

# **TVARS Board of Directors**

## **Governance Documents and Policies**

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## Section 1

# Governance

# Board Governance

In 1939, the Tennessee Valley Authority (TVA) established the Tennessee Valley Authority Retirement System (TVARS) and approved the TVARS Rules and Regulations (Rules), which constitute the legal charter under which TVARS operates. TVARS is a separate legal entity from TVA governed by its own Board of Directors (the TVARS Board). Federal courts have held TVARS to be a Federal agency and the Rules to have the force and effect of Federal law. The Rules grant the TVARS Board with sole and exclusive authority and control over the management and administration of TVARS, in accordance with the Rules. To further the structure and governance of TVARS, the governing documents are, first, the Rules and 401(k) Plan Provisions, followed successively by the TVARS By-Laws, the Charters, and the Policies.

## Governing Documents

[TVARS Rules and Regulations](#)

[TVA Savings & Deferral Retirement Plan Provisions](#)

By-Laws - Appendix A

Charters, Investment Policy Statements, Policies

- Charters
  - Common Charter Provisions
  - Audit Committee Charter
  - Election Committee Charter
  - Investment Committee Charter
  - Retirement Committee Charter
- Investment Policy Statements –
  - [TVARS Investment Policy Statement](#)
  - [401\(k\) Plan Investment Policy Statement](#)
- Policies –
  - Common Policy Provisions
  - Governance Policy
  - Ethics and Code of Conduct Policy
  - Confidentiality Policy
  - Director Election/Selection Policy
  - Succession Planning Policy
  - Service Provider Evaluation and Interaction Policy

# Charter Provisions

## Common Provisions

The common provisions for each standing Committee of the Board are summarized below.

### **Purpose**

Specific to each Committee and defined in each Committee's Charter

### **Authority**

Specific to each Committee and defined in each Committee's Charter

### **Responsibilities**

Specific to each Committee and defined in each Committee's Charter

### **Committee Composition**

Each Committee will consist of at least three (3) Directors of the Board, at least one (1) of whom must be elected to the Board and one (1) of whom must be appointed to the Board. Members and the Chair of each Committee will be appointed by the Board Chair at the December quarterly meeting of the Board. Any standing or special Committee may include non-Directors of the Board who the Board Chair and Board agree would be beneficial and prudent for that Committee's purpose. Specific Committee provisions include:

- Election Committee – No elected TVARS Board member whose position is up for an election year and who wishes to seek re-election may serve on the Election Committee during that election year.
- Investment Committee – The Board will select, as non-voting members of and advisers to the Investment Committee, one (1) or more independent investment professionals or financial experts.

### **Terms of Service**

Members of each Committee serve one-year terms, and will serve from the time they are designated until their successors have been designated, or until they cease to be eligible for service on their assigned Committee(s).

### **Committee Meetings**

Each Committee is expected to meet at least four (4) times per year. Meetings will be scheduled near the time of or in conjunction with regularly scheduled Board meetings. The Committee Chair or two (2) Committee members of each Committee may call a special meeting. TVARS staff will assist in providing proper notice of meetings.

### **Staffing**

Each Committee will receive TVARS staff support to assist the Committee and support the Committee's activities by scheduling meetings, preparing meeting materials, drafting minutes or Committee reports, performing research and rendering other types of assistance as reasonably requested by the Committee.

## Reporting Requirements

Each Committee, through its Committee Chair or TVARS staff, will report to the Board on a quarterly basis, or more frequently as the fulfillment of its responsibilities requires. Each Committee may report as necessary to other key stakeholders.

## Charter Review

Each Committee and the Board will review each specific Charter every three (3) to five (5) years, or as needed, to ensure it remains relevant and appropriate. Each Committee will recommend any changes to its Charter to the Board for review and approval. The Board may amend or terminate any Charter at any time.

## Defined Terms

Terms contained within the Charter for each standing Committee of the Board are defined below.

**Board** – the Board of Directors of the Tennessee Valley Authority Retirement System, as constituted by the Rules and Regulations

**By-Laws** – Tennessee Valley Authority Retirement System By-Laws

**401(k) Plan** – The TVA Savings and Deferral Retirement Plan, established February 14, 1986

**Rules and Regulations** – Rules and Regulations of the TVA Retirement System, established November 1, 1939

**System or TVARS** – the Tennessee Valley Authority Retirement System

**TVA** – the Tennessee Valley Authority

## Charter Review History

	Audit Committee	Election Committee	Investment Committee	Retirement Committee
<b>Originally adopted</b>	June 15, 2017	June 15, 2017	June 15, 2017	June 15, 2017
<b>Prior Amendment</b>	March 12, 2021	March 12, 2021	March 12, 2021	June 28, 2024
<b>Last Reviewed</b>	March 5, 2024	March 5, 2024	March 5, 2024	March 6, 2025
<b>Last Amendment</b>	June 28, 2024	June 28, 2024	June 28, 2024	March 6, 2025

# Audit Committee Charter

## Purpose

The Audit Committee is a standing committee created by the TVARS By-Laws. The Audit Committee's function is to assist the TVARS Board in fulfilling its fiduciary responsibilities as they relate to accounting policies and reporting practices, the system of internal controls, the effectiveness of standards of ethical business conduct, and the sufficiency of the auditing process.

## Authority

The Audit Committee is empowered to:

- Recommend independent accountants, auditors, or other advisors to the Board for final approval to perform audits and reviews and advise the Audit Committee regarding its oversight responsibilities;
- Resolve any issues between management and the external auditor or third party consultant regarding financial reporting;
- Seek any information it requires from TVARS staff or external parties;
- Meet with external accountants, auditors, and advisors and consultants as necessary.

## Responsibilities

The Audit Committee's responsibilities include, but are not limited to, the following:

### 1. Internal Control Oversight

The Audit Committee will oversee the TVARS internal control function, including reviewing the adequacy and effectiveness of internal controls, including financial, operational, and information technology security and controls. The Audit Committee will also oversee the hiring and scope of any necessary third party services related to internal controls and the review of any reports issued.

### 2. Annual Audit, Annual Financial Report, and Independent Audit Oversight

The Audit Committee will oversee the System's annual audit and annual financial report, including the independent audit function. The Audit Committee will provide a recommendation on the appointment of independent auditors, and review the proposed fee arrangement with the independent auditors. The Audit Committee will also review the independent auditor's proposed audit scope and approach, along with the performance of the independent auditors. The Audit Committee will conduct a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors. This review will include meeting with the independent auditor after the field work is complete and before formal reports are issued.



### **3. Ethics, Legal, Regulatory, and Other Oversight**

The Audit Committee will review the management's monitoring of compliance with TVA codes of conduct by TVARS employees who conduct business of the System, and review conduct issues related to all members of the Board with respect to their System duties. The Audit Committee will discuss any legal matters that could have a significant impact on the System's financial statements with legal counsel. The Audit Committee will also oversee the findings of any examinations by regulatory agencies, such as the Internal Revenue Service. The Audit Committee will perform other oversight functions as requested by the Board.

### **4. Other Responsibilities**

The Audit Committee will recommend any special investigations to the full Board that it deems necessary and, if appropriate, recommend special counsel or experts to assist. The Audit Committee will also provide a line of communication between management and the independent auditors.

