

Meeting No. 503

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

March 5, 2024

[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 Tuesday, March 5, 2024, at 1:31 p.m., EST, at the TVA Chattanooga Office Complex, MR 1S 202, Chattanooga, 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 (via Teams videoconferencing); and Micheal D. Clement. Director Brian M. Child 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; Michael B. Barnes, Sr. Analyst, Investment & Risk Management; and W. Colby Carter, Managing Counsel.

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503-1 Each director was notified in a memorandum dated February 16, 2024, of the regular quarterly meeting to be held on March 5, 2024. A copy of the notice from the Executive Secretary is filed as Exhibit 503-1.

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503-2 (A-7031). The Chair's report included the following:

- In her first meeting serving as Chair, Director Wallace recognized Director Child for his multiple years of service as Chair of the Board and thanked the Board for their confidence in selecting her to serve in this role.
- The Chair noted for the Board the TVARS communication that was emailed to the 401(k) participants on January 23rd announcing lower fees for the Loomis Sayles Fixed Income Fund and the Fidelity managed account service and providing information on the upcoming lifetime income option for the Target Retirement Portfolios with BlackRock's LifePath Paycheck and how all of these exciting enhancements will continue to help improve retirement outcomes for TVA employees and retirees.

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503-3 (A-7032). The Executive Secretary's report included the following:

- The Executive Secretary reminded the Board that the next quarterly meeting will be in Nashville on June 27-28, will be held at the new TVA offices in the Gulch area downtown, and will include a tour of the residential condominium next to the TVA offices in which TVARS is an investor through one of the private real estate managers.
- The Executive Secretary noted the new meeting schedule approach with the investment committee meeting combined with the other committee and board meetings over a day and a half in response to feedback from Board members desiring to meet in-person and welcomed any additional feedback in order to improve the meeting experience.

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503-4 (A-7033). 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 noted the annual fiduciary and governance training for the TVARS Board and staff that was provided the day before on Monday, March 4th by Lori Wright and David Hesdorffer of Mercer Investments.

A copy of the Legal Update is filed as Exhibit 503-4.

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503-5. As a part of the Consent Agenda, the Board approved the minutes for the meeting reported below in A-7034, and accepted the reports as of December 31, 2023, listed below in A-7035, A-7036, A-7037, and A-7038.

- A-7034 Meeting No. 502 held December 8, 2023
- A-7035 Treasurer's Report (filed as Exhibit 503-5(a))
- A-7036 Investment Performance Report prepared by Wilshire Advisors LLC (Wilshire) (filed as Exhibit 503-5(b))
- A-7037 Report of retirements approved (filed as Exhibit 503-5(c))
- A-7038 Quarterly fund analysis for the TVA Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investments (filed as Exhibit 503-5(d))

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503-6 (A-7039). The Retirement Committee report consisted of items reported below at A-7040, A-7041, A-7042, and A-7043.

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503-7 (A-7040). Prior to the meeting, the Board reviewed with Mercer Human Resources Consulting (Mercer) the Report of Actuary on the Eighty-Fourth Actuarial Valuation of the TVA Retirement System prepared as of September 30, 2023 (2023 Actuarial Valuation Report). At the meeting, upon the recommendation of the Retirement Committee, the Board voted to accept the 2023 Actuarial Valuation Report performed by Mercer. As set forth in the report, Mercer calculated the minimum required contribution to the System for the upcoming fiscal year 2025 to be \$300 million per section 9B4 of the TVARS Rules and Regulations. A copy of Mercer's actuarial valuation presentation and the 2023 Actuarial Valuation Report is filed as Exhibit 503-7.

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503-8 (A-7041). 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 2024 is filed as Exhibit 503-8.

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503-9 (A-7042). Prior to the meeting, the Board reviewed with Mercer the actuarial valuation of the Variable Annuity Fund as of September 30, 2023 (2023 Variable Annuity Valuation Report). At the meeting, upon the recommendation of the Retirement Committee, the Board accepted the 2023 Variable Annuity Valuation Report performed by Mercer, and its recommendation that the outstanding variable units should be increased by 7,578. The increase in the number of units will result in a slight decrease in the unit value and will be applied beginning with the July 2024 payroll. A copy of the 2023 Variable Annuity Valuation Report is filed as Exhibit 503-9.

