

Meeting No. 494

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

March 9, 2022

[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 (System) was held virtually on Wednesday, March 9, 2022, at 2:08 p.m., EST, via WebEx videoconferencing.

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The following directors were present: Brian M. Child, Chair; Samuel J. DeLay, Vice-Chair; Michael L. Belcher; Marilyn G. Brown; Eric J. Davis; James W. Hovious; and Tina R. Wallace. 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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494-1 Each director was notified in a memorandum dated February 22, 2022, of the regular quarterly meeting to be held on March 9, 2022. A copy of the notice from the Executive Secretary is filed as Exhibit 494-1.

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494-2 (A-6876). For the Chair's report, the Chair shared that the Board and TVARS staff will explore the option of resuming in-person meetings later this year and continued to thank the Board and staff for continuing to work remotely to support the System.

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494-3 (A-6877). 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 2022 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 recognized three TVARS staff members who were recently honored with TVA service awards – Lisa Price and Sally Weber with 35 years of service and Veenita Bisaria with 25 years of service.
- The Executive Secretary reminded the Board about the next quarterly board meetings, with the Investment Committee scheduled for Friday, June 10, and the remaining committee meetings and the Board meeting scheduled for Monday, June 13.
- In the report, the Executive Secretary informed the Board that the TVARS staff is reviewing global sanctions against Russia, working with the TVARS investment managers and trustee, BNY Mellon, to determine their impact on TVARS investments, and will comply with all applicable sanctions and government orders.

A copy of the Executive Secretary's report is filed as Exhibit 494-3.

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494-4 (A-6878). 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 informed the Board of the annual fiduciary and governance training session coming up on March 25 via WebEx that will be provided by Lori Wright and David Hesdorffer of Mercer Investments LLC, the System's defined contribution plan consultant.

A copy of the Legal Update is filed as Exhibit 494-4.

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494-5 (A-6879). The Board noted its previous notational approval on January 31, 2022, of the Minutes for Meeting No. 493 held December 7, 2021. Following notational approval, the approved minutes were posted on the TVARS website.

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494-6. As a part of the Consent Agenda, the Board accepted the reports as of December 31, 2021, listed below in A-6880, A-6881, A-6882, and A-6883.

- A-6880 Treasurer's Report (filed as Exhibit 494-6(a))
- A-6881 Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) (filed as Exhibit 494-6(b))
- A-6882 Report of retirements approved (filed as Exhibit 494-6(c))
- A-6883 Quarterly review for the TVA Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investments Institutional Services Company (Fidelity) (filed as Exhibit 494-6(d))

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494-7 (A-6884). The Retirement Committee report consisted of items reported below at A-6885, A-6886, A-6887, A-6888, and A-6889, and of the following item:

- Prior to the meeting, Director Belcher presented to the Board for discussion the following proposed amendments to the TVARS Rules and Regulations that would reinstitute certain benefits changes made in October 2016:
 - Proposed Rule Change #1: eliminate the 0.25% reduction in the calculation formula for the cost-of-living adjustment (COLA)

- Proposed Rule Change #2: add language to allow the Board to recommend a COLA higher than the 6% maximum with TVA approval for years where the CPI-U formula calculation exceeds 6%
- Proposed Rule Change #3: for members who were under age 50 on October 1, 2016, eligibility for COLAs as a retiree will begin at age 60
- Proposed Rule Change #4: all cash balance accounts will receive the same interest crediting rate – the percent increase of the 12-month average of the CPI-U for the period ending the previous October 31 over the preceding 12-month period, plus 3%; provided, however, that the annual interest rate shall not be less than 6% nor exceed 10% except that the Board may, with the approve of TVA, apply an annual interest rate greater than 10% for any year
- Proposed Rule Change #5: all TVARS members are eligible to contribute to the Fixed and Variable Funds; however, members hired after 1995 are not eligible to receive their amounts in these Funds as an annuity and must cash out or rollover the money to another eligible retirement plan or account

As a part of the discussion, Director Belcher provided the Board with information he put together for each proposal. Following discussion, at the request of certain Directors, no action was taken on the proposals and the TVARS staff was asked to schedule an additional meeting for the Board to provide background and information on the benefit changes that were implemented in October 2016. A copy of the proposals and information provided to the Board by Director Belcher is filed as Exhibit 494-7.

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494-8 (A-6885). Prior to the meeting, the Board reviewed with Mercer Human Resources Consulting (Mercer) the Report of Actuary on the Eighty-Second Actuarial Valuation of the TVA Retirement System prepared as of September 30, 2021 (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 2023 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 494-8.