# Election Committee Charter

## Purpose

The Election Committee is a standing committee created by the TVARS By-Laws. The Election Committee is empowered to:

- Perform those actions necessary to fulfill the TVARS Board Director election and selection responsibilities in a manner consistent with the Rules and Regulations, By-Laws, and the Director Election/Selection Policy;
- Appoint an advisory committee to assist in identifying candidates for the seventh Director position;
- Seek any information it requires from TVARS staff or external parties; and,
- Oversee the independent third-party election contractor conducting the elections of the three (3) elected Directors.

## Responsibilities

The Election Committee's responsibilities include, but are not limited to, the following:

1. Direct the Annual Election

The Election Committee will direct and oversee the annual election of a Board member from System membership, which election process will be conducted by the Executive Secretary.

2. Direct the Election for Vacancies with Unexpired Terms

The Election Committee will direct and oversee the election of Board members to fill vacancies with unexpired terms, which election process will be conducted by the Executive Secretary.

3. Direct the Selection of the Board's Seventh Director

The Election Committee will direct and oversee the selection of the Board's seventh Director, which selection process will be conducted by the Executive Secretary.

# Investment Committee Charter

## Purpose

The Rules and Regulations governing TVARS confer investment decision-making responsibilities on the TVARS Board, with certain notice and prior approval rights of TVA as set forth in the Rules and Regulations. The Investment Committee is a standing committee created by the TVARS By-Laws. The Investment Committee's function is to monitor the status of the investment program of TVARS and the 401(k) Plan, report to the Board regarding that status, provide advice and counsel to the Board regarding the investment programs, and be point of contact between the Board and the various investment managers and investment consultants.

## Authority

The Investment Committee is empowered to:

- Utilize outside consultants and advisors to assist the Investment Committee with investment matters;
- Seek information from or meet with investment managers, consultants, the master trustee, TVARS staff, and legal counsel as the Investment Committee deems necessary to fulfill its purpose and responsibilities; and,
- Review background data, historical information, consultants' reports, and any other documents it deems reasonably necessary to form an opinion on the capabilities of the investment managers, consultants, and master trustee.

## Responsibilities

The Investment Committee's responsibilities include, but are not limited to, the following:

### 1. **Statement of Investment Policy**

The Investment Committee will periodically review the Statements of Investment Policy for TVARS and the 401(k) Plan and propose amendments to them as necessary.

### 2. **Asset Allocation**

The Investment Committee will review the asset allocation at least annually and propose changes as deemed appropriate. The emphasis of the asset allocation review will be asset class targets, diversification, risk control, and investment performance. The TVARS staff, in partnership with external consultants, will provide consultation and assistance to the Investment Committee and the Board concerning allocation changes or rebalancing, as needed.

### 3. **Investment Managers, Consultants and TVARS Master Trustee**

The Investment Committee will monitor and review the selection process used for each investment manager, as well as for the Board's investment consultant and master trustee, in accordance with the TVARS Investment Policy Statement, the 401(k) Plan Investment Policy Statement and the Service Provider Evaluation and Interaction Policy. The Investment Committee will monitor the performance of the Board's investment

managers, consultants and master trustee, including their compliance with applicable policies, guidelines, and contractual requirements, and report to the Board as set forth in the TVARS Investment Policy Statement, the 401(k) Plan Investment Policy Statement and the Service Provider Evaluation and Interaction Policy. The Investment Committee will advise the Board if the Investment Committee recommends any change to the status of an investment manager, consultant, or master trustee.

**4. Investment Performance**

The Investment Committee will monitor the investment performance of the TVARS portfolio and 401(k) Plan and report that performance to the Board on a quarterly basis.

**5. Benchmarks**

The Investment Committee will review and monitor the appropriateness of the policy-level and manager-level benchmarks for the TVARS portfolio and 401(k) Plan and propose changes as deemed appropriate.

**6. Fees**

The Investment Committee will review and monitor the appropriateness of fees charged by investment managers and consultants.

**7. Other Duties**

The Investment Committee will perform other duties as may be delegated by the Board.

## **Fiduciary Standards**

The members of the Investment Committee acknowledge they are acting as fiduciaries with respect to the responsibilities under this Charter and will use appropriate fiduciary standards of loyalty, care, skill, prudence, and diligence in its actions. The standards will be equivalent to the current best practices of other institutional investors of qualified retirement plan assets.

# Retirement Committee Charter

## Purpose

The Retirement Committee is a standing committee created by the TVARS By-Laws. The Retirement Committee's function is to assist the TVARS Board in fulfilling its fiduciary responsibilities as they relate to applications for retirement, the Board's responsibilities in administering and interpreting the provisions of the Rules and Regulations, the Board's retirement policies, including, for the defined benefit plan, the review and approval of actuarial assumptions, and the administration of the 401(k) Plan.

## Authority

The Retirement Committee is empowered to:

- Seek information from or meet with TVARS staff, service providers, or external parties as the Retirement Committee deems necessary to fulfill its purpose and responsibilities; and
- Utilize the System's actuary to resolve questions or provide information that is consistent with the Retirement Committee's responsibilities.

## Responsibilities

The Retirement Committee's responsibilities include, but are not limited to, the following:

### 1. Retirement Applications

The Executive Secretary has been delegated the authority to approve retirement applications of members who are eligible under the Rules and Regulations and whose applications are filed in accordance with the Rules and Regulations. The Retirement Committee has the responsibility to make an initial review of retirement applications that must be reviewed by the Board and recommend a course of action to the Board for the resolution of those applications.

### 2. Retirement Policies and Benefits

The Retirement Committee reviews the System's retirement policies as needed or recommended by TVARS staff and may propose any amendments to the Board as deemed appropriate. The Retirement Committee also monitors the benefits offered to members and may propose any changes to the Board as deemed appropriate.

### 3. Actuarial Issues

The Retirement Committee oversees the process of selecting the System's actuarial consultant and recommends an actuarial consultant to the Board for retention. The Retirement Committee ensures an actuarial valuation of the defined benefit plan is done once each year and recommends to the Board the contribution rates necessitated by the valuation. The Retirement Committee initiates and directs an experience study at least once every five (5) years. The Retirement Committee proposes to the Board any actuarial assumption changes recommended by the results of the experience study.

#### **4. Amendments**

The Retirement Committee reviews and recommends any proposed amendments to the Rules and Regulations or 401(k) Plan Provisions for the Board's consideration.

#### **5. Claims and Appeals**

The Retirement Committee facilitates the review process of any claims or appeals made to the Board by Members, Retirees, or Beneficiaries pursuant to the Administrative Claims and Appeals Procedures.

#### **6. 401(k) Plan Recordkeeping and Fees**

The Retirement Committee oversees the 401(k) Plan recordkeeper with regard to its recordkeeping and administrative services, administrative fees, communication and education efforts, and data security protections. As a part of this oversight, the Retirement Committee will review the 401(k) Plan recordkeeper on an annual basis and perform a market search process for the 401(k) Plan recordkeeping services periodically (generally every five (5) to seven (7) years), in accordance with the Service Provider Evaluation and Interaction Policy. The Retirement Committee will also review the 401(k) Plan administrative fees on an annual basis and perform a market fee benchmarking periodically (generally, every two (2) to three (3) years during which period a market search process is not conducted). In fulfilling these oversight responsibilities, the Retirement Committee may use the assistance and services of TVARS staff and external consultants and advisors.

