

Meeting No. 506

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

December 10, 2024

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (TVARS or System) was held on Tuesday, December 10, 2024, at 1:25 p.m., EST, at the TVA Knoxville Office Complex, West Tower Concourse, Knoxville, Tennessee.

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The following directors were present: Tina R. Wallace, Chair; Eric J. Davis, Vice-Chair; Michael L. Belcher; Marilyn G. Brown; Brian M. Child; Micheal D. Clement; and Lori E. Stenger. Also present were Mark N. Meigs, Executive Secretary; William B. Jenkins, Jr., Assistant Secretary; Sally R. Weber, Manager, Retirement Operations; Brent B. Roberts, Manager, Financial Reporting; Veenita Bisaria, Manager, Investment & Risk Management; Chris A. Stinnett, Sr. Analyst, Investment & Risk Management; Hayley S. Huskey, Sr. Analyst, Investment & Risk Management; Michael B. Barnes, Sr. Analyst, Investment & Risk Management; and W. Colby Carter, Managing Counsel.

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506-1 Each director was notified in a memorandum dated November 26, 2024, of the regular quarterly meeting to be held on December 10, 2024. A copy of the notice from the Executive Secretary is filed as Exhibit 506-1.

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506-2 (A-7079). The Chair's report included the following:

- The Chair welcomed Lori Stenger to her first meeting as a new Board member. Ms. Stenger's term as a TVA-appointed Director began November 1, 2024.
- The Chair notified the Board that this will be her last meeting as a TVA-appointed Director and that TVA will be appointing a new individual to fill her seat on the Board.

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506-3 (A-7080). The Executive Secretary's report included the following:

- Prior to the meeting in an executive work session, the Executive Secretary met with the Board to provide information and updates on the System's organization structure and staffing and to discuss succession planning within the organization. In addition, the Executive Secretary provided and discussed with the Board an overview of the annual work plan. A copy of the 2025 work plan is filed as Exhibit 506-3(a).
- The Executive Secretary provided to the Board the proposed quarterly meeting schedule for calendar year 2025. A copy of the quarterly meeting schedule is filed as Exhibit 506-3(b).
- The Executive Secretary expressed appreciation for the work of the TVARS staff at a luncheon with the Board and staff prior to the meeting.
- The Executive Secretary was proud to share with the Board that in October he received on behalf of the Board and staff the Excellence & Innovation Award from Pensions & Investments for the work in adding BlackRock's LifePath Paycheck option to the 401(k) Plan.
- The Executive Secretary thanked Tina Wallace for her five years of dedicated service as a Director on the Board, including the last year serving as Chair, and welcomed Lori Stenger to the Board.

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506-4 (A-7081). For the Legal Update, Managing Counsel notified the Board about two upcoming responsibilities: (i) a disability retirement appeal that may need to be reviewed by the Board notationally by email, and (ii) annual fiduciary training with Mercer that may be presented virtually via Teams or in-person at the March quarterly meetings. A copy of the Legal Update is filed as Exhibit 506-4.

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506-5. As a part of the Consent Agenda, the Board approved the minutes for the meeting reported below in A-7082, and accepted the reports as of September 30, 2024, listed below in A-7083, A-7084, A-7085, and A-7086.

- A-7082 Meeting No. 505 held September 20, 2024
- A-7083 Treasurer's Report (filed as Exhibit 506-5(a))
- A-7084 Investment Performance Report prepared by Wilshire Advisors LLC (Wilshire) (filed as Exhibit 506-5(b))
- A-7085 Report of retirements approved (filed as Exhibit 506-5(c))
- A-7086 Quarterly review for the 401(k) Plan prepared by Fidelity Investments (filed as Exhibit 506-5(d))

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506-6 (A-7087). The Retirement Committee report consisted of items reported below at A-7088 and A-7089.

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506-7 (A-7088). Upon the recommendation of the Retirement Committee, the Board approved the calculation of a 2.77% cost-of-living adjustment (COLA) in the monthly pension and supplemental benefits payable to eligible retirees and beneficiaries in accordance with the TVARS Rules. The COLAs are effective with the January 2025 payments as provided for in sections 6I, 7L and 18C3 of the TVARS Rules. A copy of the memo from the Executive Secretary to the Board dated December 10, 2024, with the COLA calculation is filed as Exhibit 506-7.

