the present value of the supplemental and additional benefits, excluding any COLA benefit under section 18C3 after the date of the employee's death, calculated using a 6% discount rate and the mortality table for service retirements as set forth in the Appendix to the Rules and Regulations.

C. Miscellaneous

1. The supplemental benefit payable to eligible retirees and surviving spouses under sections 18A or 18B, and the additional benefit payable under section 18D, shall be payable as a continuing monthly benefit; provided, however, in the event a member who is a Cash Balance Participant elects under section 7D4 to receive a lump-sum payout of the member's cash balance account at the time of termination of employment or retirement, the supplemental and additional benefits under this section 18 shall be paid to the member in a lump sum equal to the present value of the supplemental and additional benefits for which the member is eligible, excluding any COLA benefit under section 18C3 after the date of termination of employment or retirement, calculated using a 6% discount rate and the mortality table for service retirements as set forth in the Appendix to the Rules and Regulations.

2. Actual service, as used in section 18B above and in sections 18C3 and 18D below, shall mean creditable service as defined in section 1.8 of the Rules and Regulations except that it shall not include credit for unused sick leave, forfeited annual leave, or credit for military service established pursuant to section 5.2 of the Rules and Regulations. Effective October 1, 2016, employees who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and have less than ten (10) years of cash balance service as of October 1, 2016, will not be eligible to accrue any additional service for purposes of the calculation of the supplemental benefit under section 18B, and as of October 1, 2016, these members will have their actual service frozen for calculation purposes only of the supplemental benefit under section 18B and the additional benefit under section 18D. Effective October 1, 2018, employees who made the election permitted by section 7B5(a) (but not the election under section 7B5(b)), will not be eligible to accrue any additional service for purposes of the calculation of the supplemental benefit under section 18B, and these members will have their actual service for purposes of calculating the supplemental benefit under section 18B and the additional benefit under section 18D frozen as of the effective date of the member's election.

3. The supplemental benefits payable under sections 18A or 18B, and the additional benefit payable under section 18D, shall receive a cost-of-living adjustment (COLA) whenever the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for any year exceeds by as much as one percent (1%) the CPI-U average for the prior year for which an adjustment hereunder was made, by an amount equal to the following: (i) the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since

the last adjustment, minus (ii) 0.25%. This COLA shall be made beginning with the monthly payment for January following the year in which the CPI-U increase occurred. For members who were current employees as of December 31, 2009, this COLA shall be made beginning January following the year in which the CPI-U increase occurred and the member or eligible retiree has or would have reached actual age 60. Effective October 1, 2016, for members or retirees who are under age 50 as of October 1, 2016, this COLA shall be made beginning January following the year in the CPI-U increase occurred and the member or eligible retiree has or would have reached actual age 65. Provided, however, that (a) the increase for any year shall not exceed six percent (6%); (b) the total monthly supplemental benefit payable under section 18B above shall not exceed $12.3657 per month per year of actual service, and (c) the total monthly additional benefit payable under section 18D shall not exceed $150 per month. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%); provided, however, for calendar years 2011 and 2013, the rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the preceding year of the prior year since the last adjustment if the CPI average decreased the preceding year.

4. Notwithstanding anything else contained in this Section 18, in the event a member who is a Cash Balance Participant elects under section 7B5(b) to transfer the entire amount of the member's Cash Balance Account to the Deferral Plan and the member's Cash Balance Account is so transferred, the member shall not be eligible for, and shall waive any and all rights to, the supplemental benefit and additional benefit under this Section 18 regardless of whether the member would have been eligible for these benefits under Section 18B.

D. Additional Benefit

1. a. In addition to any supplemental benefit payable under sections 18A or 18B above, any eligible retiree or surviving spouse who is receiving a supplemental benefit under sections 18A or 18B above shall, beginning not earlier than the monthly benefit payment for January 2001, be eligible for an additional benefit of $75 per month as adjusted under section 18C3 above.

b. The above notwithstanding, eligible retirees (a) who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and had less than ten (10) years of cash balance service as of

October 1, 2016, and (b) whose actual service as of October 1, 2016, was frozen for calculation purposes, will be eligible for a pro-rated additional benefit equal to the amount set forth in section 18D1 above multiplied by a fraction with the numerator equal to the retiree's years of actual service (frozen as of October 1, 2016) and the denominator equal to ten (10) years.