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494-9 (A-6886). 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 in order to help the Board better 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 2022 is filed as Exhibit 494-9.

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494-10 (A-6887). Prior to the meeting, the Board reviewed with Mercer the actuarial valuation of the Variable Annuity Fund as of September 30, 2021 (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 206,811. The decrease in number of units will result in an increase in the unit value and will be applied beginning with the July 2022 payroll. A copy of the Variable Annuity Valuation Report is filed as Exhibit 494-10.

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494-11 (A-6888). Pursuant to the System's 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 System staff with additional medical information regarding his disability claim, which was resubmitted to the System's medical review board. Following a discussion of the results of the medical review board, upon the recommendation of the Retirement Committee, the Board voted to disapprove [redacted]

appeal and disability application. A copy of the memo from the Executive Secretary to the Board regarding this disability retirement appeal is filed as Exhibit 494-11.

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494-12 (A-6889). Prior to the meeting, the TVARS staff presented to the Board for discussion proposed amendments to the TVARS Rules and Regulations regarding the payout of death benefits to survivors in default deferred retirement situations and with supplemental benefits consistent with how similar death benefits are provided in other parts of the TVARS Rules. After discussion, the Board took no action and requested additional information from Mercer, the System's actuary, on the proposed amendments. A copy of the proposed amendments and a memo from the Executive Secretary to the Board regarding the amendments is filed as Exhibit 494-12.

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494-13 (A-6890). The Audit Committee report consisted of the item reported below at A-6891, and 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 and requested by Crowe LLP, the System's external auditor, which analyzed and assessed 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 2022 and Key Control Listing is filed as Exhibit 494-13.
- Prior to the meeting, the TVARS financial reporting staff updated the Board on the status of the System's 2021 fiscal year-end audit being performed by Crowe LLP.

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494-14 (A-6891). The Board voted to adopt the following resolutions to affirm officer appointments, to authorize the officers to conduct certain business and transactions required in the operation and administration of the Defined Benefit Plan, Fixed Benefit Fund, Variable Fund, and the 401(k) Plan, and to authorize the officers to approve financial transfers and sign checks on behalf of the System:

Operation and Administration of the TVA Retirement System (TVARS) Defined Benefit Plan, Fixed Benefit Fund, and Variable Fund:

WHEREAS the operation and administration of the TVARS Defined Benefit Plan, Fixed Benefit Fund, and Variable Fund require the approval and execution of various forms and documents on behalf of TVARS and the TVARS Board of Directors (Board);

BE IT RESOLVED, that the Board hereby affirms the appointment of each of the below named TVARS officers and authorizes each of them to approve, sign, attest, or authenticate on behalf of TVARS and the Board any form or document required in the operation and administration of the TVARS Defined Benefit Plan, Fixed Benefit Fund, and Variable Fund. Such authority will include, but not be limited to, the following: (1) transfer of monies between TVARS and The Bank of New York Mellon, as master trustee of the System, (2) transfer of monies between and among TVARS and its investment managers and service providers, and (3) approval of transfer to and from the Fixed and Variable Funds.

Mark N. Meigs, Executive Secretary
William B. Jenkins, Jr., Assistant Secretary
Sally R. Weber, Treasurer
W. Colby Carter, Legal Counsel & Assistant Treasurer
Courtney L. Hammontree, Assistant Treasurer
Angela D. Shepherd, Assistant Treasurer
Katherine L. Tucker, Assistant Treasurer
T. Justin Vineyard, Assistant Treasurer

RESOLVED further, that this resolution will be effective March 9, 2022, and will supersede and rescind any previous resolutions adopted by the Board to the extent inconsistent with this resolution.

Operation and Administration of the TVA Savings and Deferral Retirement Plan (401(k) Plan):

WHEREAS the operation and administration of the 401(k) Plan require the approval and execution of various forms and documents on behalf of TVARS and the Board;

BE IT RESOLVED, that the Board hereby affirms the appointment of each of the below named TVARS officers and authorizes each of them to approve, sign, attest, or

authenticate on behalf of TVARS and the Board any form or document required in the operation and administration of the 401(k) Plan. Such authority will include, but not be limited to, the following: (1) letters, documents, and agreements as required for the investment of the funds of the 401(k) Plan in the Plan's eligible investment funds, (2) orders for the purchase, sale, transfer, assignment, investment in, or withdrawal from such Plan or funds, and (3) instructions, requests, approvals, and agreements with the trustee and provider of recordkeeping services of the 401(k) Plan related to the administration of the Plan.

