

Meeting No. 495

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

June 13, 2022

*[Edited to remove personal information of members and retirees and proprietary or other confidential information pursuant to TVARS Confidentiality Policy]*

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held virtually on Monday, June 13, 2022, 1:36 p.m., EDT, via WebEx videoconferencing.

\* \* \*

The following directors were present: Brian M. Child, Chair; Samuel J. DeLay, Vice-Chair; Michael L. Belcher; Marilyn G. Brown; Eric J. Davis; James W. Hovious; and Tina R. Wallace. 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; and W. Colby Carter, Managing Counsel.

\* \* \*

495-1 Each director was notified in a memorandum dated June 3, 2022, of the regular quarterly meeting to be held on June 13, 2022. A copy of the notice from the Executive Secretary is filed as Exhibit 495-1.

\* \* \*

495-2 (A-6896). For the Chair's report, the Chair shared that he is looking forward to the Board and staff meeting together in person again for the September quarterly meetings in Chattanooga.

\* \* \*

495-3 (A-6897). The Executive Secretary's report included the following:

- As of now, the September quarterly meetings will be in-person in Chattanooga with the Investment Committee meeting scheduled for Wednesday September 28 and the remaining committee meetings and the Board meeting scheduled for Thursday September 29. Following the Board meeting on September 29, the Board will meet with Mercer for the Executive Secretary evaluation and Board self-evaluation. The December quarterly meetings – the Investment Committee meeting on December 9 and the remaining committee meetings and Board meeting on December 14 – are still scheduled to meet virtually via WebEx videoconferencing.
- The Executive Secretary provided information to the Board on the TVARS staff's work with TVA to implement recorded inbound and outbound calls for TVARS.
- The Executive Secretary recognized Bill Jenkins, TVARS Assistant Secretary and Manager, Retirement Applications, for his 35 years of TVA service.

A copy of the Executive Secretary's report is filed as Exhibit 495-3.

\* \* \*

495-4 (A-6898). For the Legal Update, the Managing Counsel informed the Board that TVARS has notified TVA of the \$300 million minimum required contribution to TVARS for FY 2023, as required by Section 9B of the TVARS Rules and Regulations, and has also provided TVA with a copy of Mercer's valuation report and a copy of the 2021 TVARS annual report with audited financials of TVARS and the 401(k) Plan, which is also required by the TVARS Rules and Regulations on an annual basis. A copy of the Legal Update is filed as Exhibit 495-4.

\* \* \*

495-5. As a part of the Consent Agenda, the Board approved the minutes for the meeting reported below in A-6899, and accepted the reports as of March 31, 2022, listed below in A-6900, A-6901, A-6902, and A-6903.

- A-6899 Meeting No. 494 held March 9, 2022
- A-6900 Treasurer's Report (filed as Exhibit 495-5(a))
- A-6901 Investment Performance Report prepared by Wilshire Advisors LLC (Wilshire) (filed as Exhibit 495-5(b))
- A-6902 Report of retirements approved (filed as Exhibit 495-5(c))
- A-6903 Quarterly review for the TVA Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investments Institutional Services Company (Fidelity) (filed as Exhibit 495-5(d))

\* \* \*

495-6 (A-6904). The Audit Committee report consisted of the items reported below at A-6905, A-6906, and A-6907, and of the following items:

- Prior to the meeting, the Board met with Crowe to discuss the results of fiscal year 2021 financial statement audits of the System and the 401(k) Plan and Crowe's unqualified opinion letters on the clean audit. Following the meeting with Crowe, the TVARS Financial Reporting staff reviewed with the Board the 2021 TVARS Annual Report. A copy of the 2021 TVARS Annual Report, including audited financial statements and opinion letters, has been provided to the Board, posted to the TVARS website, and is filed as Exhibit 495-6(a).
- Prior to the meeting, the Executive Secretary presented to and discussed with the Board the estimated fiscal year 2023 TVARS budget compared with the current fiscal year 2022 budget. A copy of the TVARS fiscal year budget comparison is filed as Exhibit 495-6(b).

\* \* \*

495-7 (A-6905). Upon the recommendation of the Audit Committee, the Board voted to approve an engagement letter with Crowe LLP to perform the fiscal year 2022 financial statement audits of the System and the 401(k) Plan under the third year of a 3-year fixed fee

arrangement. A copy of the engagement letter between Crowe and TVARS is filed as Exhibit 495-7.