2. A retiree who last ceased TVA service on or before December 31, 1998 and who is (a) receiving a continuing monthly retirement allowance, (b) not eligible to receive a supplemental benefit under sections 18A or 18B either immediately or at any time in the future, (c) at least actual age 55, and (d) either (i) retired from TVA after having performed 15 years of actual service as defined in section 18C2 above and having attained 60 points based on a combination of attained age, as used for the purposes of applying the provisions of sections 6B1 and 6B2 of these Rules, and creditable service, as defined in section 1(8) of these Rules, or (ii) retired from TVA after having performed 20 years of actual service as defined in section 18C2 above, shall receive an additional benefit of $75 per month, as adjusted under section 18C3 above, effective not earlier than the monthly benefit payment for January 2001. Provided, however, that if a retiree meets the conditions of subsections (a), (b), (c), and (d) above except that the retiree may be eligible to receive a supplemental benefit under section 18A at some time in the future, the retiree, or eligible surviving spouse as set out below, shall receive the additional benefit under this section 18D2 until the retiree or surviving spouse is eligible to receive the supplemental benefit under section 18A, at which time the retiree or surviving spouse would also be eligible to receive the additional benefit under section 18D1 above. A surviving spouse of a deceased retiree, who would have been eligible to receive this additional benefit under this subsection if living, shall receive this additional benefit if (a) the surviving spouse was the current spouse of the retiree at the time of the retiree's death, and (b) the surviving spouse is receiving a monthly retirement allowance as a beneficiary upon the death of the retiree.

Section 19

19. Contributions by Those Who First Become Members of the System on or After January 1, 1996

A. Contributions by Members

1. Effective as of May 1, 2005, and prior to October 1, 2016, a member who first becomes a member of the System on or after January 1, 1996, may make

contributions to the Retirement System up to $10,000 per calendar year, so long as the total of the member's contributions to the Retirement System taken together with contributions to the Deferral Plan shall not exceed the limitations set forth in section 17, as it may be amended or supplemented; provided, however, that on or after October 1, 2016, no new contributions may be made to the Retirement System pursuant to this section 19A1. Such contributions shall be placed, as directed by the member, in either (i) an account in the Annuity Savings Account, and/or (ii) an account in the Variable Annuity Fund. The member's contributions to the Annuity Savings Account shall earn a fixed rate of return as set by the Board and set forth in the actuarial assumptions in the Appendix to these Rules and Regulations. The member's contributions to the Variable Annuity Fund shall be invested and earn a variable rate of return in the same manner as funds within the Employee Account as set forth in section 16D. Upon termination of the member's employment for any reason, including without limitation retirement or death in service, the member's contribution account, together with all income earned on the assets held therein, shall be distributed in a lump sum to the member, the member's beneficiary designated under section 11H, or in the absence or default of such designation the member's estate, subject to the member's or beneficiary's rights, if any, to rollover such distribution as provided in section 8, as amended or supplemented. In the absence of direction as to the withdrawal or rollover of such funds from the member or beneficiary, as applicable, the amounts shall remain in the member's account but shall cease to earn interest, if in the Annuity Savings Account, after sixty (60) days following the date of the member's termination of employment.

2. A member in service may make contributions under this section 19A by lump sum, by automatic payroll deduction, or by combination of such methods, in a manner prescribed by the Board, provided that lump-sum payments may be made no more often than once each month, or more frequently as prescribed by the Board.

3. A member in service may elect once each month, or more frequently as prescribed by the Board, to transfer amounts to their credit between the Annuity Savings Account and the Variable Annuity Fund.

B. Limitations

1. A member's contributions to the Retirement System pursuant to section 19A above (i) shall not be considered "accumulated contributions" as defined and used in these Rules and Regulations, except for the purposes of sections 6D1,

6L5, 11B3 and 11B4, and (ii) shall not be distributed or calculated for purposes of distribution in the form of an annuity.

2. In the event that a member receives a hardship withdrawal as defined in Article 8.1 of the Deferral Plan, for the period of six (6) months beginning in the first month following the receipt of the hardship withdrawal, that member may not contribute to the System.

3. A member may make a one-time election to transfer, in a lump sum, the total amount of that member's contributions to the System pursuant to section 19A to the Deferral Plan. In the event a member who is a Cash Balance Participant elects under section 7B5(b) to transfer the entire amount of the member's Cash Balance Account to the Deferral Plan and the member's Cash Balance Account is so transferred, the member's contributions to the System pursuant to section 19A shall also be transferred, in a lump sum, to the Deferral Plan on the same date the member's Cash Balance Account is transferred. Once a member effects this lump-sum transfer, the member shall become ineligible to make any further contributions to the System as provided in section 19A.

4. A member shall be required to name the member's spouse as beneficiary of the lump sum payable under this section 19 in the event of the member's death in service, unless the member certifies that he or she is not married at the time the beneficiary is designated, or the member provides the Retirement System with written consent of his or her spouse to the designation of a beneficiary other than the member's spouse.

