

Voluntary 401(k) Election Opportunity

Frequently Asked Questions

General Background

1. What is happening?

Recently, the TVARS Board of Directors approved amendments to the TVARS Rules and Regulations and 401(k) Plan Provisions that will allow employees to voluntarily elect future participation and retirement benefits in the 401(k) Plan only. Between **July 1 and August 31, 2018**, employees with a Cash Balance Account can choose to stop receiving Cash Balance pension benefits and, instead, shift their retirement benefits to the 401(k) Plan beginning **October 1, 2018**. This choice provides employees greater flexibility in future financial planning and the option to choose the retirement benefits that are best for them.

2. Will TVARS offer this opportunity again?

No future windows or election periods are planned.

Eligibility

3. Who is eligible to participate in this election window?

There are three different employee groups that are able to participate in this window:

1. Employees who first became a TVARS member before 1/1/1996 and elected to participate in the Cash Balance Benefit Structure.
2. Employees who first became a TVARS member on or after 1/1/1996 but before 7/1/2014 and had 10 or more years of service as of 10/1/2016.
3. Employees who first became a TVARS member on or after 1/1/1996 but before 7/1/2014 and had less than 10 years of service as of 10/1/2016.

Evaluating Your Options

4. What are my election options?

If you first became a TVARS member before 1/1/1996 and elected to participate in the Cash Balance Benefit Structure **OR** if you first became a TVARS member on or after 1/1/1996 but before 7/1/2014 and had 10 or more years of service as of 10/1/2016, you are eligible for:

- **Option 1:** Waive pay credits to your Cash Balance Account and receive increased contributions to your 401(k) Plan account
- **Option 2:** Waive pay credits to your Cash Balance Account and receive increased contributions to your 401(k) Plan account PLUS transfer your Cash Balance Account to the 401(k) Plan*
- **Option 3:** No change

If you first became a TVARS member on or after 1/1/1996 but before 7/1/2014 and had less than 10 years of service as of 10/1/2016, you are eligible for:

- **Option 1:** Waive TVARS pension benefits and transfer your Cash Balance Account to the 401(k) Plan*
- **Option 2:** No change

*Employees with a Cash Balance benefit subject to the terms of a domestic relations order (DRO) are ineligible to participate in the election opportunity to transfer their Cash Balance Account to the 401(k) Plan.

5. Will taking action during this election opportunity impact my other benefits?

There may be various impacts to your Supplemental benefit, Fixed and Variable Funds, death in service benefit, disability benefit, or Federal Employees' Group Life Insurance (FEGLI), if applicable. These impacts vary depending on the election option you choose. For information on the impacts to other benefits, you can review the *Election Guide* that was mailed to your home address or online via the NetBenefits alert at the top of the page. Or, you can email retsvecs@tva.gov or call 865-632-2672 or 800-824-3870.

6. How do I decide which option might be best for me?

Everyone's financial situation is unique. Spend some time thinking about your retirement goals and how the different retirement benefits can help you reach them. Consider:

- **Time horizon:** Your age, remaining working years, and expected retirement date.
- **Other sources of retirement income:** For example, Social Security, other retirement plan accounts, and other personal savings and investment accounts. Depending on your existing types of retirement income, you may want to consolidate or diversify your retirement benefits.
- **Risk tolerance and investment responsibility:** Your comfort level with making your own investment decisions and your overall risk tolerance.
- **Impact on other benefits:** How making an election affects your eligibility or participation in your other benefits as a TVA employee and retiree.
- **Beneficiaries:** The ability to provide benefits to a spouse or other eligible beneficiary

The current retirement benefits and options might still be the best for you or what you would prefer, in which case, there is no action required on your part during the election window to continue receiving your current retirement benefits.