\* \* \*

495-8 (A-6906). Prior to the meeting, the Board met with McGriff, the System's insurance broker, which reviewed the System's current fiduciary liability insurance program for the Board and staff and provided a recommendation on renewal coverage. Following this review, upon the recommendation of the Audit Committee, the Board voted 6 to 1 to approve a 1-year renewal of the System's fiduciary liability insurance policy with \$10 million in total coverage, subject to a \$500,000 general deductible and \$2.5 million class action deductible, using Chubb for the first \$5 million in coverage and Euclid for the second \$5 million in coverage. Directors Belcher, Brown, Child, Davis, DeLay and Wallace voted for the fiduciary insurance renewal, and Director Hovious voted against the renewal. A copy of McGriff's fiduciary liability renewal strategy discussion presentation is filed as Exhibit 495-8.

\* \* \*

495-9 (A-6907). Following a discussion with the TVARS staff, and upon the recommendation of the Audit Committee, the Board approved a new statement of work with Mercer Investments LLC, the System's defined contribution plan consultant, to provide annual governance services, including the annual Executive Secretary evaluation and Board self-evaluation, and a project to evaluate and review the System's governance policies and practices. A copy of Mercer's statement of work for governance services is filed as Exhibit 495-9.

\* \* \*

495-10 (A-6908). The Retirement Committee report consisted of the items reported below at A-6909, A-6910, A-6911, A-6912, A-6913, A-6914, and A-6915.

\* \* \*

495-11 (A-6909). Pursuant to the System's Administrative Claims and Appeals Procedures, the Board considered a disability retirement appeal by [redacted], a current TVA employee. As a part of the appeal review, [redacted] provided the System staff with additional medical information regarding his disability claim, which was resubmitted to Advanced Medical Reviews, the System's medical review board. Following a discussion of the results of the medical review board, and upon the recommendation of the Retirement Committee, the Board approved [redacted] appeal and disability application. A copy of the memo from the Executive Secretary to the Board dated May 20, 2022, regarding this disability retirement appeal is filed as Exhibit 495-11.

\* \* \*

495-12 (A-6910). At the March meeting, the TVARS staff presented to the Board for discussion proposed amendments to the TVARS Rules and Regulations regarding the payout of death benefits to survivors in default deferred retirement situations and with supplemental benefits consistent with how similar death benefits are provided in other parts of the TVARS Rules (see Minute Entry 494-12). As requested by the Board, the TVARS staff provided information from Mercer Human Resources Consulting, the System's actuary, regarding best practices for default and deferred survivor elections of similar retirement plans and confirming that the proposed amendments do not increase the liabilities of the System and do not result in any additional cost to TVA. Following discussion, upon the recommendation of the Retirement Committee, the Board approved the following amendments to the TVARS Rules:

Section 6R1 of the TVARS Rules and Regulations is amended to delete the language marked through and to add the language underlined as follows:

## SECTION 6

### 6. **Benefits of the System**

#### R. Default Elections

##### 1. Members Who Fail to Make an Election

Any member who ceases to be an employee of TVA and who fails to file an application for a retirement allowance with the directors within the 60-day period set forth under section 6 will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. The default payment of their retirement allowance will be in the form of a single life annuity, or if the member is subject to the spousal consent requirement under the Rules, in the form of a ~~50%~~100% joint and survivor annuity. As allowed for under the Rules, such members who are defaulted to a deferred retirement allowance may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65 but not before age 55, in which case the effective date for payments to begin will be the date the application is received.

\* \* \*

Section 7D3(b) of the TVARS Rules and Regulations is amended to add the language underlined as follows:

## SECTION 7

### 7. **Cash Balance Benefit Structure**

#### D. Benefits for Cash Balance Participants

##### 3. Benefit Upon Termination of Employment Prior to Retirement

##### b. Participants with Five or More Years of Cash Balance Service at Termination

A Participant with a minimum of five years of cash balance service, who is less than age 55 on the date the Participant ceases to be in service and who is not eligible for an early retirement benefit under subsection D2 above, may be retired upon application filed with the directors while the Participant is in service or not later than 60 days after the Participant ceases to be an employee.