Section 20

20. Claims and Appeals Procedures

A. Claims Procedure

1. A claim for benefits shall be made by a Member, Retiree, or Beneficiary on such applications or forms, if any, required by the Board. An initial determination shall be made by the Executive Secretary of the System or such other persons as designated from time to time by the Board.

2. Without limiting the foregoing, a request for benefits will be considered a claim, and it will be subject to a full and fair review. If a claim is wholly or partially

denied, the Executive Secretary will provide the Member, Retiree, or Beneficiary with a written or electronic notification of the denial. This written or electronic notification will ordinarily be provided to the Member, Retiree, or Beneficiary no later than 90 days after the receipt of a claim by the Executive Secretary, unless the Executive Secretary determines that special circumstances require an extension of time for processing a claim. If the Executive Secretary determines that an extension of time for processing is required, written notice of the extension will be furnished to the Member, Retiree, or Beneficiary within the initial determination period or as soon as practicable thereafter. In the case of a claim for a disability benefit (or reexamination of disability), an initial determination will be made by the Executive Secretary.

3. The Executive Secretary's notification of a denial will generally provide the following information:

   a. The reason or reasons for the denial.

   b. An explanation of the basis on which the determination was made.

   c. A description of any additional material or information necessary for a Member, Retiree, or Beneficiary to perfect the claim on appeal.

   d. Information as to the steps to be taken if a Member, Retiree, or Beneficiary wants to appeal the denial of a claim.

   e. In the case of disability benefits where disability is based on information provided by the Medical Board, the Director of the TVA Division of Medical Services, or otherwise by a physician, if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the denial, either (1) the specific rule, guideline, protocol, or other similar criterion; or (2) a statement that such rule, guideline, protocol, or other similar criterion was relied upon in making the denial and that a copy of the rule, guideline, protocol, or other similar criterion, will be provided to the Member.

B. Appeals Procedures

1. Upon the denial of a claim, a Member, Retiree, or Beneficiary may file an appeal, in writing, with the Board in such form as may be designated by the Board as follows:

   a. A Member, Retiree, or Beneficiary must file an appeal no later than 60 days after the Member, Retiree, or Beneficiary has received written notification of the denial of the claim.

b. The Member, Retiree, or Beneficiary may submit written comments, documents, records, and other information relating to the appeal.

c. The Member, Retiree, or Beneficiary may review all pertinent documents relating to the denial of the claim and submit any issues and comments, in writing, to the Board.

d. The Member, Retiree, or Beneficiary will be provided, upon request, with reasonable access to, and copies of, all documents, records, and other information relevant to the claim.

e. The appeal will be given a full and fair review. This review will take into account comments, documents, records, and other information submitted by the Member, Retiree, or Beneficiary relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

2. In addition, if the claim is for disability benefits, then the following shall apply:

a. In deciding an appeal that requires medical judgment, the Board may request information from or consult with the Medical Board or may consult with a health care professional who has appropriate training and experience.

b. Any medical or vocational experts whose advice was obtained on behalf of the Retirement System in connection with the denial will be identified, without regard to whether the advice was relied upon in making the benefit determination.

c. The health care professional engaged for purposes of a consultation above will be an individual who is neither an individual who was consulted in connection with the determination that is the subject of the appeal nor the subordinate of any such individual.

3. The Board will ordinarily provide the Member, Retiree, or Beneficiary with written or electronic notification of the determination on appeal within 60 days after the receipt of the Member's, Retiree's, or Beneficiary's notice of appeal, unless the Board determines that special circumstances require an extension of time for processing the claim. If the Board determines that an extension of time for processing is required, written notice of the extension will be furnished to the Member, Retiree, or Beneficiary prior to the termination of the initial 60-day period or as soon as practicable thereafter. If the claim is approved on appeal,

the Board will notify the Member, Retiree, or Beneficiary accordingly. If the claim is denied, the Board will provide a notification that generally sets forth the following:

a. The specific reason or reasons for the denial.

b. An explanation of the basis on which the determination was made.

c. A statement that the Member, Retiree, or Beneficiary is entitled to receive, upon request, reasonable access to, and copies of, all documents, records, and other information relevant to the claim.

d. In the case of disability benefits where disability is based on information provided by the Medical Board, the Director of the TVA Division of Medical Services, or otherwise by a physician, if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the denial, either (1) the specific rule, guideline, protocol, or other similar criterion; or (2) a statement that such rule, guideline, protocol, or other similar criterion was relied upon in making the denial and that a copy of the rule, guideline, protocol, or other similar criterion, will be provided to the Member.