7. What tools and resources are available to help me understand my options?

You have the following resources available to help you make this decision:

- **Election Guide:** The *Election Guide* (mailed to home addresses in late June with the *Personalized Statement*) explains this election opportunity in detail, including eligibility requirements, how the election options can impact other retirement benefits, things to consider, the election timeline, and how to make an election.
- **Personalized Statement:** The *Personalized Statement* (mailed to home addresses in late June with the *Election Guide*) is a custom statement that allows you to see the estimated projected value of your retirement benefits depending on the election option you choose.
- **TVARS Onsite Sessions:** Attend a group session to learn more details about this opportunity from TVARS Retirement Consultants. Go to the TVARS SharePoint site at http://fs.tva.gov/Retirement_Management/Benefits/Lists/Group%20Sessions/NewForm.aspx to view the schedule and register for a group session near you. Please bring your Election Guide and your Personalized Statement with you to the group session. A Help Desk will also be available at the group sessions. For general retirement questions, review www.tvvars.com.
- **Fidelity Retirement Planner:** Fidelity Retirement Planners offer you free 1:1 retirement savings and investment planning support by phone or in person. Call **877-895-5986** or go to <https://nb.fidelity.com/public/nb/tva/contactus/schedule-a-meeting> to schedule a 45-minute appointment at or near your workplace.
- **Cash Balance Plan Calculator:** This tool offers more details on the Cash Balance pension benefit and can also model the projected value of your Cash Balance account and pension across various scenarios. The calculator can be accessed at <https://pension.hewitt.com/tvars>.

8. Will there be informational meetings?

Attend a group session to learn more details about this opportunity from TVARS Retirement Consultants. Go to the TVARS SharePoint site at

http://fs.tva.gov/Retirement_Management/Benefits/Lists/Group%20Sessions/NewForm.aspx to view the schedule and register for a group session near you. Please bring your Election Guide and your Personalized Statement with you to the group session. A Help Desk will also be available at the group sessions. If you have questions, email retsvcs@tva.gov or call 865-632-2672 or 800-824-3870.

Making An Election

9. Do I have to make an election or what if I do NOT want to make a change?

There is no action required if you do not wish to make a change to your retirement benefits—you do **not** need to log onto NetBenefits. You will continue receiving your retirement benefits as you do today with no changes.

10. If I would like to make a change to my retirement benefits, what is required for my election to be processed?

Make your election on NetBenefits between **July 1, 2018 and August 31, 2018**. You must be actively employed by TVA on **October 1, 2018** for your election to go into effect.

If you have taken a hardship withdrawal from your 401(k) Plan account and are currently in the 6-month contribution suspension period, and you want to make a change to your retirement benefits as part of this election opportunity, you will need to request a paper election form and submit your election directly with TVARS by 11:59 p.m. ET on **August 31, 2018**. Instructions regarding how to submit your election will be provided on the election form.

Note: If your Cash Balance benefit is subject to the terms of a domestic relations order (DRO), you are ineligible to participate in the election opportunity to transfer your Cash Balance Account to the 401(k) Plan.

11. How do I make an election?

From **July 1 to August 31**, you can log on to Fidelity NetBenefits® at <https://nb.fidelity.com/public/nb/tva/home> and select the banner at the top of the page. You can then select your desired election option from the drop-down menu within the “Voluntary 401(k) Election Opportunity” section at the bottom of the page as directed. If you need assistance, Fidelity representatives can help you make your online election.

Note: You do not need to make an active election on NetBenefits in order to keep your current retirement benefits.

12. I logged into NetBenefits and I don't see where to make an election. What do I do?

If you are eligible, then you should see a banner at the top of the NetBenefits home page that directs you to the election page.

13. Will I receive a confirmation of my election?

Your election will be confirmed on the NetBenefits contribution election page, similar to any other changes you make to your 401(k) Plan deferral elections.

14. If I'm married, is spousal consent required?

No, spousal consent is not required for this election opportunity. However, if you are married, it's important to discuss this decision with your spouse.

15. If I make an election, can I make changes to my election?

If you make an election, you may make changes to that election at any time throughout the election window until 11:59 p.m. ET on **August 31, 2018**. All elections are final after **August 31, 2018**, and cannot be changed after that date.

16. What happens if I do not make an election by August 31, 2018?

If you do not actively elect to make changes to your retirement benefits by 11:59 p.m. ET on **August 31, 2018**, you will be defaulted to continue receiving your retirement benefits as you do today.

17. When will changes related to this election opportunity take effect?

Any changes elected during the window will become effective **October 1, 2018**.

Reviewing Your Account Changes

18. When should I expect to see the transferred Cash Balance Account and Fixed and Variable Funds, if applicable, in my 401(k) Plan account?

The transfer will take place at market close on October 1, 2018 and you will be able to see the transferred balance(s) on Net Benefits on October 2, 2018.

