

Meeting No. 504

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

June 28, 2024

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (TVARS or System) was held on Friday, June 28, 2024, at 12:23 p.m., CDT, at the TVA Nashville Collaboration Center, 1222 Demonbreun Street, Suite 1500, Nashville, Tennessee.

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The following directors were present: Tina R. Wallace, Chair; Eric J. Davis, Vice-Chair; Michael L. Belcher; Michael A. Blakely; Marilyn G. Brown; Brian M. Child; and Micheal D. Clement. 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; Michael B. Barnes, Sr. Analyst, Investment & Risk Management; and W. Colby Carter, Managing Counsel.

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504-1 Each director was notified in a memorandum dated June 13, 2024, of the regular quarterly meeting to be held on June 28, 2024. A copy of the notice from the Executive Secretary is filed as Exhibit 504-1.

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504-2 (A-7048). The Chair's report included the following:

- The Chair thanked the Executive Secretary and the Board for returning to Nashville and the opportunity to meet in TVA's new Nashville collaboration offices, which serve as a model for how TVA corporate offices will be designed for the hybrid workforce.
- The Chair shared her thoughts on the recently implemented lifetime income option for the Target Retirement Portfolios in the 401(k) Plan with BlackRock's LifePath Paycheck and how this exciting enhancement will help improve retirement outcomes for TVA employees and retirees, specifically for those who do not have access to a pension.

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504-3 (A-7049). The Executive Secretary's report included the following:

- The Executive Secretary thanked the TVARS staff for all of their work with Crowe on another successful audit of the System's and 401(k) Plan's financial statements.
- The Executive Secretary also thanked the Board members for their input and the TVARS staff for their work on the implementation of the new 401(k) Target Retirement Paycheck Portfolios with BlackRock's LifePath Paycheck and noted that the TVARS staff will be moving into an on-going education and information stage for LifePath Paycheck with participants in the 401(k) Plan.

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504-4 (A-7050). 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 2025, 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 2023 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.
- Managing Counsel thanked the Board for its work with Mercer reviewing and discussing the optional provisions of SECURE Act 2.0 that Fidelity is making available to the 401(k) Plan, and that there will be further discussion with additional guidance in order for the Board to make any decisions on whether to elect any of these optional provisions with Fidelity for the 401(k) Plan.

A copy of the Legal Update is filed as Exhibit 504-4.

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504-5. As a part of the Consent Agenda, the Board approved the minutes for the meeting reported below in A-7051, and accepted the reports as of March 31, 2024, listed below in A-7052, A-7053, A-7054, and A-7055:

- A-7051 Meeting No. 503 held March 5, 2024
- A-7052 Treasurer's Report (filed as Exhibit 504-5(a))
- A-7053 Investment Performance Report prepared by Wilshire Advisors LLC (Wilshire) (filed as Exhibit 504-5(b))
- A-7054 Report of retirements approved (filed as Exhibit 504-5(c))
- A-7055 Quarterly review for the TVA Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Workplace Services LLC (Fidelity) (filed as Exhibit 504-5(d))

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504-6 (A-7056). The Audit Committee report consisted of the items reported below at A-7057, A-7058, and A-7059, 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 the fiscal year 2023 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 Zack Wallace of the TVARS financial reporting staff reviewed with the Board the 2023 TVARS Annual Report. A copy of the 2023 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 504-6(a).
- Prior to the meeting, the Executive Secretary presented to and discussed with the Board the estimated fiscal year 2025 TVARS budget compared with the current fiscal year 2024 budget. A copy of the TVARS fiscal year budget comparison is filed as Exhibit 504-6(b).

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504-7 (A-7057). Upon the recommendation of the Audit Committee, the Board voted to approve an engagement letter with Crowe to perform the fiscal year 2024 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 504-7.

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504-8 (A-7058). Prior to the meeting, the Board met via Teams videoconferencing with Kara Altenbaumer-Price of McGriff, the System's insurance broker, who reviewed the System's current fiduciary liability insurance program and provided information on the current fiduciary liability market, 401(k) excessive fee litigation, peer benchmarking, proposed renewal program, and the renewal timeline. 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 program at the same annual premium 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 Encore (f/k/a Euclid) for the second \$5 million in coverage. A copy of McGriff's Fiduciary Liability Renewal Strategy presentation for TVARS dated June 12, 2024, is filed as Exhibit 504-8.

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504-9 (A-7059). Over the last year, Lori Wright and David Hesdorffer of Mercer Investments LLC, the System's defined contribution plan and governance consultant (Mercer Investments), has been working with the TVARS staff to review the System's current governance policies with the goals of ensuring that they are based on best practices, align with the System's current practices, and are flexible and more easily utilized by the Board and staff. As a part of this work, at the March 2024 meeting, Mercer and Managing Counsel presented to the Board a draft of revised governance policies in a single, combined document and discussed with the Board the proposed changes made across all of the governance policies (see Minute

Entry 503-11). Prior to the meeting, Mercer and Managing Counsel reviewed with the Board again the proposed revised governance policies along with additional revisions made based on comments from Board members since the previous meeting. After discussion, upon the recommendation of the Audit Committee, the Board approved the new TVARS governance policies document, which supersedes and replaces all previous governance policies. Following approval, the governance policies document will be finalized with hyperlinks and posted on the Board reference site and TVARS website. A copy of TVARS Governance Document Overview presentation, and a copy of the approved TVARS Governance Documents and Policies, are filed as Exhibit 504-9.