C. Further Review

A Member, Retiree, or Beneficiary is required to utilize and exhaust the claims and appeal procedures set forth in these Procedures before filing a lawsuit. The scope of review by a court is limited to the administrative record developed as part of the claims and appeal procedures and such review is further limited as to whether the determination by the Board was arbitrary and capricious.

D. Right to Seek Judicial Enforcement of Rules and Regulations

Anyone with standing had and shall have the right to seek enforcement of these Rules and Regulations in any United States district court of competent jurisdiction by any means available in common law or by statute; provided, however, any claim for benefits by a member, retiree or beneficiary are subject to and must first be made pursuant to the Claims and Appeals Procedures set forth under sections 20A and 20B above. Any action related to amendments to the Rules and Regulations must be made within one (1) year of the date on which the amendments go into effect pursuant to section 13.

APPENDIX TO THE RULES AND REGULATIONS OF THE TVA RETIREMENT SYSTEM

Actuarial Assumptions

Certain benefit payments are calculated on the basis of actuarial assumptions, mortality tables, and interest rates. The following have been adopted by the board. The board may change these assumptions, tables, and rates from time to time.

1. a. The mortality tables for service retirements are based on the 1971 Group Annuity Mortality Table rated back one year (hereinafter referred to as service mortality tables) and the mortality tables for disability retirements are based on the Society of Actuaries Disability Exposure Table Ultimate 1985 rated back six years (hereinafter referred to as disability mortality tables).

   b. Effective for service retirements on or after January 1, 2003, the mortality table used shall be the 1983 Group Annuity Mortality Table (references to service mortality tables for service retirements on or after that date shall be deemed as references to this table). Effective for disability retirements on or after January 1, 2003, the mortality table used shall be the 1983 Group Annuity Mortality Table, set forward eight years (references to disability mortality tables for disability retirements on or after that date shall be deemed as references to this table).

   c. Effective for service retirements on or after April 1, 2009, the mortality table used shall be the Combined Healthy RP-2000 Mortality Table without a collar adjustment (references to service mortality tables for service retirements on or after that date shall be deemed as references to this table). Effective for disability retirements on or after April 1, 2009, the mortality table used shall be the Combined Healthy RP-2000 Mortality Table without a collar adjustment, with a set forward that is ten years before age 70, grades down to six years from age 70 to age 73, is six years from age 73 to age 79, grades down to zero years from age 80 to age 85, and is zero above age 85 (references to disability mortality tables for disability retirements on or after that date shall be deemed as references to this table).

   d. Effective for service retirements on or after February 1, 2014, the mortality table used shall be the Combined Healthy RP-2000 Mortality Table without a collar adjustment, projected with Scale AA to 2022 (references to service mortality tables for service retirements on or after that date shall be deemed as references to this table). Effective for disability retirements on or after February 1, 2014, the mortality table used shall be the Combined Healthy RP-2000 Mortality Table without a collar adjustment, projected with Scale AA to 2022, with a set forward that is 20 years until age 55, decreasing from 20 years to 10 years from age 55 to 65, remaining 10 years from age 65 to age 75, decreasing from 10 years to zero between ages 75 and 85 and staying zero after age 85

(references to disability mortality tables for disability retirements on or after that date shall be deemed as references to this table).

e. Effective for service retirements on or after April 1, 2019, the mortality table used shall be the base healthy mortality table RP-2014 from the Society of Actuaries' 2014 mortality study multiplied by a load factor of 105% for males and 110% for females, without a collar adjustment, adjusted for mortality improvement based on the rates contained in Mercer's mortality improvement scale MSS-2018 to 2028 (after the MP-2014 improvement scale is backed out to the 2006 base year). References to service mortality tables for service retirements on or after that date shall be deemed as references to this table. Effective for disability retirements on or after April 1, 2019, the mortality table used shall be the base disabled mortality table RP-2014 from the Society of Actuaries' 2014 mortality study multiplied by a load factor of 120% for males and 95% for females, without a collar adjustment, adjusted for mortality improvement based on the rates contained in Mercer's mortality improvement scale MSS-2018 to 2028 (after the MP-2014 improvement scale is backed out to the 2006 base year). References to disability mortality tables for disability retirements on or after that date shall be deemed as references to this table.

f. Effective for service retirements on or after April 1, 2024, the mortality table used shall be the benefit amount-weighted upper quartile healthy mortality table Pri-2012 from the Society of Actuaries' 2019 mortality study multiplied by a load factor of 105% for both males and females, without a collar adjustment, adjusted for mortality improvement based on the rates contained in Mercer's mortality improvement scale MSS-2022 to 2038. References to service mortality tables for service retirements on or after that date shall be deemed as references to this table. Effective for disability retirements on or after April 1, 2024, the mortality table used shall be the benefit amount-weighted disabled mortality table Pri-2012 from the Society of Actuaries' 2019 mortality study multiplied by a load factor of 115% for both males and females, with no collar adjustment, and with mortality improvement projection based on Mercer's mortality improvement scale MSS-2022 to 2038. References to disability mortality tables for disability retirements on or after that date shall be deemed as references to this table.