Mark N. Meigs, Executive Secretary
William B. Jenkins, Jr., Assistant Secretary
Sally R. Weber, Treasurer
W. Colby Carter, Legal Counsel & Assistant Treasurer
Courtney L. Hammontree, Assistant Treasurer
Angela D. Shepherd, Assistant Treasurer
Katherine L. Tucker, Assistant Treasurer
T. Justin Vineyard, Assistant Treasurer

RESOLVED further, that this resolution will be effective March 9, 2022, and will supersede and rescind any previous resolutions adopted by the Board to the extent inconsistent with this resolution.

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494-15 (A-6892). The Election Committee report consisted of the item reported below at A-6893.

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494-16 (A-6893). Prior to the meeting, the Election Committee discussed with TVARS staff the schedule proposed for this year's election. At the meeting, after recognizing that Election America will continue as the System's election services provider, the Board noted the 2022 TVARS Election Schedule. A copy of the Election Schedule is filed as Exhibit 494-16.

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494-17 (A-6894). The Investment Committee report consisted of the item reported below at A-6895, and 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 2021. A copy of the information is filed as Exhibit 494-17(a).
- The Board was provided and took note of information on due diligence meetings and conference calls between System staff and investment managers and service providers for the period November 2021 through February 2022. A copy of the information is filed as Exhibit 494-17(b).
- On March 8, 2022, Wilshire Associates (Wilshire) and TVARS investment staff updated the Investment Committee on the continuing implementation of the new asset allocation and de-risking strategy since approved by the Board at the June meeting along with Wilshire's market update and performance estimate through February 25, 2022. A copy of Wilshire's asset allocation and de-risking update dated March 2022 is filed as Exhibit 494-17(c).
- On March 8, 2022, Wilshire presented to and discussed with the Investment Committee the risk reporting dashboard for the total investment portfolio through December 2021. A copy of Wilshire's risk reporting dashboard snapshot and total fund risk contributions report dated December 2021 is filed as Exhibit 494-17(d).
- Under the System's asset allocation policy, there is a 7.5% target for defensive equity strategies – public equity strategies that are expected to provide downside protection versus the broad equity market during drawdown periods. Wilshire and the TVARS investment staff previously reviewed with the Investment Committee an investment structure analysis for the defensive equity portfolio with global low volatility equity strategies to represent 60-70% of the investment structure and the remaining 30-40% to high-conviction, complementary, defensive-oriented equity strategies (see Minute Entry 493-16). On March 8, 2022, as a part of the build out of the System's defensive equity allocation, Wilshire prepared an initial investment manager search analysis for yield-oriented, dividend growth strategies with potential managers in both large and small cap strategies as well as U.S. and global-oriented strategies. A copy of the Wilshire's Defensive Equity dividend growth investment manager search analysis is filed as Exhibit 494-17(e).
- On March 8, 2022, 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 is filed as Exhibit 494-17(f).
- On March 8, 2022, Mercer Investments LLC, the System's defined contribution plan consultant, provided to the Investment Committee and TVARS staff the 401(k) Plan quarterly review covering the following: the forward-looking committee calendar through December 2022, 401(k) Plan asset allocation and investment performance and expense ratios of the 401(k) Plan fund line-up as of December 31, 2021, and a

governance review that included current 401(k) Plan statistics, Fidelity annual fees as the provider of recordkeeping and trustee services, litigation and enforcement updates, regulatory and legislative updates, and trending topics. Mercer also provided the Investment Committee an update on meetings with Fidelity and BlackRock regarding the implementation of the BlackRock LifePath Paycheck funds for the 401(k) Plan. A copy of Mercer's Q4 2021 DC Quarterly Review dated March 8, 2022, is filed as Exhibit 494-17(g).

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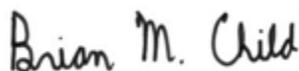
494-18 (A-6895). Under the System's asset allocation policy, there is a 10% target for alternative yield strategies. On March 8, 2022, Wilshire and TVARS staff discussed with the Investment Committee the proposal to develop the alternative yield portfolio in a separate account structure managed by Wilshire with diversified investments in sector-specific credit, asset-based finance, specialty finance, and risk transfer strategies. At the Board meeting, upon the recommendation of the Investment Committee, the Board approved the selection of Wilshire as the discretionary advisor and manager of the System's alternative yield portfolio in a separately managed account structure similar to the Summit Hill Portfolios currently managed by Wilshire for private credit and private real assets. A copy of Wilshire's Alternative Yield Portfolio separately managed account solution presentation dated March 2022 is filed as Exhibit 494-18.

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The meeting was adjourned at 2:25 p.m., EST.



Executive Secretary



Chair