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506-8 (A-7089). Upon the recommendation of the Retirement Committee, the Board approved the calculation of the following interest crediting rates for calendar year 2025: (i) a

6.02% annual interest crediting rate to the cash balance accounts of participants hired before January 1, 1996, pursuant to Section 7C3(a) of the TVARS Rules; (ii) a 5.02% annual interest crediting rate to the cash balance accounts of participants hired on or after January 1, 1996, pursuant to section 7C3(b)(ii) of the TVARS Rules; and (iii) a 5.02% annual interest crediting rate for fixed fund accounts pursuant to Section 17 of the Actuarial Assumptions in the Appendix to the TVARS Rules. A copy of the memo from the Executive Secretary to the Board dated December 10, 2024, with these cash balance and fixed fund annual interest rate calculations is filed as Exhibit 506-8.

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506-9 (A-7090). The Audit Committee report consisted of the items reported below at A-7091, A-7092, and A-7093, and of the following items:

- Prior to the meeting, Charlotte Vrba, Ann Zander, and AJ Quebbeman of Crowe LLP, the System's auditor (Crowe), provided an update to the Board via video conferencing on the status of the System's 2024 fiscal year-end audit, including the timing plan of the audit, upcoming field work, required communications as a part of the audit, and the anticipated release date of the annual report in mid-April 2025.
- Prior to the meeting, Bill Jenkins, Assistant Secretary and Manager, Retirement Applications, reviewed and discussed with the Board the annual Cybersecurity Review of TVARS and the retirement plans. A copy of the TVARS Cybersecurity Review dated December 10, 2024, is filed as Exhibit 506-9(a).
- Prior to the meeting, and following the TVARS Cybersecurity Review with Bill Jenkins, Tom Woods and David Schneier of Fidelity provided the Board a cybersecurity review for the 401(k) Plan and of Fidelity as the Plan's provider of recordkeeping services. A copy of Fidelity's cybersecurity presentation is filed as Exhibit 506-9(b).

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506-10 (A-7091). Prior to the meeting, the Board met with Sean Katzenberger and Robby Vittitow of Crowe and the TVARS financial reporting staff to review and discuss the results of the System and Organization Controls Report SOC 1 Type 2 related to the System's

administration services for the period August 1, 2023, to July 31, 2024. Upon the recommendation of the Audit Committee, the Board voted to accept the SOC1 Type 2 Report. A copy of the TVARS SOC 1 Type 2 Report and Crowe's SOC1 Presentation dated December 10, 2024, is filed as Exhibit 506-10.

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506-11 (A-7092). Upon the recommendation of the Audit Committee, the Board voted to approve an engagement letter with Crowe to perform the System's SOC1 audit for the period August 1, 2024, to July 31, 2025. A copy of the SOC1 engagement letter between Crowe and TVARS is filed as Exhibit 506-11.

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506-12 (A-7093). Prior to the meeting, and as a part of the TVARS Cybersecurity Review, the Board met via Teams videoconferencing with Kara Altenbaumer-Price of McGriff, the System's insurance broker, who provided information on crime and cyber insurance for retirement plans and presented crime and cyber insurance program proposals for TVARS and the 401(k) Plan. Following a review and discussion of the proposals, upon the recommendation of the Audit Committee, the Board voted to approve the following: (i) a crime insurance program with Berkley with \$10 million in total crime per loss coverage (including \$1 million in corporate deception fraud coverage), subject to a \$100,000 deductible for each claim; and (ii) a cyber liability insurance program with Coalition with \$3 million in total coverage, subject to a \$25,000 deductible for each claim. A copy of McGriff's Cyber and Crime Proposal of Insurance presentation for TVARS is filed as Exhibit 506-12.

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506-13 (A-7094). The Election Committee updated the Board on the status of the special election being conducted for the vacant seat previously held by Michael Blakely. The voting for the special election opened on November 25, 2024, and will close on December 12, 2024, and to date, 1,400 votes have been cast, of which 92% were made online.

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506-14 (A-7095). The Investment Committee report consisted of the item reported below at A-7096 and of the following items:

