

Meeting No. 505

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

September 20, 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 Friday, September 20, 2024, at 10:35 a.m., EDT, 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; Brian M. Child; and Micheal D. Clement. Also present were Mark N. Meigs, Executive Secretary; Sally R. Weber, Manager, Retirement Operations; Brent B. Roberts, Manager, Financial Reporting; Veenita Bisaria, Manager, Investment & Risk Management (via Teams videoconferencing); Michael B. Barnes, Sr. Analyst, Investment & Risk Management; and W. Colby Carter, Managing Counsel.

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505-1 Each director was notified in a memorandum dated September 5, 2024, of the regular quarterly meeting to be held on September 20, 2024. A copy of the notice from the Executive Secretary is filed as Exhibit 505-1.

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505-2 (A-7063). The Chair's report included the following:

- The Chair recognized Brian Child for his service and contributions for 11 years as a Director on the Board.
- The Chair thanked all the Directors for good meetings and discussions the last two days, specifically for the time spent with Mercer discussing all the assumptions Mercer will use for the System's upcoming annual valuation.

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505-3 (A-7064). The Executive Secretary's report included the following:

- The Executive Secretary also recognized Director Child for his long service on the Board, including his years serving as Chair of the Board, and shared some of the highlights for TVARS during his tenure. Following this recognition, Director Child shared his thoughts with the Board on his time serving as a Director of the TVARS Board.
- The December Board meeting is scheduled for Tuesday, December 10th in Knoxville, with the Investment Committee meeting scheduled for Monday, December 9th.

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505-4 (A-7065). For the Legal Update, Managing Counsel informed the Board that the TVA Board at its August 22, 2024, meeting approved a \$300 million contribution to TVARS for FY 2025. A copy of the Legal Update is filed as Exhibit 505-4.

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505-5. As a part of the Consent Agenda, the Board approved the minutes for the meeting reported below in A-7066, and accepted the reports as of June 30, 2024, listed below in A-7067, A-7068, A-7069, and A-7070.

- A-7066 Meeting No. 504 held June 28, 2024
- A-7067 Treasurer's Report (filed as Exhibit 505-5(a))
- A-7068 Investment Performance Report prepared by Wilshire Advisors LLC (Wilshire) (filed as Exhibit 505-5(b))
- A-7069 Report of retirements approved (filed as Exhibit 505-5(c))

- A-7070 Quarterly review for the TVA Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investments Institutional Services Company (Fidelity) (filed as Exhibit 505-5(d))

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505-6 (A-7071). For the Audit Committee, prior to the meeting, the TVARS financial reporting staff updated the Board on the status of the current Service Organization Control (SOC1) audit being performed by Crowe LLP.

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505-7 (A-7072). The Retirement Committee report consisted of the items reported below at A-7073 and A-7074, and of the following item:

- On September 19, 2024, Mercer Investments LLC, the System's defined contribution plan consultant, reviewed with the Retirement Committee several optional 401(k) withdrawal provisions available under the SECURE Act 2.0 compared with the current loan, hardship withdrawal, and in-service withdrawal provisions for 401(k) participants along with the availability for Fidelity as the provider of recordkeeping services to implement. A copy of this SECURE 2.0 update information is filed as Exhibit 505-7.

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505-8 (A-7073). Prior to the meeting, the Board discussed the System's actuarial valuation assumptions with Mercer Human Resource Consulting, the TVARS actuary, which included the assumed rate of return on investments of the System's assets and the assumed rate of inflation. After discussion, upon the recommendation of the Retirement Committee and Mercer, the Board voted to approve the actuarial assumptions to be used in the valuation of the System's liability valuation and minimum contribution calculation as of September 30, 2024, set forth in Mercer's presentation. The actuarial assumptions approved by the Board include the following: (a) maintaining the assumed rate of return on investments of the System's assets at 6.5% based on the System's asset allocation policy and Mercer's updated capital market

assumptions; (b) assumed rate of inflation of 2.25%; (c) for the base mortality table, the same adjusted “benefits-weighted” top-quartile Pri-2012 mortality tables based on the System’s experience; and (d) for the mortality improvement scale, the updated MSS-2024 scale developed by Mercer based on Social Security data and Mercer research. A copy of Mercer’s actuarial assumptions review presentation dated September 20, 2024, is filed as Exhibit 505-8.

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505-9 (A-7074). 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, the System’s disability retirement medical reviewer. Based on the determination by ForHealth that [redacted] met the eligibility criteria required for a disability retirement following its review and evaluation of [redacted]’s disability retirement application file and records, including the performance of a 12-month projected Residual Functional Capacity evaluation, upon the recommendation of the Retirement Committee, the Board approved [redacted]’s appeal and disability retirement application. A copy of the memo from the Executive Secretary and Managing Counsel to the Board dated September 20, 2024, regarding this disability retirement appeal is filed as Exhibit 505-9.

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505-10 (A-7075). The Election Committee report consisted of the item reported below at A-7076 and of the following items:

- Michael Blakely notified the Board that he will be resigning from his position as a Director effective at the end of the meeting. Following this notice, Director Blakely shared comments about his service on the Board and Director Wallace as Chair shared thanks and appreciation for Director Blakely’s time and work as a Board member.