19. How will the transferred balances be invested?

The Cash Balance Account will be invested according to your investment elections on NetBenefits for your 401(k) Plan contributions. If you have different elections, the transferred balance will be invested like your pre-tax election within your 401(k) Plan account. If applicable, the Fixed and Variable Funds will also be invested according to your 401(k) Plan investment elections on file. You may change your 401(k) Plan investments after the initial transfer has taken place at market close on October 1, 2018.

Other Benefit Questions

20. What are my current Cash Balance benefits?

For detailed information about your current Cash Balance benefits, see the booklet called *Your Retirement Benefits* at <http://retiree.tva.com/pdf/Cash%20Bal%20Your%20Retirement%20Benefits.pdf>.

If you first became a member of the System before 1/1/1996 and elected to be in the Cash Balance Benefit Structure, you receive pay credits equal to 6% of your eligible compensation each month.

If you first became a member of the System on or after 1/1/1996 but before 7/1/2014 and had 10 or more years of service as of 10/1/2016, you receive pay credits equal to 3% of your eligible compensation each month.

If you first became a member of the System on or after 1/1/1996 but before 7/1/2014 and had less than 10 years of TVARS service as of 10/1/2016, you do not receive pay credits.

21. What is the current formula for calculating interest credits for my Cash Balance Account?

If you first became a member of the System before 1/1/1996 and elected to be in the Cash Balance Benefit Structure, your cash balance account receives interest based on the following formula (currently 6%):

CPI + 3%
Minimum = 6% and Maximum = 10%

If you first became a member of the System on or after 1/1/1996 but before 7/1/2014, your cash balance account receives interest based on the following formula (currently 4.75%):

CPI + 2%
Minimum = TVARS assumed Rate of Return (ROR) minus 2%
Maximum = TVARS assumed Rate of Return (ROR) minus .05%

22. If I elect to transfer my Cash Balance Account to the 401(k) Plan, when will I be able to withdraw all or any portion of that balance from the 401(k) Plan?

The balance you transfer from the Cash Balance Account to the 401(k) Plan, and any future investment earnings on that balance, will only be eligible for distribution upon termination of employment or retirement, death, or disability. These amounts will not be eligible for any in-service distributions, loans, or hardship withdrawals.

23. If I elect to transfer my Cash Balance Account to the 401(k) Plan, what happens to the Supplemental Benefit?

Your right to the Supplemental Benefit will be waived, and, as a result, you will also no longer be eligible for the TVA Health-Care Credit, which helps to offset the cost of TVA-provided retiree health insurance in addition to the Supplemental Benefit. For more information about the TVA Health-Care Credit, see the *Benefits Information for Terminating Employees* booklet at http://retiree.tva.com/pdf/benefits_summary.pdf.

24. How can I find out more information about the supplemental benefit?

Click here (http://retiree.tva.com/pdf/faq_supplemental.pdf) for the FAQs related to the Supplemental benefit. In addition, you may want to review your retirement benefit estimates in PLUS to see your projected estimated supplemental benefit amounts at future retirement dates.

25. How were my benefit projections calculated in the *Personalized Statement*?

Projected savings were calculated using data on file with TVARS and Fidelity as of March 31, 2018. Projected calculations were made based on a set of assumptions defined on the last page of the *Personalized Statement*. The *Personalized Statement* shows your hypothetical projected retirement benefits at retirement across your election options as a way to help you compare your options and make a decision. There are other factors that should be considered when making this decision. Refer to the *Election Guide* for more details on these assumptions.

The calculations in the *Personalized Statement* are hypothetical in nature, do not reflect actual investment results or actual lifetime income, and are not guarantees of future results; they do not reflect the return of any particular investment or take into consideration the composition of your particular account. Your actual account balance will vary based on changes in your pay, your contribution rates, any plan activity (e.g., loans or withdrawals), and any investment gains or losses. Your actual rate of return and monthly income in retirement may be materially different.

26. What are Cost of Living Adjustments (COLAs)?

COLAs are an increase in benefits for eligible retirees to help maintain the purchasing power of benefits based on consumer price increases. The COLA is equal to the change in Consumer Price Index-All Urban Consumers (CPI-U) minus 0.25%. The CPI-U is a tool that measures the average change of prices in consumer goods and services over a period of time.