### **Fiduciary Standards**

The members of the Retirement Committee acknowledge they are acting as fiduciaries with respect to the selection and oversight responsibilities under this Charter and will use appropriate fiduciary standards of loyalty, care, skill, prudence, and diligence in its actions. The standards will be equivalent to the current best practices of other institutional fiduciaries of qualified retirement plans.

## Section 2

# Board Policies

# Policy Provisions

## Common Provisions

The common provisions for each Board policy are summarized below.

### Purpose

Specific to each Committee and defined in each Committee's Charter

### Policy Objectives

Specific to each Policy and defined in the Policy

### Policy Requirements

Each Policy should be read in conjunction with the Rules and Regulations and the By-Laws. In the event of a conflict between a Policy and the Rules and Regulations, the Rules and Regulations will control. In the event of a conflict between a Policy and the By-Laws, the By-Laws will control. In the event of a conflict between a Policy and any other Policy or Policies, the more specific policy language, as determined by the Board, will control. In addition, any feedback or evaluation of the Executive Secretary, as permitted in the Governance Policy, should be provided in conjunction with the Loaned Employee Agreement between TVARS and TVA.

### Policy Review

The Board will review each specific Policy every three (3) to five (5) years, or as needed, to ensure it remains relevant and appropriate; provided, however, that the failure to review a Policy will not invalidate that Policy. The Board may amend or terminate any Policy at any time. Notwithstanding the foregoing or any other terms of a Policy, a Policy does not confer any rights, benefits, or privileges upon the Executive Secretary, Members, Retirees, Beneficiaries, or any other third parties.

## Defined Terms

Terms contained within each Board Policy are defined below.

**Beneficiary** -- any person in receipt of a retirement allowance or other benefit, as provided by the Rules and Regulations

**Board** – the Board of Directors of the Tennessee Valley Authority Retirement System, as constituted by the Rules and Regulations

**By-Laws** – Tennessee Valley Authority Retirement System By-Laws

**DAEO** – Designated Agency Ethics Official

**401(k) Plan** – The TVA Savings and Deferral Retirement Plan, established February 14, 1986



**Member** -- any person included in the membership of the System as provided in the Rules and Regulations

**OGE** – Office of Government Ethics

**Retiree** -- a former member no longer in service who is entitled to an immediate or deferred vested (nonforfeitable) benefit, as provided in the Rules and Regulations

**Rules and Regulations** – Rules and Regulations of the TVA Retirement System, established November 1, 1939

**System** or **TVARS** – the Tennessee Valley Authority Retirement System

**TVA** – the Tennessee Valley Authority

## Policy Review History

	Governance	Ethics and Code of Conduct	Confidentiality
<b>Originally adopted</b>	December 2, 2011	April 22, 2011	March 16, 2012
<b>Prior Amendment</b>	June 3, 2020	June 8, 2021	September 13, 2021
<b>Last Reviewed</b>	March 5, 2024	March 5, 2024	March 5, 2024
<b>Last Amendment</b>	June 28, 2024	June 28, 2024	June 28, 2024

	Director Election/ Selection	Succession Planning	Service Provider Selection and Interaction
<b>Originally adopted</b>	December 2, 2011	December 13, 2013	April 22, 2011
<b>Prior Amendment</b>	June 19, 2015	None	December 4, 2017
<b>Last Reviewed</b>	March 5, 2024	March 5, 2024	March 5, 2024
<b>Last Amendment</b>	June 28, 2024	June 28, 2024	June 28, 2024

# Governance Policy

## Purpose

The Rules and Regulations governing the operations of TVARS provide that the TVARS Board is responsible for and has control over the general administration of the System. In satisfying their responsibilities, each Director performs a number of different functions – including fiduciary functions. This Governance Policy is intended to establish the general governance framework in which the Board will operate so as to allow the Board to carry out its responsibilities in an appropriate and efficient manner in accordance with its Rules and Regulations, the By-Laws, other TVARS policies and applicable laws.

## Policy Objectives

The objectives of the Governance Policy are to ensure that:

- The Board operates as effectively and efficiently as possible;
- Key governance principles are clearly articulated;
- Board and Director responsibilities are commonly understood; and,
- The implementation of the Governance Policy can be effectively monitored by the Board.

## Policy Guidelines

With this Governance Policy, the Board has adopted the following governance guidelines:

### 1. Fiduciary Functions

When performing a fiduciary function, the Board and/or individual Directors will generally act solely in the best interests of all of the Members, Retirees and Beneficiaries of the System and (a) for the exclusive purposes of providing benefits and defraying reasonable administrative expenses of administering the System, (b) with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; (c) by diversifying investments of the System to minimize the risk of large losses, unless the circumstances indicate it is clearly not prudent to do so, and (d) in accordance with the Rules and Regulations to the extent consistent with applicable law.

### 2. Annual Calendar

The Board has determined that it is in the best interest of the System for the Board to determine and to approve an annual Board meeting schedule with a corresponding annual work plan. Having an annual schedule and work plan will ensure the Board addresses routine and non-routine items over the course of a year, as well as achieves its objectives from the annual work plan. The work plan for the next year will be presented to the Board at the last yearly meeting. The Board is required by the Rules and Regulations to meet at least quarterly. The annual calendar will specify the meeting cadence.

### 3. **Special Meetings**

The Board is authorized to schedule additional meetings, if deemed necessary, upon the call of the Board Chair or three (3) members of the Board, after giving appropriate notice to all Directors. Where circumstances permit, the Board will try to provide at least three (3) days' advance notice for special meetings.

### 4. **Meeting Attendance**

Attendance at Board meetings is an essential element of a Director's responsibility. Therefore, Directors are expected to attend all meetings in person or remotely via video conferencing or teleconferencing unless extenuating circumstances prevent such attendance. Attendance and voting by video conferencing or teleconferencing is permissible and counts toward the quorum. If any Director fails to attend Board meetings for four (4) quarterly or consecutive meetings, without being excused, the Board may request the Director to resign his or her position. An excused absence is one that has been agreed to by all Directors. If there is not unanimous consent to excuse an absence, a Board vote of at least four (4) Directors will be required. If needed or requested, the Executive Secretary will communicate to a Director's TVA supervisor the time commitment generally required to serve as a Director on the Board.

### 5. **Transparency**

The Rules and Regulations do not require public access to meetings; however, the Board embraces the governance principles of transparency and accountability. As such, the Board will produce minutes and other relevant communications for TVARS members and stakeholders following each Board meeting. In addition, the Board will produce a transcript of Board meetings that will be made available to any TVARS member upon request. In accordance with the Board's applicable policies, however, confidential information, including any member specific or proprietary information, may be redacted from the transcript.

### 6. **Board Meeting and Committee Agendas**

Board meeting agendas are prepared by the Executive Secretary and reviewed and approved by the Board Chair. Draft agendas will be provided at least seven (7) calendar days in advance to all Directors. Any Director may request that the Board Chair place an item on the agenda. Notification of the request will be provided to the Executive Secretary. If the Chair declines to place an item on the agenda, three (3) individual Directors may petition in writing and place an item on the agenda. Time will be reserved on each agenda for new business.