Upon retirement under the provisions of this section 7D3b, a Participant shall receive a deferred retirement allowance beginning at age 55 or later,

consisting of an annuity equal to the actuarial equivalent of the Participant's accumulated contributions, and a pension equal to the quotient of (i) the Participant's cash balance account balance as of the day preceding the date the first payment becomes normally due, divided by (ii) the applicable conversion factor from the monthly payment conversion table contained in section 7K based on the Participant's age in years and months as of the date the first payment becomes normally due.

Provided, however, that (i) a Participant retiring on a deferred retirement allowance may, prior to the date the deferred allowance becomes normally due, elect to withdraw all or part of the Participant's accumulated contributions in a single sum, and (ii) in the event a deferred retirement Participant elects a single life annuity and dies prior to the date the retirement allowance begins, the entire amount of the Participant's accumulated contributions (if any) and the entire amount of the Participant's cash balance account will be paid in a lump sum to the Participant's surviving spouse at the time of death, or if there is no surviving spouse, then to the Participant's estate.

\* \* \*

Section 7O of the TVARS Rules and Regulations is amended to delete the language marked through and to add the language underlined as follows:

## SECTION 7

### 7. Cash Balance Benefit Structure

#### O. Default Elections

##### 1. Cash Balance Participants Who Fail to Make an Election

Any Cash Balance Participant who ceases to be an employee of TVA and who fails to file an application for a retirement allowance with the Board within the 60-day period set forth under section 7 will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. The default payment of their retirement allowance will be in the form of a single life annuity, or if the Participant is subject to the spousal consent requirement under the Rules, in the form of a ~~50%~~100% joint and survivor annuity. As allowed for under the Rules, such Participants who are defaulted to a deferred retirement allowance may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65 but not before age 55, in which case the effective date for payments to begin will be the date the application is received. In the event a deferred retirement Participant is defaulted to a single life annuity and dies prior to the date the retirement allowance begins, the entire amount of the Participant's accumulated contributions (if any) and the entire amount of the Participant's cash balance account will be paid in a lump sum

to the Participant's surviving spouse at the time of death, or if there is no surviving spouse, then to the Participant's estate.

\* \* \*

Section 18B3 of the TVARS Rules and Regulations is amended to delete the language marked through and to add the language underlined as follows:

## SECTION 18

### 18. Supplemental Benefit

#### B. Members retiring after December 31, 1998

3. A surviving spouse of an employee who dies in service on or after January 1, 1999 shall receive the supplemental and additional benefits equal to that for which the employee would have received been eligible under this section 18B1 above if: (a) the deceased employee would have been eligible for a supplemental and additional benefits under section B1 if separated from TVA due to an involuntary reduction in force as of the date of death; (b) the surviving spouse is receiving a death benefit under these Rules and Regulations in a series of monthly payments; and (be) the surviving spouse was the current spouse of the deceased employee at the time of the employee's death. In the event the surviving spouse elects to receive the death benefit under these Rules and Regulations in a series of monthly payments, the supplemental and additional benefits will be paid in a series of monthly payments. In the event the surviving spouse elects to receive the death benefit under these Rules and Regulations in a lump sum cash payment, the supplemental and additional benefits will be paid in a lump sum equal to the present value of the supplemental and additional benefits, excluding any COLA benefit under section 18C3 after the date of the employee's death, calculated using a 6% discount rate and the mortality table for service retirements as set forth in the Appendix to the Rules and Regulations.

A copy of the memo from the Executive Secretary to the Board regarding the amendments is filed as Exhibit 495-12.

\* \* \*

495-13 (A-6911). At the March quarterly meeting, Director Belcher presented to the Board for discussion five sets of proposed amendments to the TVARS Rules and Regulations that would reinstitute certain benefits changes made in October 2016 (see Minute Entry 494-7). Following discussion, the Board took no action and deferred consideration of these proposed amendments to the June quarterly meeting. To help in the evaluation of Director Belcher's



proposed amendments, on April 11, 2022, an information session was held for the Board and the TVARS staff provided background and information on the benefit changes that were implemented in October 2016. A copy of the April 11, 2022, information session materials is filed as Exhibit 495-13(a). The five sets of proposed amendments were presented to the Board as voting items under A-6911, A-6912, A-6913, A-6914, and A-6915.

