

Succession Planning Policy

Adopted December 13, 2013

Succession Planning Policy

Purpose

The Board of Directors and the Executive Staff of the Tennessee Valley Authority Retirement System (“TVARS” or “System”) believe it is prudent to mitigate the risk of turnover among board members and staff. Succession planning is a vehicle that can assist in this effort. Succession planning is a process that facilitates TVARS’ continued effective performance by making provisions for the development and replacement of key people over time. While the Board knows that it may not be able to prevent turnover, through effective succession planning it can reduce the risks and impacts associated with the loss of those individuals. This Succession Planning Policy (“Policy”) defines the framework of the TVARS’ succession planning process.

Policy Objectives

The objectives of this Policy are to help ensure that:

1. Key positions within the organization for which succession planning should occur are identified
2. The timing of future vacancies can be determined to the extent possible
3. To fill any gaps in competencies, potential internal candidates for key positions are identified and provided training and education

Policy Requirements

This Policy should be read in conjunction with the TVARS Rules and Regulations. In the event of a conflict between this Policy and the TVARS Rules and Regulations, the latter shall control. In the event of a conflict between this Policy and other policies, the more specific policy language, as determined by the Board, shall control.

The following guidelines are established to guide TVARS in its efforts to identify and develop individuals to fill key roles within the organization:

- A Succession Planning for the Board – To help ensure that there will be a smooth and effective transition when new Directors join the Board, the Board will undertake the following measures.
1. A description of the expectations and duties of Board members will be made available to all candidates seeking election or appointment to the Board, and to the appointing authority. Such description will include, at a minimum:
 - a. Material describing the fiduciary duties of Directors;
 - b. Applicable Board policies;

- c. A schedule of Board meetings; and
 - d. An estimate of the expected time commitment on the part of Directors.
 2. The Board will establish and periodically review a list of recommended skills and attributes that are desirable for individuals to be effective Directors.
 3. Directors will seek to identify individuals possessing the recommended skills and attributes and encourage them to seek election or appointment to the Board.
 4. Directors who have determined that they will not seek re-election or re-appointment to the Board are encouraged to inform the Board in a timely manner to allow it ample time to seek candidates for the position.
 5. Newly elected or appointed Directors will be encouraged to attend at least one meeting of the Board or its committees as observers prior to officially taking office, if possible, in order to familiarize themselves with the Board's processes.
 6. TVARS will maintain an up-to-date history of key decisions of the Board and other significant events affecting TVARS, and will provide the history to new Directors once they have assumed office.
- B. Succession Planning for Executive Staff (i.e., the Executive Secretary, Assistant Secretary, Director of Investment, and other key staff designated by the Board) – To help ensure that there will be a smooth and effective transition upon the departure of an Executive Staff member, the following measures will be implemented.
 1. To the extent possible, the Executive Secretary will continually prepare for the potential departure of members of the Executive Staff, including the Executive Secretary position, by maintaining a confidential pool of potential internal candidates for succession purposes.
 - a. The Executive Secretary shall assess the expertise and competencies of those within the pool of potential candidates and plan for or implement any necessary additional training to fill gaps in their expertise or competencies.
 - b. That training may include establishing internal training “bridges” to allow for additional experience for internal staff prior to assumption of all of the responsibilities of a critical position.
 2. The Executive Secretary will have no fewer than two other members of the Executive Staff who are familiar with Board and Executive Secretary issues and processes.
 3. The Executive Secretary will ensure that appropriate cross-training is incorporated within the staff training and development programs in order to minimize the impact of the loss of key personnel.
 4. At least annually, the Board will meet in executive session to discuss human resource issues involving the Executive Staff, at which time the Executive Secretary may discuss any human resource matters that may pose a risk to TVARS, including any potential turnover or

retirements in Executive Staff, possible successors, any Executive Staff performance issues, and any contingency plans for the loss of staff that are critical for TVARS operations.

5. In the event of a vacancy or pending vacancy in the Executive Secretary position, the Chair will initiate the following process:
 - a. If the Executive Secretary position has been vacated, the Board will select a staff member to serve as the Acting Executive Secretary who will be responsible for carrying out the Executive Secretary's duties until the Board has selected a permanent replacement.
 - b. The Chair will appoint an ad hoc Search Committee.
 - c. The Search Committee will determine the required candidate skill set and the evaluation criteria to be used in considering the candidates.
 - d. The Search Committee will determine the extent to which staff or a third-party search firm will assist in its search for an Executive Secretary replacement.
 - e. After an initial screening of applicants, to determine those who are qualified, the Search Committee will rank the candidates according to the established evaluation criteria.
 - f. The Search Committee will determine which candidates will be interviewed by the Search Committee in person.
 - g. The Search Committee will recommend a minimum of two candidates for the full Board to interview.
 - h. Following the Board interviews and discussions with staff members, the Board will select the new Executive Secretary and establish the terms of employment by a formal vote.
6. In the event of a vacancy in any other designated key staff position, the Executive Secretary shall notify the Chair and initiate a process to fill the position:
 - a. The Executive Secretary will determine the required candidate skill set and evaluation criteria to be used in evaluating the candidates and the timeframe and scope of the search effort, including whether a third-party search firm should be used.
 - b. After an initial screening of the applicants to determine the qualified candidate pool, the candidates will be ranked and interviewed.
 - c. The Executive Secretary will make the final selection and inform the full Board of the decision.

Policy Review

The Board will review this Policy as needed, but not less than every three years, to ensure that it remains relevant and appropriate. The Board may adjust the Policy at any time.