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503-10 (A-7043). Pursuant to the TVARS Administrative Claims and Appeals Procedures, the Board considered a disability retirement appeal by [redacted], a former TVA employee. As a part of the appeal review, [redacted] submitted additional medical information regarding his disability claim to ForHealth Consulting at UMass Chan Medical School (ForHealth), the System's disability retirement medical reviewer, and provided personal statements regarding his claimed disability for the Board to consider. Given the length of time involved with this disability retirement application as a result of extensions given to accommodate [redacted], and the review by Advanced Medical Reviews (AMR) at the initial

claim level and ForHealth Consulting at the appeals level, the Board and TVARS staff engaged in a lengthy discussion and review of the information provided as a part of the appeal and the eligibility requirements for a disability retirement benefit under the TVARS Rules and Regulations. Following this discussion and review, based on the determinations by AMR and ForHealth following their reviews and evaluations of [redacted] disability retirement application file and records, the Board disapproved [redacted] appeal and disability retirement application by a roll call vote of 5 to 1. Directors Blakely, Brown, Clement, Davis, and Wallace voted to disapprove the disability appeal, and Director Belcher voted to approve the disability appeal. TVARS staff will notify [redacted] of the Board's decision and his eligibility for a normal retirement benefit as determined under the TVARS Rules and Regulations. A copy of the memo from the Executive Secretary and Managing Counsel to the Board dated March 5, 2024, regarding this disability retirement appeal, along with appeal materials, is filed as Exhibit 503-10.

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503-11 (A-7044). The Audit Committee report consisted of the following items:

- Over the last year, 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, prior to the 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. A copy of Mercer's Governance Document Overview presentation dated March 2024, and a copy of the TVARS Governance Documents and Policies Board review draft dated March 5, 2024, are filed as Exhibit 503-11(a).
- 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 2024 and TVARS Risk Assessment and Key Control Listing are filed as Exhibit 503-11(b).

- Prior to the meeting, the TVARS financial reporting staff updated the Board on the status of the System's 2023 fiscal year-end audit being performed by Crowe LLP.

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503-12 (A-7045). The Election Committee report consisted of the item reported below at A-7046.

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503-13 (A-7046). Prior to the meeting, the Election Committee discussed with TVARS staff the schedule proposed for this year's election. At the meeting, upon the recommendation of the Election Committee, the Board approved the 2024 TVARS Election Schedule. A copy of the Election Schedule is filed as Exhibit 503-13.

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503-14 (A-7047). The Investment Committee report consisted of the following items:

- The Board was provided and took note of information regarding asset allocation transfers and rebalancing during the fourth quarter of 2023. A copy of the information is filed as Exhibit 503-14(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 2023 through February 2024. A copy of the information is filed as Exhibit 503-14(b).
- On March 4, 2024, Wilshire presented to the Investment Committee a quarterly market and fund investment performance review for the quarter ending December 31, 2023. A copy of Wilshire's quarterly review dated December 31, 2023, is filed as Exhibit 503-14(c).
- On March 4, 2024, Wilshire presented to the Investment Committee the risk reporting dashboard for the total investment portfolio through December 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 December 2023 is filed as Exhibit 503-14(d).

- On March 4, 2024, Wilshire presented to the Investment Committee a review of its manager research and selection criteria process and investment allocation and structure analyses that it provides TVARS as a part of its investment consulting services. A copy of Wilshire's Manager Selection Criteria presentation dated March 4, 2024, is filed as Exhibit 503-14(e).
- On March 4, 2024, J.P. Morgan Investment Management presented to the Investment Committee a review of the System's investment in the J.P. Morgan Global Transport and Income Fund. A copy of J.P. Morgan's presentation is filed as Exhibit 503-14(f).
- On March 4, 2023, Mercer Investments presented to the Investment Committee the 401(k) Plan quarterly review covering the following: the forward-looking committee calendar through December 2024; 401(k) Plan asset allocation as of December 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 December 31, 2023; lowest cost vehicle/share class analysis for each fund in the 401(k) Plan line-up; 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 an update on SECURE Act 2.0 retirement provisions and agency guidance. Mercer also provided and discussed with the Investment Committee the following: (i) an update on the implementation of the BlackRock LifePath Paycheck funds for the 401(k) Plan scheduled for June 21, 2024, and (ii) an update on the recent approval by the Securities and Exchange Commission of several spot bitcoin exchange traded products and Mercer's opinion on the suitability of these types of investments for 401(k) plans. A copy of Mercer's Q4 2023 DC Quarterly Review dated March 4, 2023, is filed as Exhibit 503-14(g).

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The meeting was adjourned at 1:50 p.m., EST.



Executive Secretary



Chair