

Energy forLife

A Healthier You



UNS Energy Corporation
A Fortis Company

*Retirement Benefits for TEP Employees
Represented by I.B.E.W. Local 1116*

At TEP, *Energy for Life* is about more than just your health and well-being — it's about being able to do the things you enjoy now and in the future. We offer employees a robust benefits package that includes programs designed to support and encourage a healthy lifestyle and financial security — both while working for TEP and into retirement. To get the most from your TEP benefits, it's important for you to know what you have — and how to use it.

This guide will help you:

- n Learn about your pension, 401(k) and retiree health benefits
 - n Understand how and when to use your benefits
 - n Take advantage of the many tools and resources available to you
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How does the retirement process work?

Once you have decided you are going to retire, ask the TEP Compensation and Benefits department for a pension estimate and/or retiree medical estimate.

Employees have a new way to initiate the retirement process. In an effort to simplify and create a more efficient process, employees will need to just [visit this link](#) through ServiceNow when they are ready to retire. Most prospective retirees need to provide at least 120 days' notice of their intent to retire, subject to limited exceptions. The request will send a notification to relevant parties to begin the workflow to process your retirement. If you have any questions about the retirement process, please email the HR Comp team at CompTeam@tep.com.



After Compensation & Retirement receives the notification:

- n You will receive a final pension calculation for review.
- n We recommend a meeting between you and your spouse (if married) and a compensation analyst to review and prepare final paperwork, including birth certificates, marriage and/or divorce decrees, direct deposit forms, tax elections and IRA account information.
- n Checks or direct deposits, along with annual 1099R statements, will come from State Street Bank, our trust custodians. Payments will not come directly from TEP.
- n Your pension benefit will be received on the first business day of the month.

Retirement Benefits

This section details the Retirement Benefits offered to TEP employees and how to obtain these benefits once you have decided to retire.

Pension

TEP offers eligible employees a defined benefit plan, often called a pension plan. The pension plan is 100% paid for by TEP and provides a fixed benefit at retirement, based on your pay and years of service with the company.

You may elect to receive your benefit in the form of a monthly annuity payment or a one-time lump sum.

Vesting

You are fully vested in the plan after five full years of credited service (cliff vesting) with TEP.

Eligibility and benefits offered by the plan are as follows:

Criteria	
Eligibility	<ul style="list-style-type: none">You are eligible on your first day of being hiredIndependent contractors are not eligible
Vesting	Five-year cliff vesting or age 65
Average Monthly Earnings (AME)	Five highest monthly pay rates over any five consecutive year period (pay rate as of February 1 each year) while an eligible union employee
Benefit Formula	$1.34\% \times \text{AME} \times \text{years of service (up to 38 years)}$
Maximum Benefit	50.92% of your AME
Normal Retirement Age	Age 65
Early Retirement Requirement	Age 55 plus 10 years of service or meet the Rule of 85*
Early Retirement Reduction	Yes, unless you are age 62 or meet the Rule of 85*

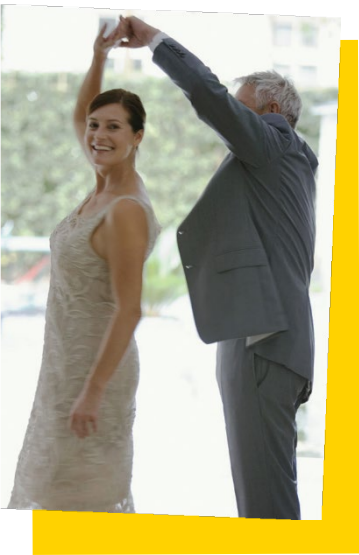
* Rule of 85 does NOT apply if you are hired on or after January 1, 2011.

What is Cliff Vesting?

With cliff vesting, you are 0% vested until you attain 5 years of service. At 5 years, you are 100% vested. If you left the company prior to being fully vested, you would receive no benefit from this plan.

What is the Rule of 85?*

The Rule of 85 is related to early retirement eligibility. If your age plus your number of years of service in whole numbers is equal to or greater than 85, you may be eligible for an unreduced early retirement benefit.



