

Meeting No. 500

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

June 29, 2023

[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 (TVARS or System) was held on Thursday, June 29, 2023, at 1:39 p.m., EDT, at the TVA Chattanooga Office Complex, MR 1S 202, Chattanooga, Tennessee.

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The following directors were present: Brian M. Child, Chair; Samuel J. DeLay, Vice-Chair; Michael L. Belcher (via videoconferencing); Michael A. Blakely; Marilyn G. Brown; Eric J. Davis; and Tina R. Wallace (via videoconferencing). Also present were Mark N. Meigs, Executive Secretary; William B. Jenkins, Jr., Assistant Secretary; Sally R. Weber, Manager, Retirement Operations; Veenita Bisaria, Manager, Investment & Risk Management; Michael B. Barnes, Sr. Analyst, Investment & Risk Management; and W. Colby Carter, Managing Counsel.

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500-1 Each director was notified in a memorandum dated June 16, 2023, of the regular quarterly meeting to be held on June 29, 2023. A copy of the notice from the Executive Secretary is filed as Exhibit 500-1.

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500-2 (A-6974). For the Chair's report, the Chair recognized the milestone of the 500th meeting of the TVARS Board.

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500-3 (A-6975). The Executive Secretary's report included the following:

- The September quarterly meetings are scheduled to meet virtually via videoconferencing with the Investment Committee meeting scheduled for Friday September 15 and the remaining committee meetings and the Board meeting scheduled for Thursday September 21.
- The Executive Secretary provided information to the Board on the TVARS staff's education, outreach, and service work during the quarter and shared how this work shows the care the TVARS staff has for TVARS members, retirees, and beneficiaries.

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500-4 (A-6976). The Legal Update included the following:

- Managing Counsel informed the Board that TVARS has notified TVA of the \$300 million minimum required contribution to TVARS for FY 2024, 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 2022 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.
- The Managing Counsel provided information to the Board on the provisions of SECURE Act 2.0 that are currently applicable to the TVARS retirement plans, including the change in age from 72 to 73 for required minimum distributions and mandatory Roth 401(k) catch-up contributions for participants who are highly compensated as defined under the Act.

A copy of the Legal Update is filed as Exhibit 500-4.

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500-5 (A-6977). The Board noted its previous notational approval on May 8, 2023, of the Minutes for Meeting No. 499 held March 3, 2023. Following notational approval, the approved minutes were posted on the TVARS website.

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500-6. As a part of the Consent Agenda, the Board accepted the reports as of March 31, 2023, listed below in A-6978, A-6979, A-6980, and A-6981:

- A-6978 Treasurer's Report (filed as Exhibit 500-6(a))
- A-6979 Investment Performance Report prepared by Wilshire Advisors LLC (Wilshire) (filed as Exhibit 500-6(b))
- A-6980 Report of retirements approved (filed as Exhibit 500-6(c))
- A-6981 Quarterly review for the TVA Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investments Institutional Services Company (filed as Exhibit 500-6(d))

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500-7 (A-6982). The Audit Committee report consisted of the items reported below at A-6983 and A-6984, and of the following items:

- Prior to the meeting, the Board met with Charlotte Vrba, Ann Zander, and AJ Quebbeman of Crowe LLP, the System's auditor, to discuss the results of fiscal year 2022 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, Brent Roberts and Hayley Huskey of the TVARS financial reporting staff reviewed with the Board the 2022 TVARS Annual Report. A copy of the 2022 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 500-7(a).
- Prior to the meeting, the Executive Secretary presented to and discussed with the Board the estimated fiscal year 2024 TVARS budget compared with the current fiscal year 2023 budget. A copy of the TVARS fiscal year budget comparison is filed as Exhibit 500-7(b).

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500-8 (A-6983). Upon the recommendation of the Audit Committee, the Board voted to approve an engagement letter with Crowe to perform the fiscal year 2023 financial statement audits of the System and the 401(k) Plan. A copy of the engagement letter between Crowe and TVARS is filed as Exhibit 500-8.

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500-9 (A-6984). Prior to the meeting, the Board met via videoconferencing with Kara Altenbaumer-Price of 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 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. A copy of McGriff's Proposal of Insurance presentation for TVARS is filed as Exhibit 500-9.

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500-10 (A-6985). The Retirement Committee report consisted of the items reported below at A-6986 and A-6987, and of the following items:

- At the March meeting, the Retirement Committee asked the TVARS staff to work with TVA to gather information on sick leave benefits and report back to the Committee (see Minute Entry 499-6). Prior to the meeting, the Executive Secretary shared information from TVA regarding the governance authority and responsibilities around sick leave benefits for TVA employees. At the Board meeting, Director Blakely on behalf of the Retirement Committee clarified the request and requested information on the difference between the Original and Cash Balance Benefit structures with the use of sick leave in the calculation of benefits and whether the use of sick leave in the Original Benefit could be translated to the Cash Balance Benefit.
- As a follow-up on information provided by Fidelity during the Board's due diligence trip in Boston, Director Blakely asked Director Wallace in her role as TVA's Vice President, Total Rewards, Digital Solutions & Data, if more information could be gathered on the potential investment options for TVA employees participating in Health Savings Accounts (HSAs).

