

Meeting No. 499

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

March 3, 2023

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Friday, March 3, 2023, at 12:53 p.m., EST, at the TVA Chattanooga Office Complex, MR 1S 202, Chattanooga, Tennessee.

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The following directors were present: Brian M. Child, Chair (via WebEx); Samuel J. DeLay, Vice-Chair; Michael L. Belcher; Michael A. Blakely; Marilyn G. Brown; and Eric J. Davis. Director Tina R. Wallace was not present. 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.

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499-1 Each director was notified in a memorandum dated February 17, 2023, of the regular quarterly meeting to be held on March 3, 2023. A copy of the notice from the Executive Secretary is filed as Exhibit 499-1.

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499-2 (A-6957). For the Chair's report, the Chair thanked the Board and staff for good work and discussions during the committee meetings over the last two days.

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499-3 (A-6958). The Executive Secretary's report included the following:

- The Executive Secretary provided an update on the implementation of the cost-of-living adjustment (COLAs) for pension benefits for eligible retirees and beneficiaries and its impact effective with the January 2023 payroll.
- The Executive Secretary reported that the TVARS staff processed and added a record number of retirees and beneficiaries to the payroll in February.
- The Executive Secretary informed the Board that the TVARS staff worked with BNY Mellon on a direct deposit change letter to retirees to increase their awareness of controls in place that protect their retirement benefits and the role retirees play to help safeguard their information against unauthorized changes.
- The Executive Secretary provided information to the Board on education provided to employees during the quarter including the following: in-person meetings with impacted employees at Bull Run Fossil Plant with scheduled in-person meetings at Kingston Fossil Plant, lunch-n-learn webinars, and co-hosted webinars with Fidelity and specialists from the Social Security Administration on how to maximize Social Security benefits.
- The Executive Secretary provided information to the Board on the May due diligence trip to Boston and the committee and Board meetings in June, September, and December 2023.

A copy of the Executive Secretary's report is filed as Exhibit 499-3.

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499-4 (A-6959). The Legal Update included the following:

- The Managing Counsel provided information to the Board on the annual financial disclosure required to be filed by all Board members through the TVA Ethics Office pursuant to the TVARS Ethics and Code of Conduct Policy and thanked the Board for the time they spend filling out and submitting the form each year.
- The Managing Counsel provided information to the Board on the provisions of SECURE Act 2.0 and informed them that the TVARS staff is currently working with the System's outside counsel, consultants, and service providers to understand the provisions and will bring more information to the Board pending further guidance from the IRS.

A copy of the Legal Update is filed as Exhibit 499-4.

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499-5. As a part of the Consent Agenda, the Board approved the minutes for the meeting reported below in A-6960, and accepted the reports as of December 31, 2022, listed below in A-6961, A-6962, A-6963, and A-6964.

- A-6960 Meeting No. 498 held December 12, 2022
- A-6961 Treasurer's Report (filed as Exhibit 499-5(a))
- A-6962 Investment Performance Report prepared by Wilshire Advisors LLC (Wilshire) (filed as Exhibit 499-5(b))
- A-6963 Report of retirements approved (filed as Exhibit 499-5(c))
- A-6964 Quarterly review for the TVA Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investments Institutional Services Company (filed as Exhibit 499-5(d))

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499-6 (A-6965). The Retirement Committee report consisted of items reported below at A-6966, A-6967, A-6968, and A-6969, and of the following item:

- Prior to the meeting, Director Blakely engaged the Board in a discussion on the use of sick leave by TVA employees and whether a benefit could be created for unused sick leave, including a retirement benefit for cash balance participants, to decrease the use of sick leave by employees nearing retirement. Following this discussion, the Retirement Committee asked the TVARS staff to work with TVA to gather information on sick leave use at TVA, rules around sick leave, and how unused sick leave could potentially be used as a benefit, and report back to the Committee at the June meeting.

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499-7 (A-6966). Prior to the meeting, the Board reviewed with Mercer Human Resources Consulting (Mercer) the Report of Actuary on the Eighty-Third Actuarial Valuation of the TVA

Retirement System prepared as of September 30, 2022 (Actuarial Valuation Report). At the meeting, upon the recommendation of the Retirement Committee, the Board voted to accept the Actuarial Valuation Report performed by Mercer. As set forth in the report, Mercer calculated the minimum required contribution to the System for fiscal year 2024 to be \$300 million per section 9B4 of the TVARS Rules and Regulations. A copy of Mercer's actuarial valuation presentation and the Actuarial Valuation Report is filed as Exhibit 499-7.

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499-8 (A-6967). Prior to the meeting, Mercer presented to the Board the annual qualitative risk assessment of the System as required by the actuarial standard of practice (ASOP) #51 to help the Board understand the various current risks that could impact the System. At the meeting, upon the recommendation of the Retirement Committee, the Board voted to accept Mercer's Risk Assessment under ASOP #51. A copy of Mercer's Risk Assessment dated February 2023 is filed as Exhibit 499-8.

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499-9 (A-6968). Prior to the meeting, the Board reviewed with Mercer the actuarial valuation of the Variable Annuity Fund as of September 30, 2022 (Variable Annuity Valuation Report). At the meeting, upon the recommendation of the Retirement Committee, the Board accepted the Variable Annuity Valuation Report performed by Mercer, and its recommendation that the outstanding variable units should be decreased by 5,645. The decrease in number of units will result in a slight increase in the unit value and will be applied beginning with the July 2023 payroll. A copy of the Variable Annuity Valuation Report is filed as Exhibit 499-9.