- Pursuant to the requirements regarding Director vacancies in the TVARS Rules and Regulations, the Board asked the TVARS staff to put together a special election schedule for the Board's consideration by notational vote.

505-11 (A-7076). The Election Committee presented the results of the election between Michael Belcher and Nelly Richardson, Jr. that ended September 19, 2024. Michael Belcher received 83% of the votes to win election to the TVARS Board for a three-year term from November 1, 2024, through October 31, 2027. Overall voter participation was 17.4% with 93% of the votes cast online. Upon the recommendation of the Election Committee, the Board approved the election results. A copy of the certified election results and statistics from Election-America is filed as Exhibit 505-10.

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505-12 (A-7077). The Investment Committee report consisted of the item reported below at A-7078 and of the following items:

- On September 19, 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; market commentary; economic/market activity; pension plan asset allocation as of June 30, 2024, compared to policy allocation; investment performance by asset class and by individual managers, absolute and compared to benchmarks, as of June 30, 2024; and investment performance attribution analysis. As a part of the investment review, Wilshire and the Investment Committee discussed the current management team issues of Western Asset Management Company (WAMCO), one of the System's managers, and the performance of the two fixed income portfolios managed by WAMCO, and the strategy of these two portfolios within the total TVARS portfolio asset allocation policy. A copy of Wilshire's Executive Summary of Investment Performance as of June 30, 2024, is filed as Exhibit 505-12(a).
- The Investment Committee was provided and took note of information regarding asset allocation transfers and rebalancing during the second quarter of 2024. A copy of the information is filed as Exhibit 505-12(b).
- 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 June 2024 through September 2024. A copy of the information is filed as Exhibit 505-12(c).

- On September 19, 2024, Wilshire presented to the Investment Committee the risk reporting dashboard for the total investment portfolio through June 30, 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 June 2024 is filed as Exhibit 505-12(d).
- On September 19, 2024, HarbourVest Partners reviewed with the Investment Committee the following: (i) the overall strategic plan and tactical plans for the Summit Hill private equity program, (ii) investment highlights within the Summit Hill private equity program, (iii) strategy and investment updates for the 2021 and 2022 HarbourVest Global Funds, (iv) information on the infrastructure market and investment opportunities and an update on the TVARS infrastructure portfolio; and (v) a cash flow scenario from annual distributions and capital calls based on TVARS' current commitments to the total program with HarbourVest. For 2025, TVARS will not make new commitments to these programs managed by HarbourVest, because the current allocation percentages are above the target policy percentages for the TVARS investment portfolio. A copy of the HarbourVest presentation dated September 2024 is filed as Exhibit 505-12(e).
- On September 19, 2024, Wilshire presented information to the Investment Committee on the Summit Hill private credit and real assets funds, including performance, the strategic and tactical plans, portfolio compositions, pacing of the commitments, and investment highlights. For 2025, TVARS will not make new commitments to the Summit Hill Credit Fund and Summit Hill Real Assets Fund, because the current allocation percentages are above the target policy percentages for the TVARS investment portfolio. A copy of the Wilshire Summit Hill Portfolio Update dated September 2024 is filed as Exhibit 505-12(f).
- On September 19, 2023, Mercer Investments provided to the Investment Committee the 401(k) Plan quarterly review covering the following: the forward-looking committee calendar through June 2025; 401(k) Plan asset allocation as of June 30, 2024; investment performance and expense ratios of the 401(k) Plan fund line-up, absolute and compared to benchmarks and peer funds, as of June 30, 2024; an update on the new BlackRock Paycheck funds on the Fidelity platform; an update on a series of changes to BlackRock's inflation hedging investments and strategy within the Target Retirement Portfolios; 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 litigation involving the use of 401(k) forfeitures and SECURE Act 2.0 retirement provisions and agency guidance. A copy of Mercer's Q2 2024 DC Quarterly Review dated September 19, 2024, is filed as Exhibit 505-12(g).

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505-13 (A-7078). At the June 2024 meeting, the Investment Committee discussed with Mercer Investments 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 (see Minute Entry 504-12). On September 19, 2024, Mercer Investments provided to the Investment Committee the results of a manager search for an income-focused fixed income fund for the 401(k) Plan. The goal of the manager search is to broaden retirement income support through a complimentary, diversifying fixed income investment option. The search compared five potential managers/funds based on firm evaluation, fund strategy relative to goal and other funds in the lineup, fund performance, and expense ratio and fund vehicle. After review and discussion, upon the recommendation of the Investment Committee and TVARS staff, and with the support of Mercer Investments, the Board approved the addition of the PIMCO Income Fund to the 401(k) Plan investment lineup. A copy of Mercer Investments' Income-Focused Fixed Income Investment Manager Search for the 401(k) Plan dated September 19, 2024, is filed as Exhibit 505-13.

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The meeting was adjourned at 10:52 a.m., EDT.



Executive Secretary



Chair