The Board encourages interaction with TVARS stakeholders. Any TVARS stakeholder may request to participate in an upcoming Board meeting. The Board will review each request on a case-by-case basis and determine, in its sole discretion, whether to grant such request. Non-TVARS stakeholders also may request to participate in an upcoming Board meeting. The Board will review each request on a case-by-case basis and determine, in its sole discretion, whether to grant such request. If any request to participate in an upcoming Board meeting is granted, the Board will place such person(s) or group on the Board meeting agenda for that specific meeting.

The Executive Secretary will prepare the Committee meeting agendas in sufficient time for review and approval by the Committee Chair and provide copies in advance to all Directors.

## **7. Consent Agenda**

Consent agenda items included on the Board meeting agenda will primarily consist of routine administrative or ministerial matters that require Board action as recommended by TVARS staff, but which typically do not require Board discussion. Matters that require Board discussion, or for which Board discussion has been requested, will not be included on the consent agenda. Consent agenda items may be accepted or approved together as a group by the Board at meetings.

## **8. Action Items**

Action items included on the Board agenda include those matters that are expected to involve Board discussion and a Board vote.

## **9. Meeting Materials**

The Executive Secretary will use reasonable efforts to provide the Board with meeting materials seven (7) calendar days in advance of Board meetings. The Executive Secretary will periodically have discussions with the Board to ensure that it is satisfied with the general content and format of the meeting materials that are provided. Based on input or reasonable requests from the Directors, the Executive Secretary may change the meeting materials provided to the Board in order to facilitate the Board's decision making.

## **10. Rules of Order**

Robert's Rules of Order will govern all Board and Committee meetings, except as otherwise determined by the Board. As specified in the By-Laws, voting by proxy is not allowed. Four (4) affirmative votes are required for any Board decision or for the Board to take action.

## **11. Meeting Minutes**

As soon as is reasonably practical, the Board will review and approve the meeting minutes and the Executive Secretary will place a copy of the approved meeting minutes on the TVARS website. The meeting minutes will record each Director's vote except when the Board vote is unanimous. Directors may include a brief statement in the meeting minutes describing the rationale for their vote or recusal on a particular issue.

## **12. Notational Approvals**

The Board may approve certain matters that are not expected to involve Board discussion, or that have already been discussed by the Board, outside of a regular or special-called meeting by "notational approval," which includes voting by e-mail. Upon written request provided to the Executive Secretary, any Director may stop the notational vote on a matter, in which case the matter will be placed as an action item on the agenda of the next Board meeting.

## **13. Ongoing Feedback**

The Board may conduct a self-evaluation process on a regular basis in order to give all Directors an opportunity to evaluate and discuss the Board's performance with candor

and from multiple perspectives, which is considered a best practice and is intended to reinforce better communication, closer working relationships and greater efficiency. All self-evaluation discussions and results will be confidential. The Board Chair will communicate as necessary to the Executive Secretary any policy or procedure changes that the Executive Secretary should consider and make as a result of such self-evaluation process.

The Board will seek to provide input and feedback to the Executive Secretary on a regular basis regarding process changes and improvements and the Executive Secretary's performance. Pursuant to the Loaned Employee Agreement between TVARS and TVA, any evaluation of the Executive Secretary's performance may be provided by the Board Chair to TVA for purposes of its personnel systems and processes.

#### **14. Director Education**

The Directors serving on the Board are tasked with overseeing the administration of the System in a prudent manner; therefore, education is essential to ensuring that Directors have the knowledge necessary to meet their obligations and to comply with the Rules and Regulations governing TVARS.

Directors are encouraged to attend an orientation session as soon as reasonably practicable following the Director's appointment, election or selection to the Board. The TVARS staff, with input from the Board, will provide an orientation curriculum designed to acquaint the new Director(s) with the history and enabling authority of TVARS, the fiduciary responsibilities of Directors, the Board's governance principles and processes, and basic educational information regarding the operation of and decisions related to TVARS and the 401(k) Plan. Directors will also receive curated documentation important to the Director's education, such as the governing documents, governance materials, TVARS and 401(k) Plan reporting and other pertinent materials.

TVARS supports Directors' attendance at or participation in educational opportunities that will assist them in carrying out their responsibilities. As such, Directors may attend relevant conferences and meetings to enhance their education. The Executive Secretary may provide to the Directors a list of recommended educational conferences, meetings, and webinars Directors may want to consider in their education.

Periodically, the Executive Secretary will arrange for an in-house fiduciary education and ethics session that will update the Directors on issues affecting their service on the Board, which all Directors are encouraged to attend. Based on the ongoing education needs of Directors, the Executive Secretary will arrange for TVARS staff or outside consultants, service providers, or managers engaged by TVARS to conduct educational sessions throughout the year at regularly scheduled Board meetings or at special meetings called by the Board.

#### **15. Responsibilities of the Board**

It is important that the Board govern and manage the System in an efficient, effective and prudent manner. To this end, the Board acknowledges its responsibilities, as articulated in the Rules and Regulations and By-Laws and, to the extent not retained by or allocated to TVA, include the following:

- A. Amending the Plans via changes to the Rules and Regulations;
- B. Determining what types of benefits are payable and to whom they will be paid;
- C. Establishing or changing employee rates of contribution, if any
- D. Applying eligibility rules and benefit calculations in accordance with the Rules and Regulations
- E. Controlling the administration of the System
- F. Holding quarterly meetings;
- G. Electing a Chairperson and appointing a Secretary;
- H. Selecting a seventh member of the Board;
- I. Adopting actuarial assumptions;
- J. Adopting service equivalents;
- K. Ensuring an actuarial review is conducted at least once every five (5) years;
- L. Notifying TVA of the rates or amounts of TVA's contribution, including a rate of "normal contribution";
- M. Designating an actuary;
- N. Maintaining accounts of fiscal transactions;
- O. Submitting an annual financial report to the TVA Board of Directors;
- P. Establishing additional rules and regulations as necessary (not related to plan design or benefit levels);
- Q. Establishing checking accounts, as needed, from which to pay benefits and administrative expenses;
- R. Serving as Trustee of the 401(k) Plan;
- S. Establishing an Audit Committee, Elections Committee, Investment Committee and Retirement Committee, and additional standing and special committees of the Board, as necessary;
- T. Selecting one (1) or more independent advisers to the Investment Committee and other committees, as warranted;
- U. Designating and selecting a Trustee or Trustees and entering into Trust Agreements; and,
- V. Designating, selecting and monitoring a Recordkeeper for the 401(k) Plan and entering into appropriate agreements.

The responsibilities above will not be construed to impose obligations greater than those provided for under the Rules and Regulations or By-Laws. In addition to the responsibilities provided for under the Rules and Regulations and By-Laws, the Board generally believes that the following also will promote the effective, efficient and prudent governance and management of the System:

- A. Engage in appropriate strategic and annual planning for the System;
- B. Adopt appropriate policies and procedures to promote an environment where business is conducted in an ethical and transparent manner;
- C. Adopt appropriate governance policies and practices to enable the Board to operate in an effective, efficient and prudent manner;
- D. Select appropriate legal counsel when deemed warranted;
- E. Adopt an appropriate Statement of Investment Policy consistent with the Rules and Regulations and based on current industry best practices;
- F. Hire appropriate outside service providers (e.g., investment managers, consultants, and legal counsel) to support the operation and administration of the System and evaluate the performance of such outside service providers on an appropriate basis;
- G. Adopt an appropriate administrative budget to support the operation and administration of the System and regularly monitor compliance;
- H. Adopt procedures to protect the security of confidential information and monitor compliance on an appropriate basis;
- I. Monitor and respond, as deemed appropriate, to legislation and external factors that may impact the System;
- J. Adopt an appropriate disaster recovery plan in order to protect the System and its beneficiaries;
- K. Adopt appropriate internal controls and risk management practices and monitor compliance on an appropriate basis; and,
- L. Communicate with Members, Retirees, Beneficiaries and other TVARS stakeholders regarding the operation and the administration of the System in a timely and appropriate manner.