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499-10 (A-6969). Pursuant to Section 3(4) of the TVARS Rules and Regulations, TVARS performs an actuarial study of the mortality, service, and compensation experience of the TVARS members, retirees, and beneficiaries at least every 5 years. Upon the recommendation of the Retirement Committee, the Board approved a Statement of Work with Mercer to perform an updated experience study for the System covering the period from October 1, 2017, to October 1, 2022. A copy of Mercer's Experience Study Statement of Work is filed as Exhibit 499-10.

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499-11 (A-6970). The Audit Committee report consisted of the following items:

- Prior to the meeting, the TVARS financial reporting staff provided and discussed with the Board the annual financial statement risk assessment performed by the TVARS staff, which analyzes and assesses any risks that the System's financial statements could be misstated due to error or fraud. As a part of this discussion, the Board was also provided an updated annual risk assessment and key control listing for the System and various processes. A copy of the Financial Statement Risk Assessment dated March 2023 and Key Control Listing is filed as Exhibit 499-11(a).
- Prior to the meeting, the TVARS financial reporting staff updated the Board on the status of the System's 2022 fiscal year-end audit being performed by Crowe LLP.
- Prior to the meeting, the TVARS staff discussed with the Board upcoming improvements to the disability retirement application and evaluation process. As a part of these improvements, and due to the complex nature of disability retirement applications, TVARS will be partnering with ForHealth Consulting at UMass Chan Medical School to provide medical expertise for disability retirement evaluations and an improved customer experience for applicants. A copy of the TVARS Disability Retirement Process Improvement, ForHealth Partnership, presentation dated March 3, 2023, is filed as Exhibit 499-11(b).

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499-12 (A-6971). The Election Committee report consisted of the item reported below at A-6972.

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499-13 (A-6972). Prior to the meeting, the Election Committee discussed with TVARS staff the schedule proposed for this year's election and Election America's performance in administering the elections. At the meeting, after noting the contract extension for Election America to continue as the System's election services provider, the Board approved the 2023 TVARS Election Schedule. A copy of the Election Schedule is filed as Exhibit 499-13.

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499-14 (A-6973). 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 fourth quarter of 2022. A copy of the information is filed as Exhibit 499-14(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 December 2022 through February 2023. A copy of the information is filed as Exhibit 499-14(b).
- On March 2, 2023, Wilshire presented to the Investment Committee a quarterly market and fund investment performance review for the quarter ending December 31, 2022. A copy of Wilshire's quarterly review dated December 31, 2022, is filed as Exhibit 499-14(c).
- On March 2, 2023, Wilshire presented to the Investment Committee the risk reporting dashboard for the total investment portfolio through December 2022 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 December 2022 is filed as Exhibit 499-14(d).
- On March 2, 2023, Wilshire provided the Investment Committee an update on the System's Summit Hill Portfolios – the Summit Hill Private Credit Fund and the Summit Hill Private Real Assets Fund – including current portfolio composition and performance. A copy of Wilshire's Summit Hill Portfolio Update dated February 2023 is filed as Exhibit 499-14(e).
- On March 2, 2023, Mercer Investments LLC, the System's defined contribution plan consultant, presented to the Investment Committee the 401(k) Plan quarterly review covering the following: the forward-looking committee calendar through December 2023, 401(k) Plan asset allocation and investment performance and expense ratios of the 401(k) Plan fund line-up as of December 31, 2022, 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

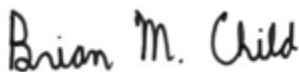
- updates, including information on and key takeaways from the retirement provisions in the recently passed SECURE Act 2.0. Mercer also provided and discussed with the Investment Committee the following: (i) an updated analysis of loan utilization by participants in the 401(k) Plan and its potential impact on retirement income for these participants, and (ii) a detailed demographic analysis of the 401(k) Plan participant population. A copy of Mercer's Q4 2022 DC Quarterly Review dated March 2, 2023, is filed as Exhibit 499-14(f).
- Under Section 3(10) of the TVARS Rules and Regulations, the Investment Committee is required to have one or more independent professionals or financial experts serve as non-voting members of and advisers to the Committee. Currently, Michael Brakebill, the Chief Investment Officer for the Tennessee Consolidated Retirement System, serves in this role on the Committee. On March 2, 2023, as a part of a periodic governance review, the Committee discussed Mr. Brakebill and his role in serving in this position on the Committee.
 - As a part of the 401(k) Plan's investment line-up, the Target Retirement Portfolios and passive investment options are managed by BlackRock. In light of the recent media coverage around BlackRock and actions by several States around investment mandates with BlackRock, on March 2, 2023, the Investment Committee met with Mark McCombe, Vice Chairman, BlackRock, and Aaron Lehn, BlackRock's relationship executive with TVARS, via WebEx to discuss BlackRock's investment philosophy and partnership with TVARS and its other clients as a fiduciary. As a part of the discussion, Mr. McCombe addressed any questions and concerns from Committee members regarding recent events and media coverage.

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The meeting was adjourned at 1:13 p.m., EST.



Executive Secretary



Chair