g. Such service mortality tables and disability mortality tables, as heretofore defined, are used as the bases for determining various benefit computation factors.

h. Effective September 30, 2023, for purposes of the System's actuarial valuations as set forth under the Rules and Regulations, the following mortality tables will be used for service retirements and disability retirements. For service retirements, the mortality table shall be the benefit amount-weighted upper quartile healthy mortality table Pri-2012 from the Society of Actuaries' 2019 mortality study multiplied by a load factor of 100% for both male and female employees, 102% for both male and female annuitants,

and 110% for both male and female contingent survivors; with no collar adjustment, and with mortality improvement projection based on Mercer's mortality improvement scale MSS-2025 (as updated annually, and reviewed and approved by the Board) which reflects generational mortality improvement based on the Social Security Administration's projected mortality experience. For disability retirements, the mortality table shall be the benefit amount-weighted disabled mortality table Pri-2012 from the Society of Actuaries' 2019 mortality study multiplied by a load factor of 115% for both males and females, with no collar adjustment, and with mortality improvement projection based on Mercer's mortality improvement scale MSS-2025 (as updated annually, and reviewed and approved by the Board) which reflects generational mortality improvement based on the Social Security Administration's projected mortality experience.

I. The above notwithstanding, for the purposes of applying the limits on benefits set forth in section 415(b) of the Internal Revenue Code, the mortality table used shall be the table prescribed by the Secretary of the Treasury in Revenue Ruling 95-6, as it may be amended or superseded. Provided, further, that effective as to distributions with annuity starting dates on or after December 31, 2002, notwithstanding any other plan provisions to the contrary, the applicable mortality table used for the purposes of adjusting any benefit or limitation under section 415(b)(2)(B), (C), or (D) of the Internal Revenue Code as set forth in section 17 of the Rules and Regulations is the table prescribed in Rev. Rule 2001-62. Provided, further, that effective as to distributions with annuity starting dates in plan years that begin on or after January 1, 2008, notwithstanding any other plan provisions to the contrary, the mortality table used for the purposes of adjusting any benefit or limitation under section 415(b)(2)(B), (C), or (D) of the Internal Revenue Code as set forth in May 2005 RETIREMENT Rules Page 91 section 17 of the Rules and Regulations is the applicable mortality table under section 417(e) of the Internal Revenue Code as prescribed and published by Internal Revenue Service guidance or regulations applicable to section 417(e).

2. The service and disability mortality tables are modified to produce benefit computation factors which same factors apply to both male and female members and beneficiaries and derivation of such factors reflect past and anticipated experience and are weighted based on various selections by male and female members. Effective for retirements on or after January 1, 2003, the tables referred to in section 1 above shall be blended with 80 percent of the male mortality and 20 percent of the female mortality except that (a) for option 1 retirements (life annuity with full cash refund) the tables shall be blended with 65 percent of the male mortality and 35 percent of the female mortality, however, effective for retirements on or after February 1, 2014, for option 1 retirements (life annuity with full cash refund) the tables referred to in section 1 above shall be blended with 55 percent of the male mortality and 45 percent of the female mortality and (b) for option 2 retirements (100 percent joint and survivor), option 3 retirements (50 percent joint and survivor), and option 4 retirements (miscellaneous options), the tables shall be

blended with 90 percent of the male mortality and 10 percent of the female mortality. Effective for retirements on or after April 1, 2019, the tables referred to in section 1 above shall be blended with 80 percent of the male mortality and 20 percent of the female mortality.

3. Exclusive of Variable Annuity Plan annuities, service annuities under section 6A without optional modification and special service annuities under section 6B without optional modification are based on service mortality tables and 8-3/8 percent per annum interest rate; the actuarial equivalents under section 6B2c are based on service mortality tables and a 6 percent per annum interest rate.

4. Exclusive of Variable Annuity Plan annuities, disability annuities under section 6C without optional modification are based on disability mortality tables and an 8-3/8 percent per annum interest rate.

5. Social Security offsets under sections 6A and 6B are based on service mortality tables and a 6 percent per annum interest rate.

6. Level-income plan amounts under section 6H are based on service mortality tables and a 6 percent per annum interest rate.

7. Exclusive of disability allowance reductions under section 6E, Option 1 amounts payable under section 6E are based on service mortality tables and a 6 percent per annum interest rate for variable annuity benefits and 8-3/8 percent for fixed annuity benefits.