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500-11 (A-6986). Prior to the meeting, the Board reviewed with Mercer Human Resources Consulting (Mercer), the System's actuary, the results of the actuarial study analyzing the System's experience over the 5-year period from October 1, 2017, to September 30, 2022. As a part of this review, Mercer discussed with the Board the various proposed changes to actuarial assumptions as a result of the experience study. Upon the recommendation of the Retirement Committee, the Board accepted Mercer's experience study report and requested additional discussion of questions around the adjustment of factors for benefits calculations as a result of assumption changes from the experience study. A copy of Mercer's Experience Analysis: 10/1/2017 – 9/30/2022 for the System, dated June 2023, is filed as Exhibit 500-11.

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500-12 (A-6987). Pursuant to the TVARS 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 TVARS staff with additional medical information regarding his disability claim, which was submitted to ForHealth Consulting at UMass Chan Medical School, the System's new disability retirement medical reviewer. Based on the determination by ForHealth following its review and evaluation of [*redacted*] disability retirement application file and records, upon the recommendation of the Retirement Committee, the Board approved [*redacted*] appeal and disability retirement application. A copy of the memo from the Executive Secretary to the Board dated June 29, 2023, regarding this disability retirement appeal is filed as Exhibit 500-12.

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500-13 (A-6988). The Election Committee report consisted of the item reported below at A-6989.

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500-14 (A-6989). At the March meeting, the Election Committee approved the schedule for this year's election (see Minute Entry 499-13). The Election Committee provided an update on the election process noting that the nomination period has commenced and will close on July 5th with candidate information being posted after Committee review. A copy of the detailed Election Schedule is filed as Exhibit 500-14.

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500-15 (A-6990). The Investment Committee report consisted 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 2023. A copy of the information is filed as Exhibit 500-15(a).
- The Board was provided and took note of information on TVARS staff due diligence meetings with investment managers and service providers for the period February 2023 through May 2023. A copy of the information is filed as Exhibit 500-15(b).
- On June 15, 2023, Wilshire presented to and discussed with the Investment Committee new asset allocation evaluation work with the TVARS investment staff on the System's portfolio taking into account recent changes to Wilshire's 10-year forward-looking capital market return assumptions and the opportunities available given the stage in which TVARS is now investing since adopting a de-risking plan in June 2021. This current asset allocation work is an asset-only analysis and a broader asset/liability study that incorporates updated actuarial data will be performed later this year. A copy of Wilshire's asset allocation review dated June 15, 2023, is filed as Exhibit 500-15(c).
- On June 15, 2023, Wilshire presented to the Investment Committee the risk reporting dashboard for the total investment portfolio through March 2023 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 March 2023 is filed as Exhibit 500-15(d).
- On June 15, 2023, Managing Counsel and Mercer provided an update to the Board on the status of and key focus areas involved with the review of TVARS governance documents and policies and upcoming timeline for review with the Board. A copy of the TVARS governance documents and policies progress update is filed as Exhibit 500-15(e).

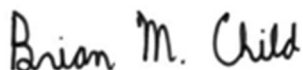
- On June 15, 2023, Tom Woods, Melissa Cabrera, Jeff Givens, and Garrett Tolley of Fidelity met with the Board to provide a business planning update for the 401(k) Plan, including accomplishments during 2022, plan and participant goals for 2023, participant engagement in various areas, by various metrics, and compared with peers, and information on the one-on-one guidance and planning support for participants provided by Jeff Givens and Garrett Tolley who are financial planning consultants dedicated to TVA employees and retirees in the 401(k) Plan. A copy of Fidelity's 2023 Business Planning Update is filed as Exhibit 500-15(f).
- On June 15, 2023, Mercer Investments LLC, the System's defined contribution plan consultant, provided to the Investment Committee the 401(k) Plan quarterly review covering the following: the forward-looking committee calendar through March 2024; 401(k) Plan asset allocation as of March 31, 2023; investment performance and expense ratios of the 401(k) Plan fund line-up, absolute and compared to benchmarks and peer funds, as of March 31, 2023; 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 information on SECURE Act 2.0 retirement provisions and agency guidance. Mercer also provided and discussed with the Investment Committee a preliminary review of Fidelity's managed account service available to 401(k) Plan participants, Fidelity Personalized Planning & Advice (PP&A) with Strategic Advisers, with a follow-up on the review at the September meeting. As a part of this review, Mercer indicated to the Committee its continued support on the use of PP&A as an optional service to Plan participants with continued monitoring over time. A copy of Mercer's Q1 2023 DC Quarterly Review dated June 15, 2023, is filed as Exhibit 500-15(g).

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The meeting was adjourned at 1:55 p.m., EDT.



Executive Secretary



Chair