

Meeting No. 482

MINUTES OF MEETING
THE BOARD OF DIRECTORS OF
THE TENNESSEE VALLEY AUTHORITY RETIREMENT SYSTEM

June 6, 2019

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Thursday, June 6, 2019, at 12:56 p.m., EDT, at the TVA Knoxville Office Complex, WT Plaza 402, Knoxville, Tennessee.

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The following directors were present: Brian M. Child, Chair; Tammy W. Wilson, Vice-Chair; Michael L. Belcher (via telephone); Samuel J. DeLay; James W. Hovious; and Allen E. Stokes (via telephone). Also present were Patrick D. Brackett, Executive Secretary; William B. Jenkins, Jr., Assistant Secretary; Sally R. Weber, Manager, Retirement Operations; Veenita Bisaria, Manager, Investment & Risk Management; Chris A. Stinnett, Sr. Analyst, Investment & Risk Management; W. Colby Carter, Senior Counsel; and Mark N. Meigs, Executive Secretary Elect.

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482-1. Each director was notified in a memorandum dated June 4, 2019, of the regular quarterly meeting to be held on June 6, 2019. A copy of the notice from the Executive Secretary is filed as Exhibit 482-1.

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482-2 (A-6626). The Chair welcomed to the meeting Mark Meigs who has been selected by the Board to succeed Pat Brackett as Executive Secretary. The Chair informed the Board that

Mark will begin working with the System staff on June 24 and will officially move into the position on October 1.

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482-3 (A-6627). The Executive Secretary provided to the Board the proposed budget for the System for fiscal year 2020. A copy of the proposed budget is filed as Exhibit 482-3.

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482-4 (A-6628). Prior to the meeting, Senior Counsel provided to the Board information on the SECURE Act, which was recently passed by the U.S. House of Representatives and involves a number of changes to retirement plans, and discussed with the Board certain items that could potentially impact the System and the retirement plans administered by the System. A copy of a memo from Groom Law Group on the SECURE Act is filed as Exhibit 482-4.

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482-5 (A-6629). The Board noted its previous notational action approving a 1-year renewal of the System's fiduciary liability insurance policy for the Board and System staff from AIG with \$10 million in coverage, subject to a \$500,000 deductible. A copy of the insurance policy renewal quote from AIG and the insurance application and policy is filed as Exhibit 482-5.

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482-6. As a part of the Consent Agenda, the Board approved the minutes for the meetings reported below in A-6630 and A-6631, and accepted the reports as of March 31, 2019, listed below in A-6632, A-6633, A-6634, and A-6635.

- A-6630 Meeting No. 480 held March 7, 2019
- A-6631 Special-Called Meeting No. 481 held April 12, 2019

- A-6632 Treasurer's Report (filed as Exhibit 482-6(a))
- A-6633 Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) (filed as Exhibit 482-6(b))
- A-6634 Report of retirements approved (filed as Exhibit 482-6(c))
- A-6635 Quarterly review for the TVA Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investment Institutional Services Company (Fidelity) (filed as Exhibit 482-6(d))

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482-7 (A-6636). The Investment Committee report consisted of the item reported below at A-6637, and of the following items:

- The Board was provided and took note of information regarding investment manager asset transfers during the first quarter of 2019. A copy of this information is filed as Exhibit 482-7(a).
- The Board was provided and took note of information on due diligence meetings and conference calls between System staff and investment managers and service providers for the period February 2019 through May 2019. A copy of the information is filed as Exhibit 482-7(b).
- The Board was provided an update on the funded status of the System through March 31, 2019. A copy of the report is filed as Exhibit 482-7(c).
- On May 31, 2019, Aon provided to the Investment Committee and System staff the quarterly 401(k) Plan Discussion Guide covering the following: asset allocation and quarterly flows, performance of the investment funds in the 401(k) Plan's lineup, manager and fee updates, minor updates by BlackRock to the asset allocations within the Target Retirement Portfolios, and a review of self-directed brokerage windows, including Fidelity BrokerageLink offered by the 401(k) Plan and in comparison to other in-plan brokerage providers. A copy of the Guide, including self-directed brokerage window review, is filed as Exhibit 482-7(d).
- On May 31, 2019, the Investment Committee was provided and discussed with Wilshire and System investment staff information on several investment managers and their portfolios and strategies. A copy of this Investment Manager Product Discussion List is filed as Exhibit 482-7(e).

- On May 31, 2019, Wilshire met with the Investment Committee and System staff to continue discussion on the System's asset allocation policy, including the evaluation of alternate policies with reductions in inflation-oriented assets, illiquid assets and expected risk. A copy of the asset allocation discussion information from Wilshire is filed as Exhibit 482-7(g).
- On May 31, 2019, Wilshire's private market consultants provided the Investment Committee with a private credit and private real assets portfolio update, including an update on the strategic implementation of the portfolio, potential manager recommendations in the pipeline for consideration, and the current composition and performance of the System's private credit and real assets portfolios. A copy of Wilshire's private credit and private real assets portfolio update and implementation dated May 2019 is filed as Exhibit 482-7(h).