8. Exclusive of disability allowance reductions under section 6E, Options 2, 3, and 4 amounts payable under section 6E are based on service mortality tables and a 6 percent per annum interest rate for pension benefits and variable annuity benefits and 8-3/8 percent for fixed annuity benefits effective January 1, 1990.

9. Option 1 amounts payable to disability retirees under section 6E are based on disability mortality tables and a 6 percent per annum interest rate for variable annuity benefits and 8-3/8 percent for fixed annuity benefits.

10. Options 2, 3, and 4 amounts payable to disability retirees under section 6E are based on disability mortality tables and 6 percent per annum interest rate for pension benefits and variable annuity benefits and 8-3/8 percent for fixed annuity benefits effective January 1, 1990.

11. Exclusive of Variable Annuity Plan benefits and the TVA-financed portion of the death benefit, death benefit annuities under Options A and B of section 6G, including the reduction under Option B, are based on service mortality tables and an 8-3/8 percent per annum interest rate.

12. Actuarial equivalent calculations of disability pension reductions under section 6C2b on account of receipt of Social Security Old-Age Benefits before age 65 are based on disability mortality tables and a 6 percent per annum interest rate.

13. Variable Annuity Plan service annuities under section 6A without optional modification and Variable Annuity Plan special service annuities under section 6B without optional modification are based on service mortality tables and a 6 percent per annum interest rate.

14. Variable Annuity Plan disability annuities without optional modification under section 6C are based on disability mortality tables and a 6 percent per annum interest rate.

15. The Variable Annuity Plan portion and the TVA-financed portion of the death benefit annuities under Option A of section 6G are based on service mortality tables and a 6 percent per annum interest rate. The reductions under Option B are based on service mortality tables and a 6 percent per annum interest rate.

16. Optional amounts payable to deferred retirees under section 6F are based on service mortality tables and 6 percent per annum interest rate for pension benefits and variable annuity benefits and 8-3/8 percent for fixed annuity benefits.

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%.

18. The annual rate of interest to be credited accounts of Variable Annuity Plan Participants in the Retiree Account is 6 percent.

19. Service equivalents of unused sick leave and forfeited annual leave shall be computed as follows: (l) 2,080 hours shall equate to one year; and (2) at the member's election, forfeited annual leave and, at the member's election, unused sick leave shall be summed and shall be counted hour for hour for the first 1,000 hours and two hours for each hour in excess of 1,000 hours.

20. Actuarial present value calculations of lump-sum payments under section 6(K) are based on the interest rate for immediate annuities in effect on January 1 of any calendar year as published by the Pension Benefit Guaranty Corporation. For the avoidance of doubt,

the interest rate will be determined as defined in Appendix C to Part 4022 of Title 29 in the Code of Federal Regulations effective January 1, 2021.

21. Effective for service retirements on or after April 1, 2009, a member's pension under section 6B2b(ii) shall be the greater of (a) the pension calculated under section 6B2b(ii) and (b) the pension calculated under section 6B2c(ii).

MILITARY PROCEDURES AND PRINCIPLES

1. Full-time and part-time employees who are members of the TVA Retirement System, who are veterans or disabled veterans separated from the armed forces under honorable conditions, and who retire on or after October 1, 1994, are eligible to establish credit for military service. Also eligible are beneficiaries of deceased members who had not already established credit for military service.

2. Military credit is used for calculating pension benefits and does not count for vesting.

3. Honorable active military service (other than for training) in the Army, Navy, Air Force, Marine Corps or Coast Guard occurring prior to TVA employment is eligible for credit. Such eligible military service must have been served (a) during a war or in a campaign or expedition for which a campaign badge was authorized, (b) during the period beginning April 28, 1952 and ending July 11, 1955, or (c) for more than 180 consecutive days, any part of which occurred after January 31, 1955 and before October 15, 1976.

4. Ineligibility for military credit is military service performed during employment at TVA which is already potentially creditable under Retirement System Rules.

5. The following requirements of military and TVA service determine eligible credit a member may apply for:

Minimum of six months of military service
Maximum of four years of military service
Military service may be credited as follows:

Required Years of TVA Service	Maximum Years of Credit for Military Service
Less than 10	0
At least 10 but less than 15	1
At least 15 but less than 20	2
At least 20 but less than 25	3
25 or more	4

6. The Retirement System credits the member's pension for military service by multiplying the member's high-3 average salary times the member's years of military credit times the applicable pension rate.

7. To receive credit for eligible military service, a member must make a deposit to the Retirement System Accumulation Account which funds the pension benefits.

8. Lump-sum deposit(s) to the Retirement System for military service may be made upon the member achieving the established eligibility requirements or at any time prior to separation from TVA employment, but no earlier than October 1, 1994.