Director Belcher provided the Board with information he put together for the first set of proposed amendments to eliminate the 0.25% reduction in the calculation formula for the cost-of-living adjustment (COLA) and these amendments were presented to the Board for consideration:

Section 6I(2) of the TVA Retirement System Rules and Regulations is amended to add a new subsection as follows:

**6. Benefits of the System**

I. Cost-of-Living Adjustments (COLAs)

2. On or after October 1, 2016

e. Effective beginning January 1, 2023, the amount of COLA set forth in subsection 2(a) above shall be equal to the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment; provided, however, that the COLA for any year shall not exceed six percent (6%).

Section 7L(2) of the TVA Retirement System Rules and Regulations is amended to add a new subsection as follows:

**7. Cash Balance Benefit Structure**

L. Cost-of-Living Adjustments (COLAs)

2. On or after October 1, 2016

e. Effective beginning January 1, 2023, the amount of COLA set forth in subsection 2(a) above shall be equal to the percentage increase in the 12-month average of the CPI-U

over the CPI-U average of the prior year since the last adjustment; provided, however, that the COLA for any year shall not exceed six percent (6%).

Section 18C of the TVA Retirement System Rules and Regulations is amended to make the changes as follows:

## **18. Supplemental Benefit**

### **C. Miscellaneous**

3. The supplemental benefits payable under sections 18A or 18B, and the additional benefit payable under section 18D, shall receive a cost-of-living adjustment (COLA) whenever the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for any year exceeds by as much as one percent (1%) the CPI-U average for the prior year for which an adjustment hereunder was made, by an amount equal to the following: (i) effective October 1, 2016, the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment, minus ~~(ii)~~ 0.25%; and (ii) effective January 1, 2023, the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment. This COLA shall be made beginning with the monthly payment for January following the year in which the CPI-U increase occurred. For members who were current employees as of December 31, 2009, this COLA shall be made beginning January following the year in which the CPI-U increase occurred and the member or eligible retiree has or would have reached actual age 60. Effective October 1, 2016, for members or retirees who are under age 50 as of October 1, 2016, this COLA shall be made beginning January following the year in the CPI-U increase occurred and the member or eligible retiree has or would have reached actual age 65. Provided, however, that (a) the increase for any year shall not exceed six percent (6%); (b) the total monthly supplemental benefit payable under section 18B above shall not exceed \$12.3657 per month per year of actual service, and (c) the total monthly additional benefit payable under section 18D shall not exceed \$150 per month. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%); provided, however, for calendar years 2011 and 2013, the rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the preceding year of the prior year since the last adjustment if the CPI average decreased the preceding year.

Following discussion of and comments in support of the amendments, Director Belcher made a motion to approve the proposed amendments to Sections 6I2, 7L2, and 18C3 of the TVARS Rules and Regulations and the motion received a second from Director DeLay. The Board voted by roll call vote, and the motion to amend Sections 6I2, 7L2, and 18C3 failed to

pass by a vote of 4 to 3. Directors Belcher, DeLay and Hovious voted for the motion, and Directors Brown, Child, Davis and Wallace voted against the motion. A copy of information on the proposed amendments is filed as Exhibit 495-13(b).

\* \* \*

495-14 (A-6912). Director Belcher provided the Board with information he put together for the second set of proposed amendments allowing COLA eligibility to begin at age 60 for all retirees who retire on or after January 1, 2010 (not just for the individuals who were 50 before October 1, 2016) and these amendments were presented to the Board for consideration:

Section 6I(2) of the TVA Retirement System Rules and Regulations is amended to make the changes as follows:

**6. Benefits of the System**

- I. Cost-of-Living Adjustments (COLAs)
2. On or after October 1, 2016

- c. No benefit granted under section 6B1(a) to begin before age 55 shall be adjusted hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached attained age 55. For members who become retired members on or after January 1, 2010, no benefit granted under sections 6B1(a) and 6J to begin before actual age 60 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 60. ~~For members or retirees who are under age 50 as of October 1, 2016, no benefit granted under sections 6B1(a) and 6J which began or will begin before actual age 65 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 65.~~

Section 7L(2) of the TVA Retirement System Rules and Regulations is amended to make the changes as follows:

**7. Cash Balance Benefit Structure**

- L. Cost-of-Living Adjustments (COLAs)

2. On or after October 1, 2016
  - c. No benefit granted under section 7D2 to begin before age 55 shall be adjusted hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached age 55. For members who become retired members on or after January 1, 2010, no benefit granted under sections 7D2 to begin before age 60 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 60. ~~For members or retirees who are under age 50 as of October 1, 2016, no benefit granted under sections 7D2 which began or will begin before age 65 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 65.~~

