

**TENNESSEE VALLEY AUTHORITY
RETIREMENT SYSTEM**

Investment Committee Charter

Adopted by the TVARS Board June 15, 2017

Purpose

The Rules and Regulations (the Rules) governing the Tennessee Valley Authority Retirement System (TVARS) confer investment decision-making responsibilities on the TVARS Board of Directors (the Board), with certain notice and prior approval rights of the Tennessee Valley Authority Board of Directors (TVA) as set forth in the Rules. The Investment Committee (the Investment Committee) is a standing committee created by the TVARS By-Laws. The Investment Committee's function is to monitor the status of the investment program of TVARS and the TVA Savings and Deferral Retirement Plan (the 401(k) Plan), report to the Board regarding that status, provide advice and counsel to the Board regarding the investment programs, and be a point of contact between the Board and the various investment managers and investment consultants.

Authority

The Investment Committee is empowered to:

- a) Utilize outside consultants and advisors to assist the Investment Committee with investment matters.
- b) Seek information from or meet with investment managers, consultants, the master trustee, TVARS staff, and legal counsel as the Investment Committee deems necessary to fulfill its purpose and responsibilities.
- c) Review background data, historical information, consultants' reports, and any other documents it deems reasonably necessary to form an opinion on the capabilities of the investment managers, consultant, and master trustee.

Responsibilities

The Investment Committee's responsibilities include, but are not limited to, the following:

— *Statement of Investment Policy*

The Investment Committee will review the Statements of Investment Policy for TVARS and the 401(k) Plan at least annually and propose amendments to them as necessary.

— *Asset Allocation*

The Investment Committee will review the asset allocation at least annually and propose changes as deemed appropriate. The emphasis of the asset allocation review will be asset and manager targets,

diversification, risk control, and investment performance. The Investment Committee will provide consultation and assistance to the Board, Executive Secretary and staff concerning allocation changes or rebalancing, as needed.

— *Investment Managers, Consultants, and Master Trustee*

The Investment Committee will monitor and review the selection process used for each investment manager, as well as for the Board's investment consultant and master trustee. The Investment Committee will report any irregularities in the selection process to the Board. The Investment Committee will monitor the performance of the Board's investment managers, consultants and master trustee, including their compliance with applicable policies, guidelines, and contractual requirements, and report to the Board on a quarterly basis. The Investment Committee will advise the Board if the Investment Committee recommends any change to the status of an investment manager, consultant, or master trustee.

— *Investment Performance*

The Investment Committee will monitor the investment performance of the TVARS portfolio and 401(k) Plan and report that performance to the Board on a quarterly basis.

— *Benchmarks*

The Investment Committee will review and evaluate the policy-level and manager-level benchmarks at least annually and propose changes as deemed appropriate.

— *Fees*

The Investment Committee will review and monitor the appropriateness of fees charged by investment managers and consultants.

— *Other Duties*

The Investment Committee will perform other duties as may be delegated by the Board.

The Executive Secretary, investment consultant, internal legal counsel, TVARS staff, or others may assist the Investment Committee with these responsibilities as deemed appropriate.

Fiduciary Standards

The Investment Committee will use appropriate fiduciary standards of loyalty, care, skill, prudence, and diligence in its actions. The standards will be equivalent to the current best practices of other institutional investors of pension trust and 401(k) plan assets.

Investment Committee Composition

- a) The Investment Committee will consist of at least three Directors of the Board, at least one of which must be elected to the Board and one of which must be appointed to the Board.
- b) The Board will select, as non-voting members of and advisers to the Investment Committee, one or more independent investment professionals or financial experts.

- c) Not later than the first regular quarterly meeting of the Board after each October 31, the Board Chair will appoint the Investment Committee members for a one-year term. At that time, the Board Chair will also appoint the Chair of the Investment Committee.

Terms of Service

Investment Committee members serve one-year terms, and will serve from the time they are designated until their successors have been designated, or until they cease to be eligible for service on the Investment Committee.

Meetings

The Investment Committee will meet at least four times per year. Meetings will be scheduled near the time of or in conjunction with regularly scheduled Board meetings. The Investment Committee Chair or two Investment Committee members may call a special meeting. Staff will assist in providing proper notice of meetings.

Staffing

- a) The TVARS Manager of Investment & Risk Management will support the Investment Committee and ensure appropriate staff members are assigned to assist the Investment Committee and support the Investment Committee's activities by scheduling meetings, preparing meeting materials, drafting minutes or Investment Committee reports, performing research and rendering other types of assistance as reasonably requested by the Investment Committee.
- b) If the Investment Committee determines that staff resources are limited or conflicted in a matter before the Investment Committee, the Investment Committee may retain the services of an outside counsel, independent auditor, independent actuary, or other professional advisor.

Reporting Requirements

The Investment Committee Chair will report to the Board on a quarterly basis, or more frequently if Investment Committee action requires. Those reports will contain information on the most recent available investment performance data. The Investment Committee will report to the Board on other issues identified in its meetings as necessary to fulfill its responsibilities. The Investment Committee will report as necessary to other key stakeholders, including TVA. The Investment Committee Chair will note any Investment Committee member dissenting opinions in the report to the Board.

Charter Review

The Investment Committee and the Board will review this Charter at least every three years to ensure it remains appropriate. The Investment Committee will recommend any changes to the Board for review and approval. The Board may amend the Charter at any time.