

TVARS Board Holds Quarterly Meeting

The TVA Retirement System Board of Directors (Board) held its quarterly meeting September 10, 2020 virtually via WebEx with business conducted through the Board's Investment, Audit, Retirement, Election and Seventh Director Search committees. All current TVARS Board directors were present: Brian Child, Chair; Sam DeLay, Vice-Chair; Mike Belcher; Jim Hovious; Tina Wallace and Eric Davis.

Investment Committee Highlights:

TVARS staff and consultants reviewed recent financial market, pension and 401(k) plan performance. Aon, the System's 401(k) Plan consultant, reviewed the 401(k) Plan, including the performance, fees and dollars invested within each fund as of June 30, 2020. 401(k) Plan assets were approximately \$3.0 billion, and most managers outperformed their respective benchmark index and median peer group over the previous three-and five-year periods. Asset values have further increased since June and are estimated to be \$3.3 billion at the end of August.

Wilshire Associates, the System's investment consultant for the pension assets, reviewed performance as of June 30, 2020. Pension assets were approximately \$7.7 billion. Similar to the 401(k) plan, asset values have rebounded and are estimated to be \$8.1 billion at the end of August. The fund continues to have sufficient liquidity for benefit payments and is following the liquidity plan for FY 2020 presented to the Board in April.

The Investment Committee voted on the following items:

- The Board approved expanding the pension consulting contract with Wilshire to include advisory services on liquid alternatives and risk reporting.
- The Board approved 2021 allocations for Private Equity, Private Credit and Private Real Assets.
- The Board approved 2-year term extensions of certain Private Equity Funds managed by HarbourVest.
- The Board approved hiring Mercer as the new consultant for the 401(k) Plan starting in FY 2021.

Audit Committee Highlights:

As part of the Board's ongoing practice of performing periodic reviews of each of the System's governance policies, the Board approved amendments to the Board Education Policy, which were initially discussed at the June 2020 meeting.

Retirement Committee Highlights:

The Board discussed with Mercer, the System's actuary, the actuarial assumptions to be used by Mercer for the upcoming valuation of the System's liability and benefit calculations as of September 30, 2020. The Board will continue to discuss these actuarial assumptions with Mercer at the December 2020 meeting.

The Board also approved a 1-year renewal of Mercer's Statement of Work to provide actuarial services to the System for FY 2021.

Election Committee Highlights:

The Board was updated on the current election process for the three candidates running for the elected member seat on the Board with a term from Nov. 1, 2020, through Oct. 31, 2023. The election runs from September 8 – 24.

Seventh Director Search Committee Highlights:

The Board received an update from the search committee regarding the process to fill the seventh director opening. The committee and Board remains committed to ensuring alignment on their overall goal to have a structured process that is inclusive, transparent, and fair. The committee screened the initial 43 applicants and gained Board alignment on moving forward with their initial first round of interviews, as well as a notification to those who will not be moving forward in the process. The committee remains on target to have a recommendation to the Board for consideration at a special-called meeting in November.

TVARS Board:

Following the regular meeting business, Jim Hovious presented as new business to the Board for discussion and consideration six different proposed amendments to the TVARS Rules and Regulations. The proposal to revise the provision on term limits was withdrawn for further discussion, and the proposal to institute a cap tied the federal salary scale of Executive Schedule Level 4 in the calculation of retirement benefits was tabled. The remaining four proposals were discussed and voted upon by the Board and included amendments on Board member qualifications, adding the ability to remove an elected director by two-thirds vote, and the removal of the seventh director term extension provision. These four motions failed for a lack of four votes.

Questions:

Anyone with questions may contact TVARS by e-mail at retsvcs@tva.gov or by phone at 865-632-2672, or 800-824-3870.