Section 18C of the TVA Retirement System Rules and Regulations is amended to make the changes as follows:

## **18. Supplemental Benefit**

### **C. Miscellaneous**

3. The supplemental benefits payable under sections 18A or 18B, and the additional benefit payable under section 18D, shall receive a cost-of-living adjustment (COLA) whenever the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for any year exceeds by as much as one percent (1%) the CPI-U average for the prior year for which an adjustment hereunder was made, by an amount equal to the following: (i) the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment, minus (ii) 0.25%. This COLA shall be made beginning with the monthly payment for January following the year in which the CPI-U increase occurred. For members who were current employees as of December 31, 2009, this COLA shall be made beginning January following the year in which the CPI-U increase occurred and the member or eligible retiree has or would have reached actual age 60. ~~Effective October 1, 2016, for members or retirees who are under age 50 as of October 1, 2016, this COLA shall be made beginning January following the year in the CPI-U increase occurred and the member or eligible retiree has or would have reached actual age 65.~~ Provided, however, that (a) the increase for any year shall not exceed six percent (6%); (b) the total monthly supplemental benefit payable under section 18B above shall not exceed \$12.3657 per month per year of actual service, and (c) the total monthly additional benefit payable under section 18D shall not exceed \$150 per month. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%); provided, however, for calendar years 2011 and 2013, the rate of increase shall be the percent increase in the 12-month average of the CPI

over the CPI average of the preceding year of the prior year since the last adjustment if the CPI average decreased the preceding year.

Following discussion of and comments in support of the amendments, Director Belcher made a motion to approve the proposed amendments to Sections 6I2, 7L2, and 18C3 of the TVARS Rules and Regulations and the motion received a second from Director DeLay. The Board voted by roll call vote, and the motion to amend Sections 6I2, 7L2, and 18C3 failed to pass by a vote of 4 to 3. Directors Belcher, DeLay and Hovious voted for the motion, and Directors Brown, Child, Davis and Wallace voted against the motion. A copy of information on the proposed amendments is filed as Exhibit 495-14.

\* \* \*

495-15 (A-6913). Director Belcher provided the Board with information he put together for the third set of proposed amendments providing that all cash balance accounts will be eligible for the same annual interest crediting rate and these amendments were presented to the Board for consideration:

Section 7C(3)(b) of the TVA Retirement System Rules and Regulations is amended to add a new subsection as follows:

#### SECTION 7

#### 7. **Cash Balance Benefit Structure**

C. Accounts and Credits to Accounts

3. Interest-Based Credits to Accounts

b. Cash Balance Participants Who First Became Members of the System On or After January 1, 1996

(iii) On or after January 1, 2023

As of the last day of each month beginning on or after January 1, 2023, and before the date distribution of benefits to or on behalf of a Participant or retiree commences under section 7D, the Account of each Cash Balance Participant shall be credited with an amount determined by multiplying the monthly interest rate by the Participant's Account balance as of the previous January 1 plus any pay-based credits since that time.

The monthly interest rate shall be a percentage equal to one-twelfth of the annual cash balance interest rate. The annual cash balance interest rate shall be determined by the Board effective January 1 of each year and shall be a percentage equal to the percent increase of the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for the period ending the previous October 31 over the preceding 12-month period, plus three percent (3%). Provided, however, that the annual interest rate shall not be less than six percent (6%) nor exceed ten percent (10%) except that the Board may, with the approval of TVA, apply an annual interest rate greater than ten percent (10%) for any year.

Following discussion of and comments in support of the amendments, Director Belcher made a motion to approve the proposed amendments to Section 7C3(b) of the TVARS Rules and Regulations and the motion received a second from Director DeLay. The Board voted by roll call vote, and the motion to amend Section 7C3(b) failed to pass by a vote of 4 to 3. Directors Belcher, DeLay and Hovious voted for the motion, and Directors Brown, Child, Davis and Wallace voted against the motion. A copy of information on the proposed amendments is filed as Exhibit 495-15.