Standard Retirement Benefit Methods of Payment

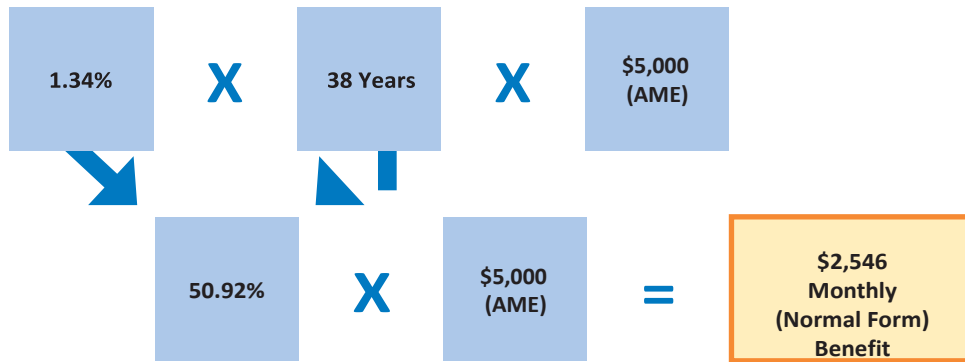
Your benefit may be paid to you in one of the following forms, depending on your marital status at the time of your retirement. You should consult with your financial and tax advisor when selecting your method of payment, as the actual value to you may vary greatly depending on your selection and on other factors.

Forms of Retirement Benefit	
Life Annuity	A single life annuity that pays a monthly amount for your lifetime. Unavailable if married.
Life & 4-year Certain (Normal Form)	An annuity that pays a monthly benefit for your lifetime, with a guarantee that a minimum of 48 monthly payments (4 years) will be made. In the event of your death prior to 48 monthly payments, the same monthly benefit will be paid to your designated beneficiary for the remainder of the 48 months.
Life & 10-year Certain Annuity	An annuity that pays a monthly benefit for your lifetime, with a guarantee that a minimum of 120 monthly payments (10 years) will be made. In the event of your death prior to 120 monthly payments, the same monthly benefit will be paid to your designated beneficiary for the remainder of the 120 months.
Joint and Survivor Annuity	A joint and survivor annuity that pays a monthly payment for your lifetime and, following your death, either 100%, 75% or 66 2/3% of the amount of your monthly pension shall continue to your joint annuitant, if living, for his or her lifetime. The monthly benefit you receive will be less than a single life annuity because it will be paid over two lifetimes — yours and your beneficiary's.
Lump Sum	A one-time lump sum payment of the actuarial equivalent value of your pension benefit, paid in lieu of recurring, monthly payments. The lump sum amount depends, in part, on your age at distribution and annual interest rates, which may result in a year-over-year increase or decrease.

Please refer to your Summary Plan Description and Plan Documents for more information about Payment Options.

Pension Annuity Example

Here is an example of what a monthly pension benefit could look like for a TEP classified employee who works 38 or more years.



401(k)

TEP makes a significant investment in the retirement and savings programs for our employees. In addition to the Pension Plan, TEP offers eligible employees a defined contribution plan called a 401(k). Our 401(k) plan features Company contributions in addition to flexibility, choice and portability.

You are eligible to participate in the 401(k) program beginning on your first day of employment with TEP. You may contribute up to 25% of your eligible compensation to your 401(k), up to the IRS limit for the given year.

Your 401(k) is made up of two sources — your employee deferral and the company match. TEP will match your contribution dollar-for-dollar, up to 4.5%, and you are immediately vested in any funds contributed, including the company match. This means that the money in your account is always 100% yours. You may also roll over money from another qualified 401(k) plan into your TEP 401(k) plan, at any time. You may take an annual withdrawal once you reach age 59 ½ without being subject to tax penalties.

When you leave TEP, you have the following choices regarding your account:

1. You may roll over your account balance into an Individual Retirement Account (IRA) without taxation.
2. You may roll over your balance to your account with a new employer without taxation.
3. You may take a lump sum cash distribution, which may be subject to penalties and taxes.
4. You may leave it with our 401(k) provider.

For more information about your account, including how to handle an outstanding 401(k) loan at retirement, or to make changes to your contribution amount or investment allocations, contact Fidelity Investments at **800-835-5098** or online at **www.401k.com**.