9. The amount of the deposit required to establish credit for military service is seven percent of the member's basic pay for each period of such military service plus interest.

10. Calculation of the required deposit to establish credit for military service is as follows:

7 Percent x Military Basic Pay* + Interest

(*Military Basic Pay is the average of a member's estimated earnings based on total military service and rank upon discharge.)

11. Interest is calculated by using the variable rates applicable to military service deposits under the Civil Service Retirement System and will begin accruing on the later of the date the military service ends or on October 1, 1986. Interest accrual will continue on the unpaid balance until the deposit(s) for all eligible military service is paid. These rates are listed below:

Date	Interest Rate(%)	Date	Interest Rate(%)	Date	Interest Rate(%)
10-1-86	11.594	10-1-90	8.844	10-1-94	6.469
10-1-87	9.531	10-1-91	8.656	10-1-95	6.813
10-1-88	8.531	10-1-92	8.250	10-1-96	6.906
10-1-89	8.938	10-1-93	7.375	10-1-97	6.875
10-1-98	6.781	10-1-01	6.250	10-1-04	4.156
10-1-99	6.000	10-1-02	5.719	10-1-05	4.250
10-1-00	5.844	10-1-03	5.125		

12. Credit for military service will be eligible for cost-of-living adjustments on the same terms as the pension benefit.

13. To receive credit for military service (a) member obtains proof of basic military pay by completing form RS-MIL, Estimated Earnings During Military Service, and submitting it to the appropriate Military Pay Center, (b) member provides Retirement Services with a copy of form RS-MIL after completion by the Military Pay Center and a copy of Department of Defense form DD 214, Report of Transfer or Discharge, or other equivalent record to verify service, copy of notification of waiver of current or future military retired or retainer pay benefits, (c) Retirement Services calculates total amount of deposit necessary based on forms RS-MIL and DD 214, plus interest rates as shown in

item 11, and (d) Retirement Services provides deposit information to member and form RS 205, Military Service Deposit Election, along with further instructions.

14. The Executive Secretary, authorized by the Retirement System Board (Minute Entry 336-3), may accept deposits after termination that represent the required amount necessary to purchase military credit. The Executive Secretary must then report periodically to the Board as to all extensions of time granted under this delegation.

15. Based on the revision to section 5(2) of the Rules and section 4 of these procedures, approved by the Retirement System Board on August 30, 2000, (Minute Entry 366-18), the Executive Secretary is authorized to take steps necessary to permit otherwise eligible retirees, and beneficiaries of otherwise eligible deceased retirees, to purchase Retirement System credit for military service, retroactive to a retirement on or after October 1, 1994, if they were previously ineligible to purchase such credit because the retiree was receiving, or was eligible to receive, another Federal pension (other than Social Security) based on such military service.

PROCEDURES ON DOMESTIC RELATIONS ORDERS

Governmental plans, as defined in section 414(d) of the Internal Revenue Code, are exempt from mandatory compliance with qualified domestic relations orders. Under section 414(p)(11) of the Internal Revenue Code, distributions from governmental plans, such as the TVA Retirement System's plans, may be treated as made pursuant to qualified domestic relations orders if made pursuant to domestic relations orders which meet the requirements of section 414(p)(1)(A)(i) of the Internal Revenue Code. In addition, distributions must be made pursuant to plan rules and procedures. Accordingly, the TVA Retirement System will accept and make distributions pursuant to a domestic relations order which meets the requirements of section 414(p)(1)(A)(i) of the Internal Revenue Code and these procedures.

PROCEDURES APPLICABLE TO ALL DOMESTIC RELATIONS ORDERS (DRO)

1. "Plan Participant" as used in these procedures includes active employees of TVA, retired TVA employees, and other former TVA employees entitled to benefits from, or having accounts in, the TVA Retirement System or the TVA Savings and Deferral Retirement Plan (which is referred to hereinafter as the 401(k) Plan).

2. A DRO must relate to a final order of divorce or annulment dated on or after January 1, 2003.

3. The only eligible alternate payee under a DRO is a former spouse.

4. A DRO must clearly identify the Plan Participant and the Plan Participant's former spouse.

5. A certified copy of the DRO shall be sent to:

   TVA Retirement System
   400 West Summit Hill Drive
   WT 8A-K
   Knoxville, Tennessee 37902

6. Upon the Retirement System's receipt of a DRO, the Plan Participant identified in the DRO shall be prohibited from making lump-sum withdrawals, making transfers of account balances between plans, or receiving a loan from an affected Retirement System annuity or 401(k) Plan account pending resolution of the DRO.