#### **16. Responsibilities of the Director**

For the TVARS Board to work efficiently and effectively, the Board believes that each Director has a personal responsibility to uphold the highest standards and to actively contribute to the governance of TVARS. The Board believes that each Director should:

- A. Work constructively with the other Directors to govern TVARS;
- B. Share opinions on issues, but respect the position of the Board once such position has been approved or adopted to the extent it does not violate the Board's fiduciary or other legal obligations;



- C. Interact in an appropriate and professional manner with TVARS staff, outside service providers, employers, Members, Retirees, Beneficiaries, and others;
- D. Discharge his or her fiduciary duties with care, skill, diligence and prudence, solely in the interest of all Members, Retirees and Beneficiaries, and for their exclusive benefit, in accordance with the Rules and Regulations, the By-Laws, and applicable laws governing the System;
- E. Consider the best interest of the Members, Retirees and Beneficiaries as a whole, and not the interests of any sub-groups of the System or personal interests;
- F. Incur only reasonable and appropriate expenses in carrying out his or her duties as a Director;
- G. Prepare for Board and Committee meetings by reading materials in advance of the meeting and asking questions of TVARS staff;
- H. Attend Board and Committee meetings and participate in discussions;
- I. Respect the time commitment required for meetings by arriving prior to the start of meetings and staying until the meetings are adjourned;
- J. Do not act or speak on behalf of the Board unless specifically authorized to do so;
- K. Acquire and maintain knowledge to effectively make decisions and evaluate those to whom duties have been delegated;
- L. Promptly report any suspected improper or unlawful conduct to the Board, a Director, legal counsel or the Audit Committee, as appropriate;
- M. Refrain from any self-dealing with TVARS assets or using TVARS to promote a personal business or to gain financial rewards;
- N. Maintain confidentiality of TVARS information, including Member, Retiree or other Beneficiary-specific information and certain investment activity, in accordance with applicable TVARS policies and applicable law; and,
- O. Participate in appropriate continuing education and training, including receiving new Director orientation and education materials during the first year of his or her first term on the Board and annual Director continuing education and training.



# Ethics and Code of Conduct Policy

## Purpose

Given the mission of TVARS, ethical integrity and appropriate conduct is of paramount importance. All TVARS Directors and staff members must abide by the Standards of Ethical Conduct as issued by the Office of Government Ethics (“OGE”) and any TVA rules and policies related to ethics. Non-TVA employees serving as Directors also agree to be bound by the provisions of this Ethics and Code of Conduct Policy. This Policy is intended to provide Directors and TVARS staff with further guidance on expected actions and reporting requirements related to ethics and conduct when acting in their official capacity as TVARS Directors and staff.

## Policy Objectives

The objectives of this Policy are to ensure that:

- (a) Key elements of the OGE Standards of Ethical Conduct are understood;
- (b) Directors and TVARS staff conduct themselves with decorum, integrity, and professionalism in all aspects of their duties and in their interactions with fellow Directors, staff, service providers and stakeholders;
- (c) Guidance specific to issues faced by the Directors and TVARS staff is provided; and,
- (d) Reporting and disclosure requirements related to their ethics and conduct are followed.

## Policy Guidelines

The Board has adopted the following guidelines to supplement the OGE Standards of Ethical Conduct:

1. Annually, the Board and TVARS staff will receive (a) fiduciary and governance training provided by an independent consultant with appropriate expertise, and (b) the online ethics training required by all TVA employees. A synopsis of the OGE Standards of Ethical Conduct [Standards of Ethical Conduct \(oge.gov\)](https://www.oge.gov) will be posted on a shared electronic site available to all current Directors. The synopsis is provided for ease of reference and does not replace the needs for periodic review and knowledge of the requirements of the OGE Standards of Ethical Conduct.
2. Directors and TVARS staff will act in good faith and, when carrying out their fiduciary responsibilities, will act in the best interest of the members and beneficiaries.
3. Directors and TVARS staff will maintain independence and objectivity by avoiding actual and perceived conflicts of interest and refraining from self-dealing. Self-dealing is conduct that consists of take advantage of one’s official position for personal benefit. Notwithstanding any retirement benefits being accrued, provided, or received as members of TVARS and participants in the 401(k) Plan, no Director or TVARS staff person will receive any gain or profit from any funds or transaction of the System.

4. The TVARS Board and staff members will not solicit or accept a gift given because of their official TVARS positions or from a prohibited source of TVARS as defined by Subpart B of the OGE Standards of Ethical Conduct regarding gifts from outside sources. However, the TVARS Board and staff members may accept a gift pursuant to one of the exceptions listed in Subpart B. [Justice Management Division | Summary - Executive Branch Standards of Ethical Conduct](#) Notwithstanding the above, Directors and TVARS staff will not accept any gift that could be perceived to affect their loyalty to TVARS. Before accepting any gift pursuant to one of the Subpart B exceptions, each Director and TVARS staff member offered such a gift will consider if a reasonable person, apprised of all the relevant facts, would have reason to believe that an appearance of impropriety may exist if such a gift were to be accepted by the Director or TVARS staff member. TVARS Directors and staff should consult the DAEO to obtain advice regarding the solicitation or acceptance of any gift from a prohibited source of TVARS.
5. Generally, the TVARS Board, or its individual Directors or staff, will not accept payment of any expenses from third parties. Notwithstanding, the TVARS Board may accept on behalf of Directors and/or TVARS staff, for the use and benefit of TVARS, the payment of expenses to a conference, should it choose to do so, if there is clear benefit to the System. For example, if a Director or TVARS staff member attends an annual educational conference provided by one of the System's consultants or managers made available to clients, the sponsoring organization may pay for associated travel and expenses upon acceptance by the Board. If the Board does accept such payment of expenses, and the value is over \$250 per individual per event, the Director or TVARS staff member must report the acceptance of the expense payments to the DAEO. TVARS Directors and staff should consult the DAEO to obtain advice regarding whether they may accept payment of any expenses from third parties.
6. Except as set forth under Sections 4 and 5 above, current and prospective vendors or third parties will not be allowed to pay for TVARS travel expenses associated with carrying out the administration or oversight of the System. Such expenses include those associated with due diligence visits or investment manager meetings.
7. TVARS Directors and staff are subject to certain OGE restrictions when seeking employment from service providers or managers of TVARS and when performing certain types of post-employment work related to work performed while a TVARS Director or staff member. TVARS Directors and staff should consult the DAEO to obtain advice regarding any employment-seeking or post-employment restrictions that may be applicable.
8. In the event of an actual, perceived, or potential conflict of interest involving any Director and his or her work and responsibilities as a TVARS Board member, the TVARS Board should consult with the DAEO to advise them on options or the proper course of action pursuant to applicable federal conflicts of interest laws and regulations, including 18 U.S.C. 208 and 5 C.F.R. 2640, and any applicable TVA policies. Prior to consulting with the DAEO, the Director may consult with the Executive Secretary and/or legal counsel on the actual, perceived or potential conflict of interest, which can work with the Director to get advice from the DAEO, if needed.