As always, you should consult a financial and tax advisor regarding the implications of any withdrawal.

How much money should you save for retirement?

There's no set formula when it comes to planning for retirement. Fidelity Investments provides a variety of tools and calculators to help you estimate what you should set aside each year for retirement. Log on to www.401k.com to start planning today.



Retiree Health Care

To keep you healthy when you retire, TEP offers comprehensive retiree health care coverage, up to age 65, that includes:

- n Medical coverage with preventive care services
- n Dental coverage
- n Prescription drug coverage
- n Vision coverage

By using your retiree health care benefits and taking care of yourself, you'll not only feel better, but you will also save money on health care costs — which is money you can save for other expenses.

Medical

TEP offers retirees and their eligible dependents (age 19 or age 23 if a full-time student) a retiree medical plan. The chart on the next page highlights the current features of the plan. *Note: Retirees are required to pay a monthly premium for medical coverage.*

Did you know...

Preventive care is important to your overall health. By having regular screenings with your doctor, you'll not only have a good idea of your health, but you may also be able to identify health risks and illnesses early on. In many cases, the earlier you detect and address health concerns, the less energy and time you'll have to spend getting better. In order to assist you in this area, as a pre-65 retiree, you and your dependents still have access to the CareHere clinic.

	In-Network	Out-of-Network
Annual Deductible	\$500/person \$1,000/family	\$500/person \$1,000/family
Out-of-Pocket Maximum	\$2,000/person \$4,000/family	\$4,000/person \$8,000/family
Lifetime Maximum	\$2,000,000	\$2,000,000
Primary Care Visit	\$20/visit up to \$500, then you pay 20% coinsurance	You pay 40% coinsurance
Specialist Visit	\$30/visit up to \$500, then you pay 20% coinsurance	You pay 40% coinsurance
Other Practitioner Office Visit	\$30/visit for chiropractic or acupuncture \$300 calendar year max	You pay 40% coinsurance
Preventive Care		
Adult (age 6 and up)	\$20/visit up to \$600/calendar year, then not covered	40% coinsurance up to \$600/calendar year, then not covered
Child (up to age 6)	\$20/visit	You pay 40% coinsurance
Diagnostic Testing (x-ray, blood-work, etc.)		
Freestanding Facility/Clinic	\$20/visit up to \$500, then you pay 20% coinsurance	You pay 40% coinsurance
Outpatient Hospital	You pay 20% coinsurance	You pay 40% coinsurance
Imaging (CT/PET Scan, MRI)	You pay 20% coinsurance	You pay 40% coinsurance
Outpatient Surgery	You pay 20% coinsurance	You pay 40% coinsurance
Emergency Room Services		
Facility	\$150 copayment/visit	You pay 40% coinsurance
Physician	100%; deductible waived	You pay 40% coinsurance
Emergency Medical Transportation	You pay 20% coinsurance	You pay 20% coinsurance
Urgent Care	\$35/visit	You pay 40% coinsurance
Inpatient Hospital Stay	You pay 20% coinsurance	You pay 40% coinsurance
Mental Health or Behavioral Health Treatment		
Inpatient	You pay 20% coinsurance	You pay 40% coinsurance
Outpatient	\$20/visit up to \$500, then you pay 20% coinsurance	You pay 40% coinsurance
Substance Abuse Treatment		
Inpatient	You pay 20% coinsurance	You pay 40% coinsurance
Outpatient	\$20/visit up to \$500, then you pay 20% coinsurance	You pay 40% coinsurance
Home Health Care	You pay 20% coinsurance	You pay 40% coinsurance
Rehabilitation Services	You pay 20% coinsurance	You pay 40% coinsurance
Skilled Nursing Care	You pay 20% coinsurance	You pay 40% coinsurance
Prescription Drug		
Generic Drugs	\$10 retail / \$20 mail order	Reimbursement is based on the billed charges less the copayment
Formulary Brand Drugs	\$30 retail / \$60 mail order	
Non-Formulary Brand Drugs	\$60 retail / \$120 mail order	
Specialty Drugs	Copayments are the same as retail above	Not available

Dental

Your oral health is a good indicator of the health of the rest of your body. Doctors have linked oral health to heart disease, diabetes and osteoporosis, so it's important for you to take care of your teeth and gums.