- On December 9, 2024, Wilshire, the System's investment consultant, provided to the Investment Committee the quarterly defined benefit plan review covering the following: updates to capital market assumptions; market commentary; economic/market activity; pension plan asset allocation as of September 30, 2024, compared to policy allocation; investment performance by asset class and by individual managers, absolute and compared to benchmarks, as of September 30, 2024; and investment performance attribution analysis. A copy of Wilshire's Executive Summary of Investment Performance as of September 30, 2024, is filed as Exhibit 506-14(a).
- The Board was provided and took note of information regarding asset allocation transfers and rebalancing during the third quarter of 2024. A copy of the information is filed as Exhibit 506-14(b).
- The Board was provided and took note of information on due diligence meetings between TVARS staff and investment managers and service providers for the period September 2024 through November 2024. A copy of the information is filed as Exhibit 506-14(c).
- On December 9, 2024, Wilshire presented to the Investment Committee the risk reporting dashboard for the total investment portfolio through September 2024 and the various changes in investment risk as a result of certain factors over the past 1-year period. A copy of Wilshire's Risk Analysis report for TVARS dated September 2024 is filed as Exhibit 506-14(d).
- On December 9, 2024, HarbourVest Partners, the General Partner and manager for TVARS' Summit Hill private equity program, provided to the Investment Committee information on its secondary market sales capabilities and process. Given TVARS' overweight allocation of private equity to the policy allocation, the need to rebalance closer to policy asset allocations, and the desire for increased liquidity within the overall portfolio, HarbourVest facilitated a secondary market sale of approximately \$445 million of Summit Hill fund holdings to achieve these objectives. A copy of

HarbourVest's Secondary Asset Sale Process presentation dated December 10, 2024, is filed as Exhibit 506-14(e).

- Under the System's asset allocation policy developed with Wilshire, a 15-year investment horizon is contemplated with three distinct phases: a near-term Phase 1 that began in 2021 where alternative income was used as a substitute for traditional fixed income in a low interest rate environment, a medium-term Phase 2 that transitions from alternative income to traditional fixed income strategies as interest rates rise, and a longer-term Phase 3 with potential opportunities for further risk reductions as funded status nears 100%. On December 9, 2024, Wilshire provided a continuing review of funded status and asset allocation with the Investment Committee showing how TVARS is currently moving from Phase 1 into Phase 2 and what future investment and asset allocation opportunities might look like in the future under Phase 3. A copy of Wilshire's Asset Allocation – Phase 3 Discussion dated December 9, 2024, is filed as Exhibit 506-14(f).
- On December 9, 2024, Mercer Investments provided to the Investment Committee the 401(k) Plan quarterly review covering the following: 401(k) Plan asset allocation as of September 30, 2024; investment performance and expense ratio analysis of the 401(k) Plan fund line-up, absolute and compared to benchmarks and peer funds, as of September 30, 2024; upcoming plan changes, including the mapping of age 55 and 71 participants to new Target Retirement Portfolios designed for their ages, the addition of two new funds to the TDF suite – the 2036 Target Retirement Paycheck Portfolio and the 2070 Target Retirement Portfolio, and the addition of the PIMCO Income Fund; and a governance review that included current 401(k) Plan statistics, Fidelity annual fees as the provider of recordkeeping and trustee services, judicial update, and regulatory and legislative updates, including SECURE Act 2.0 updates on student loan matching programs, 2025 retirement plan limits, and an IRS private letter ruling on flexible employer contribution design. In addition, Mercer provided an in-depth review and analysis of the BlackRock Strategic Completion Fund, which serves as the real asset, inflation-sensitive strategy option on the 401(k) Plan lineup, including the purpose for this type of fund option, performance through the most recent market cycle, and comparison with a group of other real asset funds available to a 401(k) plan. A copy of Mercer's Q3 2024 DC Quarterly Review dated December 9, 2024, is filed as Exhibit 506-14(g).
- The Chair of the Investment Committee announced that this would be the last meeting for Veenita Bisaria who serves as the TVARS Manager, Investment & Risk Management, and the TVARS staff liaison to the Investment Committee, and recognized Veenita for her 8 years of service in this role.

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506-15 (A-7096). At the September meeting, Wilshire and the Investment Committee discussed the current management team issues of Western Asset Management Company

(WAMCO), one of the System's managers, the performance of the two fixed income portfolios managed by WAMCO, and the strategy of these two portfolios within the total TVARS portfolio asset allocation policy [see Minute Entry 505-12]. On December 9, 2024, Wilshire and the Investment Committee continued these discussions on WAMCO and the TVARS portfolios managed by WAMCO. At the Board meeting, upon the recommendation of Wilshire and the Investment Committee, the Board voted to terminate WAMCO as an investment manager of the System and to reallocate the assets among TVARS' existing fixed income managers as determined by Wilshire and TVARS investment staff. A copy of Wilshire's memo on WAMCO and the two fixed income portfolios managed by WAMCO, dated December 9, 2024, is filed as Exhibit 506-15.

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The meeting was adjourned at 1:42 p.m., EST.



Chair



Executive Secretary