9. Legal counsel, in consultation with the DAEO, is available to answer questions related to ethics and disclosure requirements.
10. All Directors must annually file a financial disclosure report – either OGE Form 450 [Executive Branch Personnel Confidential Financial Disclosure Report \(OGE Form 450\)](#) or OGE Form 278e [Public Financial Disclosure Report - OGE Form 278 - Print Version \(September 2010\)](#), as determined by the TVA Ethics Office based on the individual's position. The Executive Secretary will report any compliance failures to the Audit Committee.
11. In the event a Director holds the position of TVA's DAEO, the Alternate DAEO in TVA's Office of the General Counsel will serve in the capacity of the DAEO for purposes of this Policy.
12. For any questions by TVARS Directors and staff as referenced in this Policy, the TVA Ethics Office may be contacted at 865-632-3199 or via email to [EthicsandCompliance@tva.gov](mailto:EthicsandCompliance@tva.gov)

# Confidentiality Policy

## Purpose

The Board recognizes the sensitivity of its deliberations related to its decision-making, particularly in a system of its size and unique statutory structure. Further, the Board acknowledges that it may be in receipt of Confidential Information that, if released, could potentially harm the trust of individual members, retirees, beneficiaries, or the System overall. Maintaining the trust of TVARS members and retirees is of paramount importance, and thus they should know that efforts are being made to protect Confidential Information. Further, the Board oversees billions of dollars in assets and certain aspects of the investment program must be kept confidential in order to protect the trust. The primary purpose of this Policy is to ensure that Confidential Information is protected by being handled carefully, consistently and appropriately.

## Policy Objectives

The objectives of this Policy are to ensure that:

- (a) A common understanding of what constitutes Confidential Information is established;
- (b) Protocols for the handling and dissemination of Confidential Information are understood; and,
- (c) Confidential Information is protected as provided for in this Policy.

## Policy Guidelines

The following guidelines regarding confidentiality are hereby approved by the Board.

1. For purposes of this Policy, "Confidential Information" is any confidential, proprietary, or deliberative or privileged work product of TVARS or work product of certain third-party vendors to TVARS and includes, but is not limited to, the following:
  - A. Information in written or electronic form marked or labeled as "Confidential," "Proprietary," "Restricted," "Deliberative," or "Privileged."
  - B. Information disclosed orally, where, before or during such disclosure, it is stated that the information or some portion of the information is deemed to be confidential, proprietary, restricted, deliberative, or privileged.
  - C. Member-specific information (addresses, social security numbers, salary information, information regarding disability retirement applications, medical information, personally identifiable information, etc.).
  - D. Non-public investment information and investment information that is contractually identified as confidential.
  - E. Proprietary work product by or in conjunction with third-party service providers or information that is contractually identified as confidential.

- F. Discussions with and advice from legal counsel.
  - G. Information regarding TVARS' systems or controls that, if released, would compromise data security (for example, passwords, firewalls, or other data security information).
  - H. Preliminary analysis, positions or deliberations of the Board that have not yet been approved for disclosure by the Board, and individual Directors' questions and comments on issues as part of the Board's analysis and deliberations before an official Board position or decision has been adopted or approved.
  - I. Written correspondence and e-mails or other electronic communications regarding TVARS business between and among Directors and TVARS staff, unless the other Board member gives permission for its release and dissemination to the extent not prohibited by this Policy, agreement, law or otherwise.
- 2. Except as permitted under the Rules and Regulations or this Policy or as required by law, the Board and TVARS staff will not disclose, discuss, or disseminate Confidential Information to any person or entity other than to Directors or TVARS staff who have a legitimate need for such information.
  - 3. The Board may consult with legal counsel regarding the legal status of privileged information or work product and whether there is a duty to disclose such information.
  - 4. When possible, electronic and hard copies of Confidential Information will be marked as "Confidential." The Executive Secretary will have primary responsibility for ensuring Confidential Information is appropriately marked. The Executive Secretary is delegated the responsibility to ensure that there is a compelling reason to mark documents as confidential. The Board also may determine if written or electronic information should be marked as "Confidential."
  - 5. Directors and TVARS staff may request in writing that certain information be designated confidential, even if such information does not fall within the scope of Confidential Information as described in this Policy. If such a request is made, the Board will decide whether to treat the information as confidential and may seek input from legal counsel, if the Board determines it is necessary.
  - 6. The Board may decide to authorize a Board member or TVARS staff to discuss or to disclose Confidential Information or to release written or electronic Confidential Information previously determined to be Confidential Information, provided such disclosure or release is not otherwise prohibited by agreement or law.
  - 7. The Board may call an executive session to discuss matters of a confidential nature. Matters discussed in executive session will be kept confidential unless decided otherwise by the Board. The Board may ask third parties to participate in the executive session at its discretion. Prior to being allowed to participate in the executive session, each third party will agree to abide by this Policy.
  - 8. From time to time, the Board may identify the need to establish a liaison with different entities or organizations. Prior to providing any Confidential Information to such liaison, the liaison will agree to abide by this Policy.

9. Any request for the disclosure of Confidential Information by any third party will be determined by the Board on a case by case basis.
10. Directors and TVARS staff must exercise due care when transmitting, discussing in public places, storing, disposing of, or otherwise handling Confidential Information to ensure it remains protected and confidential.
11. Confidential Information will be redacted from meeting minutes and transcripts. A notation will be included in such meeting minutes and transcripts that indicate Confidential Information was removed.
12. The Executive Secretary has responsibility to ensure that proper controls are in place to protect Confidential Information maintained in or on TVARS systems or files or accessible by TVARS staff and other third parties.
13. The Executive Secretary will establish policies and training for Directors and TVARS staff regarding the proper handling, disclosure, dissemination, and protection of Confidential Information.
14. The prohibition on the disclosure, discussion, or dissemination of Confidential Information set forth in this Policy will survive the termination or expiration of a Director's term or affiliation with TVARS and the termination of employment or affiliation of TVARS staff with TVARS.

## Privacy Act

Any information TVARS collects on TVA employees, retirees, and beneficiaries is maintained separately from TVA and is to be used for the administration of the TVARS retirement plans (pension and 401(k)) and the provision of retirement benefits to such individuals ("Protected Information"). The disclosure of Protected Information to TVA and any other third party, which includes personally identifiable information ("PII"), is restricted by TVARS and subject to and governed by the Privacy Act and the TVARS System of Records. The TVARS Privacy Act System of Records provides when and to whom TVARS can disclose Protected Information without the individual's consent pursuant to routine uses, which are set forth in 80 Federal Register 24012, TVA-26, Retirement System Records [Federal Register :: Privacy Act of 1974: Republication of Notice of Systems of Records](#) .