TEP currently offers the following retiree dental plans:

- n PPO dental
- n Dental Maintenance Organization (DMO), if you live in primarily Pima and Maricopa counties within the state of Arizona. This benefit is not available outside the state of Arizona.

The chart below highlights the PPO dental plan coverage.

Annual Deductible (applies to basic, major and orthodontia services)	\$100/person \$300/family
Plan Year Maximum	\$2,000 for preventive, basic and major services \$1,500 for orthodontia
Lifetime Maximum (orthodontia only)	\$1,500
Covered Services	
Preventive (routine exam, periodontal, etc.)	100%
Basic (x-rays, sealants, etc.)	80%
Major (inlays, onlays, crowns, dentures, etc.)	60%
Orthodontia (no age limit)	60%

Medical and Dental Retiree Cost Share

Retirees will pay a portion of both the monthly medical and dental premiums based on years of service at retirement.

The TEP medical and dental premium cost-sharing percentage is shown below.

	Covered Retiree's Premium % (medical & dental)
30 or more (or rule of 85)	Hard Dollar – Medical/Dental
29	3.00%
28	5.50%
27	8.00%
26	10.50%
25	13.00%
24	15.50%
23	18.00%
22	20.50%
21	23.50%
20	26.00%
19	28.50%
18	30.50%
17	32.50%
16	35.50%
15	38.00%
14	40.00%
13	43.00%
12	45.50%
11	48.00%
10	50.00%

Keep in mind...

The retiree premium may change annually, meaning your monthly amount may change year to year, even though your cost-sharing percentage does not change. A bill will be sent monthly to retirees for their premium costshare. **Dependent children are covered up to age 19, or up to age 23 if a full time student.**

Vision

Eye health is important to your overall well-being. The vision plan is administered by VSP. **You pay the full premium for this benefit.**

The chart below highlights the vision plan coverage.

Annual Eye Exam	Every 12 months
Prescription Glasses Lenses <ul style="list-style-type: none">• Single vision, lined bifocal and lined trifocal lenses• Polycarbonate lenses for dependent children	Every 12 months
Covered Lens Options: Tints/Photochromic lenses-transitions	Every 12 months
Frames	Every 12 months <ul style="list-style-type: none">• \$150 allowance for a wide selection of frames• \$80 allowance at Costco• 20% off the amount over your allowance
Contacts (instead of glasses)	Every 12 months \$130 allowance for your contacts and the contact lens exam (fitting and evaluation)
Diabetic Eyecare Program Allows you to obtain medical eyecare services related to Type 1 diabetes	\$20 copay for medical eye care exams





About Social Security and Medicare

Social Security pays retirement, disability, family and survivors benefits. Medicare, a separate program run by the Centers for Medicare & Medicaid Services, helps pay for inpatient hospital care, nursing care, doctor's fees, drugs and other medical services and supplies to people age 65 or older, as well as to people who have been receiving Social Security disability benefits for two years or more. Medicare does not pay for long-term care, so you may want to consider options for private insurance. Your Social Security covered earnings qualify you for both programs. For more information about Medicare, visit the Medicare website or call **800-633-4227** (TTY 877-486-2048 if you are deaf or hard of hearing).

Retirement – If you were born before 1938, your full retirement age is 65. Because of a 1983 change in the law, the full retirement age will increase gradually to 67 for people born in 1960 and later.

Some people retire before their full retirement age. You can retire as early as 62 and take benefits at a reduced rate. If you work after your full retirement age, you can receive higher benefits because of additional earnings and credits for delayed retirement.

Disability – If you become disabled before full retirement age, you can receive Social Security disability benefits after six months if you have:

- n enough credits from earnings (depending on your age, you must have earned six to 20 of your credits in the three to 10 years before you became disabled); and
- n a physical or mental impairment that's expected to prevent you from doing "substantial" work for a year or more or result in death.

Family – If you're eligible for disability or retirement benefits, your current or divorced spouse, minor children or adult children disabled before age 22 also may receive benefits. Each may qualify for up to about 50 percent of your benefit amount.