7. The DRO must state whether it applies to the TVA Retirement System (pension and/or annuity funds) or to the 401(k) Plan, or to both.

8. Payments to a former spouse under a DRO can in no event exceed the payment which would be due to the Plan Participant in the absence of the DRO.

9. A former spouse's right to payment under a DRO shall end on the date of the Plan Participant's death or on the effective date of a subsequent DRO which amends or vacates a previous right to payment under a DRO.

10. Entitlement to payments under a DRO shall cease upon the date of the former spouse's death, and all entitlement to further payments covered by the DRO shall revert to the benefit of the Plan Participant.

11. A DRO may in no event designate a survivor beneficiary of Retirement System or 401(k) Plan benefits. Survivor beneficiary designations made by a member in accordance with the Rules and Regulations of the Retirement System or the Provisions of the 401(k) Plan, or survivor beneficiary designations made by operation of those plans, will be honored notwithstanding contrary survivor beneficiary designations contained in a DRO.

12. Upon receipt and review of a DRO, the Retirement System will notify the Plan Participant and the former spouse as to whether the DRO is acceptable or not and, if acceptable, what action pursuant to it will be taken. If the parties disagree with the action to be taken by the Retirement System, their remedy is to return to court to obtain a clarifying DRO. The Retirement System will only honor DROs which on their face clearly and unambiguously meet the requirements of these procedures.

13. If the Retirement System receives more than one acceptable DRO relating to a Plan Participant and involving the same former spouse, the last one received takes precedence. If DROs relating to a Plan Participant involve two or more different former spouses, they will be honored according to the order in which they are received.

14. For taxation purposes, all amounts paid directly to a former spouse under a DRO will be reported as income to the former spouse.

15. Payment can only be made pursuant to a DRO after the former spouse receives any applicable rollover and distribution notices from the Retirement System and the former spouse provides all information necessary for distribution and taxation purposes.

    Note: A former spouse's share of a recurring monthly benefit payment will be made up of a pro-rata portion of the components (i.e., TVA-funded pension, TVA-funded supplemental pension, or employee-funded annuity) of the Plan Participant's recurring monthly benefit payment. Any cost of living adjustment attributable to the pro-rata

share of a Plan Participant's recurring monthly benefit which is awarded to a former spouse will be paid to that former spouse unless the DRO specifically negates any cost of living adjustment. Eligibility for cost of living adjustments generally does not occur until the Plan Participant attains age 55 or begins to receive a monthly pension benefit, whichever is later.

ADDITIONAL PROCEDURES AND ACCEPTABLE DRO FORMS FOR IMMEDIATE DIVISION OF, AND DISTRIBUTION FROM, THE PLAN PARTICIPANT'S TVA RETIREMENT SYSTEM ANNUITY FUND ACCOUNT OR 401(K) PLAN ACCOUNT

1. A Plan Participant's existing account in the TVA Retirement System's annuity funds or the 401(k) Plan can be divided and paid out as soon as practicable after acceptance by the TVA Retirement System of an acceptable DRO and all applicable information on taxation and rollover, if elected, is provided by the former spouse. Because of this, the amount of entitlement under the DRO will not be increased or decreased after it is valued in accordance with an applicable DRO. Interest or earnings (gains or losses) will not be paid on the amount of the entitlement under the acceptable DRO, and the amount of the entitlement cannot be segregated or invested separately for the former spouse pending payment.

2. Payment to the former spouse from either the annuity funds or the 401(k) Plan shall be in one lump sum only (per plan) and can in no event exceed the vested balance in the Plan Participant's account at the time of payment pursuant to the acceptable DRO.

3. To be acceptable, a DRO must: (a) identify the affected Plan Participant; (b) specifically state whether it refers to the Plan Participant's account in the TVA Retirement System's annuity funds or the 401(k) Plan, or both; (c) state the specific dollar amount, or percentage of the account which shall be paid to the former spouse, who shall be identified; and (d) provide that the TVA Retirement System shall cause payment of the former spouse's share to be made directly to the former spouse. The following forms are acceptable:

   A. Award of Fixed Amount

      "[Former Spouse] is awarded $_____from [Plan Participant]'s [TVA Retirement System annuity funds] and/or [TVA Savings and Deferral Retirement Plan (401(k) Plan)] account. The TVA Retirement System is directed to cause such amount to be paid directly to [former spouse]."

   B. Award of Percentage

      "[Former Spouse] is awarded [_____ %] of [Plan Participant]'s [TVA Retirement System annuity funds] and/or [TVA Savings and Deferral Retirement Plan (401(k) Plan)] account as of [date – no later than 15 days after date of DRO]. The TVA Retirement System is directed to cause such amount to be paid directly to [former spouse].