## Freedom of Information Act (FOIA)

As a separate legal entity and federal agency from TVA with its own governing board, the records of TVARS are not subject to disclosure under the federal Freedom of Information Act (FOIA), 5 U.S.C. §552 (2012). In addition, the Tennessee Open Records Act applies to the activities of Tennessee state, county, and municipal agencies, and as such, the records of TVARS are also not subject to disclosure under that statute.

# Director Election/Selection Policy

## Purpose

The election of three (3) of the Board's Directors, as well as the selection of the seventh Director, is governed by the Rules and Regulations. The intent of this Director Election/Selection Policy is to provide supplemental guidance to the election/selection process of Directors described in the Rules and Regulations. The Board recognizes the importance of Director elections and the selection of the seventh Director and strives to ensure processes related to filling open Director positions are fair, efficient, and in the best interest of Members, Retirees, and Beneficiaries.

## Policy Objectives

The objectives of the Policy are to ensure that:

- (a) Director elections and selections are fair and governed by a judicious, well-documented process;
- (b) A well-qualified seventh Director (see Attachment B) is selected efficiently and in a reasonable and timely manner; and,
- (c) Information regarding the requirements of the Board and serving as a Director will be readily available.

## Policy Guidelines

The Board has adopted the following guidelines regarding Director elections and the selection of the seventh Director:

### 1. General Guidelines

- A. A copy of the Governance Policies and Documents will be provided to all potential candidates in order to provide a general understanding of the requirements to serve on the Board. These materials will also be available on the TVARS website.

As requested, the Executive Secretary is available to communicate to a Director's or candidate's supervisor the nature of the important work a Director is called upon to perform, including the expected time commitment, the Board's work plan, and an explanation of a Director's duties.

### 2. Election of Directors

- A. The Board will periodically evaluate ways in which election visibility and participation may be increased. The Board may call upon TVARS staff or an outside party to assist in this effort.
- B. The Board and TVARS staff members will endeavor to stay neutral in the election process. However, this does not prohibit a Director or TVARS staff from indicating to others who he or she will be voting for.
- C. All interested parties will be encouraged to run for election. Candidates are encouraged to discuss the expected time commitment with their TVA supervisor.



- D. The Board will distribute to candidates the guidelines regarding campaign activities and the Candidate Information Form. Candidates' written Candidate Information Form will be published on the TVARS website and included in election materials. The Candidate Information Form must follow the Board's published Candidate Information Form Guidelines, which are attached to this Policy for reference (see Attachment A). The Board may modify the Candidate Information Form Guidelines at its discretion.
- E. Director elections will be held in conformance with the process set forth in the Rules and Regulations. The Board will review and approve a schedule of election events as presented by the Election Committee.
- F. In conducting the election of the three (3) elected Directors, the Board, through the Election Committee and TVARS staff, is responsible for the following:
  - i. Confirming that candidates for the Board meet the nomination requirements
  - ii. Providing election materials
  - iii. Ensuring bios are included in election materials
  - iv. Reviewing the proposed ballot to ensure accuracy and completeness
  - v. Ensuring phone, on-line or other appropriate media (as determined by the Board) for voting by members will be available
- G. Any current Director seeking re-election will not serve on the Election Committee for that year and will recuse himself or herself from any of the Board's or the Election Committee's election activities for that election cycle.
- H. TVARS may retain a qualified, independent third-party election contractor to conduct the elections of the three (3) elected Directors.

### **3. Selection of the Seventh Director**

- A. The Board will make all reasonable efforts within a reasonable amount of time to select a qualified seventh Director who is a TVA retiree as set forth in the Rules and Regulations.
- B. In its discretion, the Election Committee may appoint an advisory committee, or the Board may establish a special committee, to assist in identifying candidates for the seventh Director position. An advisory or special committee, if established, may include individuals other than TVARS Directors.
- C. When the seventh Director position becomes vacant, or in advance of a known vacancy, the Election Committee will publicize the opening and make available the desired candidate profile and Director responsibilities to interested parties. The Board will initiate the process to select a seventh Director as early as is reasonably practicable.
- D. In evaluating potential candidates for the seventh Director position, the Board may consider factors as the Board deems appropriate at the time of the selection, which may include those characteristics set forth in Attachment B.



# Attachment A

## Candidate Information Form Guidelines

All candidates running for election must submit a Candidate Information Form, which will be published on the TVARS website and included in election materials. The Candidate Information Form may include any or all of the following:

1. The candidate's history of leadership;
2. A description of the candidate's experience, both at TVA and other organizations;
3. An overview of the candidate's educational background;
4. A description of experiences, interests, and expertise related to the position;
5. An overview of initiatives the candidate would advance, if elected; and,
6. A statement of what the candidate would contribute to the Board, if elected.

The completed Candidate Information Form should be truthful, should not include any remarks or questions that are inherently misleading, should not include rhetorical remarks, and should not refer to individual Directors, candidates for Director, TVARS staff, Members, Retirees, Beneficiaries, TVA Directors, executives or employees by name or title. The Election Committee may request a candidate to verify the truthfulness of any statements made in the Candidate Information Form, and candidates must provide timely response to such a verification request. The TVARS Board, in its sole discretion, will reject any statements that contain inappropriate language or that contain information that is not verified within a reasonable time period after verification request. If the Election Committee declines to distribute, display, or publish a portion of the Candidate Information Form for any reason articulated in this Policy, the Election Committee will provide the candidate with a brief explanation of its objection and the opportunity to submit a revised statement.

No Candidate Information Form for any candidate will be distributed, displayed, or published until the Candidate Information Forms for all candidates have been finalized and approved.

## **Attachment B**

### **Desirable Characteristics for TVARS Directors**

1. Understanding of TVARS Members' needs
2. Capacity for understanding fiduciary responsibility
3. Ability to work/get things done within a board structure
4. Knowledge of TVARS
5. Personal commitment to the position
6. Free of conflicts which could bias judgment or decision making
7. Aptitude for original thinking
8. Investment management skill

# Succession Planning Policy

## Purpose

The Board of Directors and the Executive Staff of TVARS believe it is prudent to mitigate the risk of turnover among TVARS staff. Succession planning is a vehicle that can assist in this effort. Succession planning is a process that facilitates TVARS' continued effective performance by making provisions for the development and replacement of key people over time. While the Board knows that it may not be able to prevent turnover, through effective succession planning it can reduce the risks and impacts associated with the loss of those individuals. This Succession Planning Policy defines the framework of the TVARS succession planning process.

## Policy Objectives

The objectives of this Policy are to help ensure that:

- (a) Key positions with the organization for which succession planning should occur are identified;
- (b) The time of future vacancies can be determined to the extent possible; and
- (c) To fill any gaps in competencies, potential internal candidates for key positions are identified and provided training and education.

## Policy Guidelines

The following guidelines are established to guide TVARS in its efforts to identify and develop individuals to fill key roles within the organization:

1. **Succession Planning for Executive Staff (i.e., the Executive Secretary, TVARS managers, and other key TVARS staff members)** – To help ensure that there will be a smooth and effective transition upon the departure of an Executive Staff member, the following measures will be implemented:
  - A. To the extent possible, the Executive Secretary will continually prepare for the potential departure of members of the Executive Staff, including the Executive Secretary position, by maintaining a confidential pool of potential internal candidates for succession purposes.
    - i. The Executive Secretary will assess the expertise and competencies of those within the pool of potential candidates and plan for or implement any necessary additional training to fill gaps in their expertise or competencies.
    - ii. That training may include establishing internal training “bridges” to allow for additional experience for internal TVARS staff prior to assumption of all of the responsibilities of a critical position.
  - B. The Executive Secretary will have no fewer than two (2) other members of the Executive Staff who are familiar with the Board and Executive Secretary issues and processes.