Survivors – When you die, certain members of your family may be eligible for benefits:

- n your spouse age 60 or older (50 or older if disabled, or any age if caring for your children younger than age 16); and
- n your children if unmarried and younger than age 18, still in school and younger than 19 years old or adult children disabled before age 22.

If you are divorced, your ex-spouse could be eligible for a widow or widower's benefit on your record when you die.

Extra Help with Medicare

If you know someone who is on Medicare and has limited income and resources, extra help is available for prescription drug costs. The extra help can help pay the monthly premiums, annual deductibles and prescription co-payments. To learn more or to apply, visit Extra Help with Medicare Prescription Drug Plan Costs or call **800-772-1213** (TTY **800-325-0778**).

Medicare

Are You Medicare-Eligible?

If you are age 65 or older and actively working for TEP, you may continue to receive coverage under a TEP medical plan as your primary insurance.

Medicare Part A

Medicare Part A, which provides hospital insurance, may be a good supplement to your TEP plan in the event you have an expensive hospitalization. Medicare Part A is available at no cost to you as a Medicare-eligible individual.

Medicare Part B

You may also enroll in Medicare Part B which provides physician coverage if you are over age 65 and still actively working; however, it will not significantly enhance your coverage and you will be required to pay a monthly premium for the coverage.

Medicare Part D

Additionally, you may enroll in Medicare Part D drug coverage. You will be required to pay a monthly premium for this coverage as well.

Medicare Supplement (Medigap) Plans vs. Medicare Advantage (Medicare Part C)

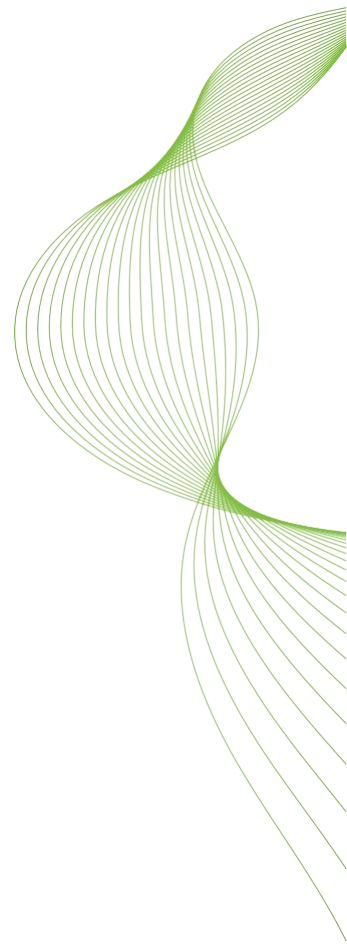
Medicare Supplement plans have been around as long as Medicare. The government refers to Medicare supplements as Medigap. The term Medigap is a reference to the plan filling the gaps left by Medicare. Plans are standardized and will include the same coverage no matter which company is offering the plan.

It is important to note that Medicare supplement plans, from one degree to another, will only fill the gaps for covered expenses. The supplement will pay your portion of the covered expense; for example: your Part A deductible and 20% coinsurance for outpatient charges. Your supplement will not pay anything toward non-covered expenses such as dental, vision or hearing.

When you have a Medicare supplement plan, you will pay your Medicare Part B premium and a premium to the insurance company for the Medicare supplement. Supplement plans do not include Part D drug coverage, so you will need to enroll in a separate Part D drug plan. Medicare supplement plans do not require that you use a network, but rather choose any provider that accepts Medicare assignment.

Medicare Advantage plans are not Medicare supplement plans, but rather another way to receive your Medicare benefits. With an Advantage plan, a private insurance company contracts with CMS (Centers for Medicare & Medicaid) to administer your Medicare. The thought behind this is that a private insurance company is more cost-efficient than the federal government and you should be able to receive some additional benefits. Medicare Advantage plans are annual plans and you are subject to enrollment periods.

Unlike Medicare supplements, Advantage plans are not standardized plans. Humana Medicare Advantage plans and AARP Medicare Advantage plans, for example, will not offer identical coverage. Plans may or may not have a monthly premium. Advantage plans do have cost-sharing features, such as co-pays, coinsurance and deductibles.