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482-8 (A-6637). On May 31, 2019, the Investment Committee met and discussed with Wilshire and the System investment staff an initial analysis of the System's U.S. equity portfolio structure and managers, which included an analysis of the U.S. small cap equity portfolio and the consolidation of managers in the asset class. After discussion, upon the recommendation of Wilshire and the Investment Committee, the Board approved allocating 3.75% of the System's U.S. equity portfolio, or approximately \$50 million, to the Wellington Small Cap 2000 strategy to be managed by Wellington Management Company, a current investment manager of the System. The new allocation to the Wellington Small Cap 2000 strategy will replace the small cap value strategy managed by Fisher Investments. A copy of the initial U.S. equity structure analysis, including small cap review, from Wilshire to the Board, dated May 2019, is filed as Exhibit 482-8.

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482-9 (A-6638). The Retirement Committee report consisted of items reported below at A-6639, A-6640, and A-6641, and of the following items:

- Prior to the meeting, Fidelity presented to and discussed with the Board information on a retirement income replacement analysis that Fidelity performed for the groups of System members with cash balance pension and 401(k) only benefits relative to estimated replacement ratios based on levels of pre-retirement income. A copy of Fidelity's income replacement analysis report is filed as Exhibit 482-9(a).
- Prior to the meeting, Mercer Human Resources Consulting (Mercer), the System's actuary, presented to and discussed with the Board information on lump-sum cash out opportunities that can be offered to System retirees and beneficiaries with small retirement benefit amounts. A copy of Mercer's information on lump-sum considerations is filed as Exhibit 482-9(b).
- Prior to the meeting, Mercer presented to and discussed with the Board information on 401(k) annuitization options, including the option of transferring money from the 401(k) to the TVARS defined benefit plan in order to receive a fixed or variable annuity. A copy of Mercer's information on 401(k) fixed and variable annuity options is filed as Exhibit 482-9(c).

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482-10 (A-6639). Upon the recommendation of the Retirement Committee, the Board approved the 17th Amendment to the 401(k) Plan Trust Agreement with Fidelity Management Trust Company reducing the annual administrative recordkeeping fee paid by participants in the 401(k) Plan. A copy of the Amendment to the Fidelity 401(k) Plan Trust Agreement is filed as Exhibit 482-10.

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482-11 (A-6640). Upon the recommendation of the Retirement Committee, the Board approved the 2nd Amendment to the Fixed and Variable Fund Recordkeeping Agreement with Fidelity Workplace Services reducing the annual per participant recordkeeping fee paid by the System. A copy of the Amendment to the Fidelity Fixed and Variable Fund Recordkeeping Agreement is filed as Exhibit 482-11.

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482-12 (A-6641). At the previous meeting, the System staff provided information to the Board on the change in the recordkeeper from BlackRock to Fidelity for the 401(k) Plan's Target Retirement Portfolios. This change, which will take effect on October 1, 2019, will result in lower fees for the Target Retirement Portfolios, and there will be no change in the funds or investments of the Portfolios. After discussion, the Board approved moving the unitization recordkeeping of the Target Retirement Portfolios from BlackRock to Fidelity. A copy of the Fidelity project scope is filed as Exhibit 482-12.

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482-13 (A-6642). The Election Committee report consisted of the items reported below at A-6643 and A-6644.

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482-14 (A-6643). The Election Committee discussed with System staff a potential special election schedule, if needed, following the upcoming regular election. No action was taken by the Board.

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482-15 (A-6644). The Election Committee discussed with System staff the upcoming election schedule and amended the previously approved schedule to move back the "announcement of candidates" date from May 22 to June 12 and move back all other dates on the schedule by 3 weeks accordingly. Upon the recommendation of the Election Committee, the Board approved the 2019 TVARS Election Schedule, as amended, by a vote of 6 to 0, with Director Hovious recusing himself. A copy of the Election Schedule, as amended, is filed as Exhibit 482-15.

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482-16 (A-6645). The Audit Committee report consisted of a discussion with System staff who provided an update on the RFP for audit services, including both the full-scope financial statement audit and the SOC1 Type 2 examination of System controls.

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482-17 (A-6646). The 7th Director Search Committee updated the Board on the status of the 7th Director selection process and work on finding dates for the full Board to conduct another round of interviews with the final candidates.

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482-18. The following proposal to amend Section 3(2)(a) of the TVARS Rules and Regulations to provide for the election of the 7th director by retirees and to remove the previously adopted carryover provision for the 7th director was placed on the agenda by the 7th Director Committee for discussion and consideration by the Board:

BE IT RESOLVED, that Section 3(2)(a) of the Rules and Regulations of the TVA Retirement System is amended to delete the language marked through and to add the language underlined as follows:

SECTION 3

3. Administration of the System

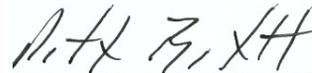
2. a. The board shall consist of seven members, three of whom shall be elected by and from the membership of the System, three of whom shall be appointed by TVA, and one of whom shall be a retiree ~~selected by a majority vote of the other six~~ selected by the retired members of the System effective with the term beginning November 1, 2018. 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.~~

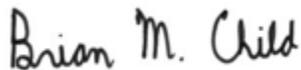
After discussion, the Election Committee by a 2 to 1 vote made a motion to approve the proposed amendment to Section 3(2)(a) of the TVARS Rules and Regulations with the additional proposal that the election by retirees would be held using instant runoff voting. The motion did not pass for failure to receive 4 votes. Directors Belcher, DeLay and Hovious voted for the motion, and Directors Child and Wilson voted against the motion. Director Stokes was not eligible to vote on the proposed amendment. Information on instant runoff voting provided by the 7th Director Committee to the Board is filed as Exhibit 482-18.

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The meeting was adjourned at 1:14 p.m., EDT.



Executive Secretary



Chair