\* \* \*

495-16 (A-6914). Director Belcher provided the Board with information he put together for the fourth set of proposed amendments providing that all TVARS members are eligible to contribute to the Fixed and Variable Funds; however, members hired after 1995 are not eligible to receive their amounts in these Funds as an annuity and must cash out or rollover the money to another eligible retirement plan or account, and these amendments were presented to the Board for consideration:

Sections 2(6), 2(7), and 19A1 of the TVA Retirement System Rules and Regulations are amended to make the changes as follows:

## SECTION 2

### 2. Membership

6. Notwithstanding any other provisions of these Rules and Regulations, effective as of October 1, 2016, employees who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and have less than ten (10) years of cash balance service as of October 1, 2016, will be eligible for a future retirement benefit composed ~~solely~~ of the benefit accrued as a participant in the Deferral Plan and, except as set forth in section 7C3 with respect to interest-based credits to Cash Balance Accounts and section 19A1 with respect to ~~rates of return on~~ contributions to the Retirement System, will not be eligible to accrue any additional retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, and 18 ~~and 19~~.
7. Notwithstanding any other provisions of these Rules and Regulations, effective as of October 1, 2018, employees who (a) either (i) first became members of the System prior to January 1, 1996, and elected to become Cash Balance Participants, or (ii) first became members of the System on or after January 1, 1996, and had ten (10) or more years of cash balance service as of October 1, 2016, and (b) made the election as permitted by section 7B5(a) will be eligible to earn future retirement benefit accruals on and after October 1, 2018 composed ~~solely~~ of the benefit accrued as a participant in the Deferral Plan and, except as set forth in section 7C3 with respect to interest-based credits to Cash Balance Accounts and section 19A1 with respect to ~~rates of return on~~ contributions to the Retirement System, will not be eligible to accrue any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, and 18 ~~and 19~~, on and after October 1, 2018.

## Section 19

### 19. Contributions by Those Who First Become Members of the System on or After January 1, 1996

#### A. Contributions by Members

1. ~~Effective as of beginning~~ Effective as of beginning May 1, 2005, ~~and prior to~~ and then on or after ~~October 1, 2016,~~ August 1, 2022, a member who first becomes a member of the System on or after January 1, 1996, may make contributions to the Retirement System up to \$10,000 per calendar year, so long as the total of the member's contributions to the Retirement System taken together with contributions to the Deferral Plan shall not exceed the limitations set forth in section 17, as it may be amended or supplemented; provided, however, that on or after October 1, 2016, no new contributions may be made to the Retirement System pursuant to this section 19A1. Such contributions shall be placed, as directed by the member, in either (i) an account in the Annuity

Savings Account, and/or (ii) an account in the Variable Annuity Fund. The member's contributions to the Annuity Savings Account shall earn a fixed rate of return as set by the Board and set forth in the actuarial assumptions in the Appendix to these Rules and Regulations. The member's contributions to the Variable Annuity Fund shall be invested and earn a variable rate of return in the same manner as funds within the Employee Account as set forth in section 16D. Upon termination of the member's employment for any reason, including without limitation retirement or death in service, the member's contribution account, together with all income earned on the assets held therein, shall be distributed in a lump sum to the member, the member's beneficiary designated under section 11H, or in the absence or default of such designation the member's estate, subject to the member's or beneficiary's rights, if any, to rollover such distribution as provided in section 8, as amended or supplemented. In the absence of direction as to the withdrawal or rollover of such funds from the member or beneficiary, as applicable, the amounts shall remain in the member's account but shall cease to earn interest, if in the Annuity Savings Account, after sixty (60) days following the date of the member's termination of employment.

Following discussion of and comments in support of the amendments, Director Belcher made a motion to approve the proposed amendments to Sections 2(6), 2(7), and 19A1 of the TVARS Rules and Regulations and the motion received a second from Director Hovious. The Board voted by roll call vote, and the motion to amend Sections 2(6), 2(7), and 19A1 failed to pass by a vote of 4 to 3. Directors Belcher, DeLay and Hovious voted for the motion, and Directors Brown, Child, Davis and Wallace voted against the motion. A copy of information on the proposed amendments is filed as Exhibit 495-16.