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504-10 (A-7060). For the Retirement Committee, Tom Woods of Fidelity, the provider of recordkeeping services for the 401(k) Plan, met with the Committee and presented a review of the performance and health of the 401(k) Plan, information on participant engagement, and an income replacement analysis for the 401(k) Plan participant population. In addition, Jeff Givens and Garrett Tolley, the two Fidelity financial planning consultants dedicated to TVARS, shared information with the Committee on their work with TVA employees and retirees and insights from those meetings. The 401(k) Plan score, based on plan design, participant engagement, and participant retirement readiness, continues to be one of the top plan scores when compared to all other plans in Fidelity's peer group. In addition, the income replacement analysis shows that the majority of the TVA employee population across all demographics and age groups, including those with 401(k) only retirement benefits, are on track to replace an appropriate amount of income needed for retirement from their 401(k) retirement benefit. A copy of Fidelity's presentation is filed as Exhibit 504-10.

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504-11 (A-7061). The Election Committee report consisted of the following items:

- At the March meeting, the Election Committee approved the schedule for this year's election (see Minute Entry 503-13). The Election Committee provided an update on the election process noting that the nomination period has commenced and will close on July 8th with candidate information being posted after Committee review.
- Prior to the meeting, the Election Committee and the Board discussed and reviewed Director Brown's service as the 7th Director retiree on the Board during her current term. Based on that review, at the meeting, the Election Committee made a motion for Marilyn Brown to be selected for a new three-year term beginning November 1, 2024, and ending October 31, 2027. Following a second on the motion by Director Davis, the Board voted and the motion passed unanimously by a vote of 6 to 0. Director Brown recused herself from the discussions prior to the meeting and from the vote during the meeting.

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504-12 (A-7062). The Investment Committee report consisted of the following items:

- On June 27, 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 and impact on portfolio assumptions; economic/market activity; pension plan asset allocation as of March 31, 2024, compared to policy allocation; investment performance by asset class and by individual managers, absolute and compared to benchmarks, as of March 31, 2024; and investment performance attribution analysis. A copy of Wilshire's Executive Summary of Investment Performance as of March 31, 2024, is filed as Exhibit 504-12(a).
- On June 27, 2024, the Investment Committee and Wilshire met with (i) Long Wharf, one of the real estate managers within the Summit Hill Real Assets fund, and toured the Gulch Union Tower II, a downtown Nashville residential development in which the System is an investor through Long Wharf; and (ii) Capital Springs, a private equity and debt investment firm within the Summit Hill Private Credit fund serving foodservice and franchised/independent restaurant businesses. A copy of the Capital Springs presentation is filed as Exhibit 504-12(b).
- The Investment Committee was provided and took note of information regarding asset allocation transfers and rebalancing during the first quarter of 2024. A copy of the information is filed as Exhibit 504-12(c).

- The Investment Committee was provided and took note of information on TVARS staff due diligence meetings with investment managers and service providers for the period February 2024 through June 2024. A copy of the information is filed as Exhibit 504-12(d).
- On June 27, 2024, Wilshire presented to the Investment Committee the risk reporting dashboard for the total investment portfolio through March 31, 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 March 2024 is filed as Exhibit 504-12(e).
- On June 27, 2024, A copy of Wilshire's Liquidity Monitoring report dated June 27, 2024, is filed as Exhibit 504-12(f).
- On June 27, 2024, 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 2025; 401(k) Plan asset allocation as of March 31, 2024; 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, 2024; 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 developments and the DOL retirement security initiative. Mercer also provided and discussed with the Investment Committee the following: (i) an update on BlackRock LifePath Paycheck for the 401(k) Plan, which was added to the 401(k) Plan within new Target Retirement Paycheck Portfolios on June 21, 2024, and communications leading up to and following the implementation date; and (ii) an initial analysis on potentially adding a new multi-sector credit or fixed income fund to the 401(k) investment line-up, which could also serve as an additional retirement income option for participants during retirement. A copy of Mercer's Q1 2024 DC Quarterly Review dated June 27, 2024, is filed as Exhibit 504-12(g).
- On June 27, 2024, following the 401(k) Plan quarterly review, Mercer Investments discussed with the Investment Committee a list of optional provisions available to the 401(k) Plan as a part of the SECURE Act 2.0, including Fidelity's ability and timing as the plan recordkeeper to administer. This discussion included the Committee's consideration of 401(k) participant demographics and needs that could potentially be addressed relative to current plan provisions and administrative factors. The Committee shared initial feedback on the various optional provisions with Mercer and the TVARS staff and further discussions will be held before any decisions are proposed by the Committee to the Board. A copy of Mercer's Q1 2024 DC Quarterly Review dated June 27, 2024, containing the SECURE Act 2.0 optional provision information, is filed as Exhibit 504-12(h).

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The meeting was adjourned at 12:40 p.m., CDT.



Executive Secretary



Chair