Many Medicare Advantage plans are network-based plans, so you may need to check out the plan's network to ensure that you're happy with the providers. Most Medicare Advantage plans include Part D drug coverage and many added benefits not offered by traditional Medicare. Extras include: dental, vision, hearing, gym memberships, discounts on medical supplies, and in some cases, transportation to and from medical appointments. Benefits vary from plan to plan.

Social Security Benefits

Did you know that if you're an active employee and retire at your full retirement age, you will receive your full benefit? To review your Social Security benefit, you may go online to <https://secure.ssa.gov/RIL/SiView.do>, where you can register to create an account to view your benefits.

To qualify for benefits, you earn "credits" through your work — up to four each year. For example, in 2021, you earn one credit for each \$1,470 of wages or self-employment income. When you've earned \$5,880, you've earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

If you have enough work credits, Social Security estimates your benefit amounts using your average earnings over your working lifetime. For 2021 and later (up to retirement age), they assume you'll continue to work and make about the same as you did in the prior 2 years. They also include credits you earned in 2019 and 2020 assuming that you were actively working.

Generally, the older you are and the closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties, such as earnings fluctuations and future law changes.

The Social Security Administration can't provide your actual benefit amount until you apply for benefits. That amount may differ from the estimates shown because:

- n Your earnings may increase or decrease in the future.
- n Your actual benefits will be adjusted for cost-of-living increases.
- n Your estimated benefits are based on current law. The law governing benefit amounts may change. Congress has made changes to the law in the past and can do so at any time.
- n Your benefit amount may be affected by military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.

Additional Benefit Offerings

Life Insurance

As a TEP retiree, you will automatically receive a Company-paid life insurance policy.

- n Classified retirees are eligible for a \$5,000 death benefit.

Converting Your Life Insurance Benefit – Portability Options

If your coverage under the Policy ends prior to age 70 due to termination of employment or termination of membership in an eligible class under the Policy, life insurance benefits may be continued up to the maximum benefit you elected while actively working.

You must apply directly with the life insurance company and pay the required premium. If you continue coverage, you may also continue to carry spouse or dependent child coverage.

Your dependent child must be covered under the Policy or the date coverage would otherwise end. The application must be submitted:

- n Within 31 days of your termination of employment or membership in an eligible class under the Policy; or
- n During the time that you have to exercise the Conversion Privilege.

Coverage under this option may not be elected at a later date.

To learn more about this, please contact the Benefit Services team at (520) 884-3690 or by email at BenefitServices@tep.com.

Tools and Resources

Each year TEP provides employees with a Total Rewards Statement, which provides you with an overview of your total benefits and compensation from the company. This document gives you helpful planning information when it comes to retirement.



Contact Information

The chart below provides you with a list of contacts for when you have questions about your TEP retirement benefits.

Questions About...	Contact	Contact Information
Your pension plan	Compensation & Benefits Department	520-884-3702
Your 401(k) plan	Fidelity Investments	800-835-5098 www.401k.com
Your health insurance (including medical, dental and vision)	Benefits Services Department	520-884-3690
Life insurance policy	Benefits Services Department	520-884-3690
Medicare	PIMA Council on Aging – located in Pima County	520-790-7262 www.pcoa.org
	CMS (Centers for Medicare and Medicaid Services)	800-633-4227 www.cms.gov/Medicare
Social Security	Social Security Administration	800-772-1213 www.socialsecurity.gov

Note: Please notify the Compensation & Benefits department at **520-884-3702** about any post-retirement changes in address, marital status, divorce, direct deposit forms, tax elections, missing 1099Rs, and death notifications for insurance and pension purposes.

Amendment or Modification

These details and examples have been provided to you in order to give you a general understanding of current benefits provided as a classified employee at TEP. This document in no way suggests an offer of employment or a commitment from us for compensation. The Company necessarily reserves the right to amend any of the benefits at any time for any reason. Such amendments may include addition to, or deletion or modification of, the current benefit levels. Actual benefits provided are governed by the terms and provisions of the applicable plan document and applicable collective bargaining agreements, if any.



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