\* \* \*

495-17 (A-6915). Director Belcher provided the Board with information he put together for the fifth set of proposed amendments restoring supplemental benefit accruals for cash balance participants who have less than 10 years of service as of October 1, 2016, and these amendments were presented to the Board for consideration:

Sections 2(6), 2(7), and 18C of the TVA Retirement System Rules and Regulations are amended to make the changes as follows:

## SECTION 2



## 2. Membership

6. Notwithstanding any other provisions of these Rules and Regulations, effective as of October 1, 2016, employees who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and have less than ten (10) years of cash balance service as of October 1, 2016, will be eligible for a future retirement benefit composed ~~solely~~ of the benefit accrued as a participant in the Deferral Plan and, except as set forth in section 7C3 with respect to interest-based credits to Cash Balance Accounts, section 18 with respect to the supplemental and additional benefits, and section 19A1 with respect to rates of return on contributions to the Retirement System, will not be eligible to accrue any additional retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, ~~18~~ and 19.
7. Notwithstanding any other provisions of these Rules and Regulations, effective as of October 1, 2018, employees who (a) either (i) first became members of the System prior to January 1, 1996, and elected to become Cash Balance Participants, or (ii) first became members of the System on or after January 1, 1996, and had ten (10) or more years of cash balance service as of October 1, 2016, and (b) made the election as permitted by section 7B5(a) will be eligible to earn future retirement benefit accruals on and after October 1, 2018 composed ~~solely~~ of the benefit accrued as a participant in the Deferral Plan and, except as set forth in section 7C3 with respect to interest-based credits to Cash Balance Accounts, section 18 with respect to the supplemental and additional benefits, and section 19A1 with respect to rates of return on contributions to the Retirement System, will not be eligible to accrue any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, ~~18~~ and 19, on and after October 1, 2018.

## 18. Supplemental Benefit

### C. Miscellaneous

2. Actual service, as used in section 18B above and in sections 18C3 and 18D below, shall mean creditable service as defined in section 1.8 of the Rules and Regulations except that it shall not include credit for unused sick leave, forfeited annual leave, or credit for military service established pursuant to section 5.2 of the Rules and Regulations. ~~Effective October 1, 2016, employees who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and have less than ten (10) years of cash balance service as of October 1, 2016, will not be eligible to accrue any additional service for purposes of the calculation of the supplemental benefit under section 18B, and as of October 1, 2016, these members will have their actual service frozen for calculation purposes only of the supplemental benefit under section 18B and the additional benefit under section 18D. Effective October 1, 2018, employees who made the election permitted by section 7B5(a) (but not the election under section 7B5(b)), will not be eligible to accrue any additional service for purposes of the calculation of the supplemental benefit under section 18B, and these members will have their actual service for~~

~~purposes of calculating the supplemental benefit under section 18B and the additional benefit under section 18D frozen as of the effective date of the member's election.~~

Following discussion of and comments in support of the amendments, Director Belcher made a motion to approve the proposed amendments to Sections 2(6), 2(7), and 18C of the TVARS Rules and Regulations and the motion received a second from Director DeLay. The Board voted by roll call vote, and the motion to amend Sections 2(6), 2(7), and 18C failed to pass by a vote of 4 to 3. Directors Belcher, DeLay and Hovious voted for the motion, and Directors Brown, Child, Davis and Wallace voted against the motion. A copy of information on the proposed amendments is filed as Exhibit 495-17.

\* \* \*

495-18 (A-6916). The Election Committee report consisted of the item reported below at A-6917.

\* \* \*

495-19 (A-6917). At the March meeting, the Election Committee discussed with TVARS staff and noted the schedule proposed for this year's election. Following an update on the election process, upon the recommendation of the Election Committee, the Board approved the 2022 TVARS Election Schedule. A copy of the Election Schedule is filed as Exhibit 495-19.

\* \* \*

495-20 (A-6918). The Investment Committee report consisted of the items reported below at A-6919, A-6920, and A-6921, and of the following items:

- The Board was provided and took note of information regarding asset allocation and investment manager asset transfers during the first quarter of 2022. A copy of the information is filed as Exhibit 495-20(a).
- 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

March 2022 through May 2022. A copy of the information is filed as Exhibit 495-20(b).

- On June 10, 2022, Wilshire presented to and discussed with the Investment Committee the risk reporting dashboard for the total investment portfolio through March 2022. A copy of Wilshire's risk reporting dashboard snapshot and total fund risk contributions report dated March 2022 is filed as Exhibit 495-20(c).
- Under the System's asset allocation policy, there is a 20% allocation to credit, of which half, or 10% of the total fund, is to be allocated to alternative yield strategies. On June 10, 2022, Wilshire provided an update to the Investment Committee on this asset class in the current economic and market environment, including the types of alternative yield strategies in which TVARS may be investing as a part of this allocation. A copy of Wilshire's Alternative Yield Review is filed as Exhibit 495-20(d).
- On June 10, 2022, Mercer Investments LLC, the System's defined contribution plan consultant, provided to the Investment Committee and TVARS staff the 401(k) Plan quarterly review covering the following: updated committee calendar through June 2022, investment performance and expense ratio analysis of the 401(k) Plan fund line-up, and a governance review that included a fiduciary duty review regarding fees, current 401(k) Plan statistics, Fidelity annual fees as the provider of recordkeeping and trustee services, litigation and enforcement updates, regulatory and legislative updates, including recent DOL guidance on cryptocurrency investments in 401(k) plans, and a review on retirement income options in 401(k) plans. A copy of Mercer's Q1 2022 DC Quarterly Review dated June 10, 2022, is filed as Exhibit 495-20(e).

\* \* \*

495-21 (A-6919). Under the System's asset allocation policy, there is a 7.5% target for defensive equity. At the December 2021 quarterly committee meeting, Wilshire presented an investment structure analysis with recommended allocations of 60% to "core" global low-volatility strategies and 40% to "complementary" strategies. Currently, the System's investment managers include Los Angeles Capital Management managing a "core" global low-volatility equity portfolio and PIMCO managing a "complementary" Stocks Plus portfolio. On June 10, 2022, Wilshire presented to the Investment Committee a manager search for a second "complementary" strategy representing 20% of the defensive equity allocation. Following this review, Wilshire recommended the addition of the Select Quality Equity strategy managed by

Wellington Management Company, a current System manager, and a change in the composite defensive equity benchmark to a blend of the underlying manager benchmarks. Accordingly, upon the recommendation of Wilshire and the Investment Committee, the Board approved an approximate \$125 million investment to the Wellington Select Quality Equity strategy, representing 20% of the System's defensive equity allocation, and the change in the composite benchmark for the defensive equity allocation as recommended by Wilshire. A copy of Wilshire's Defensive Equity Review dated June 10, 2022, is filed as Exhibit 495-21.

\* \* \*

495-22 (A-6920). As a part of the private equity portfolio, the System has an investment as a limited partner in the HarbourVest International Private Equity Partners V-Partnership Fund L.P. (HIPEP V Fund). The current extension term of the Fund ends June 30, 2022, so pursuant to the HIPEP V Funds' limited partnership agreement, the General Partner has requested approval from the limited partners to extend the term of the partnership one additional year through June 30, 2023, with no management fee, in order to continue the orderly liquidation of the remaining investments. Upon the recommendation of the Investment Committee, the Board voted to approve the 1-year extension of the partnership term for the HIPEP V Fund. A copy of the term extension request and approval for the Fund is filed as Exhibit 495-22.

\* \* \*

495-23 (A-6921). As a part of the private equity portfolio, the System has investments as a limited partner in multiple limited partnership funds managed by Adams Street Partners. A number of these funds have partnership term expiration dates approaching: Adams Street Direct Co-Investment Fund, L.P. on October 30, 2022; Adams Street Co-Investment Fund II, L.P. on December 28, 2022; and Adams Street Partnership Fund – 2005 U.S. Fund, L.P., Adams Street

Partnership Fund – 2005 Non-U.S. Fund, L.P., Adams Street Partnership Fund – 2007 U.S. Fund, L.P., and Adams Street Partnership Fund – 2007 Non-U.S. Fund, L.P., all on December 31, 2022 (collectively, the Adams Street Funds). Pursuant to the limited partnership agreement for each of the Adams Street Funds, the General Partner has requested approval from the limited partners to extend the term of the partnership for each of the Adams Street Funds two additional years in order to allow for the most efficient and beneficial sale of the remaining illiquid investments within each Fund. Upon the recommendation of the Investment Committee, the Board voted to approve the 2-year extensions of the partnership terms for the Adams Street Funds. A copy of the term extension request and approval for the Adams Street Funds is filed as Exhibit 495-23.

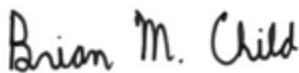
\* \* \*

The meeting was adjourned at 2:12 p.m., EDT.



---

Executive Secretary



---

Chair