- C. The Executive Secretary will ensure that appropriate cross-training is incorporated within the TVARS staff training and development programs in order to minimize the impact of the loss of key personnel.
  - D. At least annually, the Board will meet in executive session to discuss human resource issues involving the Executive Staff, at which time the Executive Secretary may discuss any human resource matters that may pose a risk to TVARS, including any potential turnover or retirements in Executive Staff, possible successors, any Executive Staff performance issues, and any contingency plans for the loss of TVARS staff that are critical for TVARS operations.
2. **Executive Secretary Selection Process** – In the event of a vacancy or pending vacancy in the Executive Secretary position, the TVARS Board Chair will initiate the following process:
- A. If the Executive Secretary position has been vacated, the Board will select a TVARS staff member to serve as the Acting Executive Secretary who will be responsible for carrying out the Executive Secretary's duties until the Board has selected a permanent replacement.
  - B. The Chair will appoint an ad hoc Search Committee.
  - C. The Search Committee will determine the required candidate skill set and the evaluation criteria to be used in considering the candidates.
  - D. The Search Committee will determine the extent to which TVARS staff or a third-party search firm will assist in its search for an Executive Secretary replacement.
  - E. After an initial screening of applicants, to determine those who are qualified, the Search Committee will rank the candidates according to the established evaluation criteria.
  - F. The Search Committee will determine which candidates will be interviewed by the Search Committee in person.
  - G. The Search Committee will recommend a minimum of two (2) candidates for the full Board to interview.
  - H. Following the Board interviews and discussions with TVARS staff members, the Board will select the new Executive Secretary by a formal vote.
3. **Executive Staff Vacancies** – In the event of a vacancy in any other designated key staff position, the Executive Secretary will notify the Chair and initiate a process to fill the position:
- A. The Executive Secretary will determine the required candidate skill set and evaluation criteria to be used in evaluating the candidates and the timeframe and scope of the search effort, including whether a third-party search firm should be used.
  - B. After an initial screening of the applicants to determine the qualified candidate pool, the candidates will be ranked and interviewed.
  - C. The Executive Secretary will make the final selection and inform the full Board of the decision.

# Service Provider Evaluation and Interaction Policy

## Purpose

This Service Provider Interaction and Evaluation Policy establishes the guidelines within which the TVARS Board and staff will communicate and interact with current and potential service providers, including the actuary, investment consultant(s), custodian, recordkeeper, auditor, outside legal counsel, and investment managers. Any other service provider that directly reports to the Board, or that influences the Board's decisions, is also covered under this Policy. This Policy also outlines the process and frequency by which service providers will be evaluated.

## Policy Objectives

The objectives of this Policy are to ensure that:

- (a) The process of selecting service providers is efficient and fair;
- (b) Communication between TVARS and service providers is transparent and consistent;
- (c) The opportunity for an actual or perceived conflict of interest is mitigated; and,
- (d) Service providers are periodically evaluated.

## Policy Guidelines

The Board has adopted the following guidelines to govern service provider interaction and evaluation.

1. In order to protect the fairness and integrity of the decision-making process, and to avoid any all appearances of conflict, whenever TVARS commences a procurement/search process for the retention of an outside service provider, the TVARS Board and staff will refrain from having any intentional, unauthorized contact, direct or indirect, with prospective service providers. Communication for ordinary and necessary purposes (e.g., administration of an existing contract), or unintended incidental interaction, is allowed. For the purposes of this Policy, incidental interactions include those that are entirely social in nature, or which clearly pertain to matters not related to the procurement/search process.
2. A TVARS staff member will coordinate interaction and communication with service providers related to the search. Requests for technical clarification regarding the procurement/search process itself are permissible and must be directed to the designated TVARS staff member. Incumbent service providers are not precluded from carrying out their normal responsibilities for the System and may interact with the Board and TVARS staff in that regard.
3. If a service provider contacts a Director or TVARS staff member who is not the designated contact during a search, the individual contacted will refer that service provider to the Executive Secretary or designated TVARS staff member for the search. The Executive Secretary may share this information with and consult with

Legal Counsel if the Executive Secretary determines the information is relevant to a transparent and fair search process or could pose a potential conflict of interest involving the service provider.

4. Service providers that have contacted a Director when a search is not underway should be referred to the Executive Secretary. Investment managers that have contacted a Director in order to provide information on new investment strategies or vehicles should be referred to the Executive Secretary, TVARS investment staff or investment consultant.
5. Interaction with service providers is allowed during the normal course of business (Board meetings and TVARS-sponsored educational forums). When Directors attend conferences, general interaction with service providers is permitted. Directors should adhere to all appropriate ethics and code of conduct requirements.
6. The Executive Secretary will provide the Board a quarterly report on all due diligence meetings, visits, and teleconferences between TVARS investment staff and current or potential service providers.
7. Investment managers will be reviewed and evaluated on an on-going basis by the TVARS staff and investment consultant based on investment manager evaluation criteria developed by the TVARS staff with the investment consultant that is consistent with the Investment Policy Statement. The Board's Investment Committee will be informed as to whether there are any developments that would impact the ongoing retention of any of the System's current investment managers.
8. All other service providers should be reviewed on a periodic basis. These reviews, which may be formal or informal, will provide an opportunity for the Board and/or TVARS staff to give feedback to the service provider regarding its performance under its contract with TVARS. A formal procurement/search process within each non-investment service area will be conducted by the TVARS staff to ensure services, capabilities, and fees remain competitive and consistent with market standards. Such procurement/search processes will be conducted on a regular basis, in keeping with market best practices.

# Appendix A

## Tennessee Valley Authority Retirement System By-Laws

Revised and adopted by the TVARS Board on June 28, 2024

### Article I. Administration

#### Section 1. Authority

In 1939, the Tennessee Valley Authority (“TVA”) established the Tennessee Valley Authority Retirement System (“TVARS”) and approved the TVARS Rules and Regulations (“Rules”), which constitute the legal charter under which TVARS operates. TVARS is a separate legal entity from TVA governed by its own Board of Directors (“TVARS Board”). Federal courts have held TVARS to be a Federal agency and the Rules to have the force and effect of Federal law. The Rules grant the TVARS Board with sole and exclusive authority and control over the management and administration of TVARS, in accordance with the Rules.

#### Section 2. Purpose

The purpose of these By-Laws is to provide structure, guidelines and clarification regarding the governance of TVARS, consistent with the Rules.

#### Section 3. Management

Section 3, paragraph 3 of the Rules [RULES AND REGULATIONS OF THE TVA RETIREMENT SYSTEM \(tvars.com\)](https://www.tvars.com) requires the Board to appoint an Executive Secretary and arrange for administrative, clerical, legal, financial, and medical advisor services, as it may require, in carrying out the provisions of TVARS. The Board delegates authority to the Executive Secretary for the day-to-day administration of TVARS.

In furtherance of its broad authority and fiduciary responsibility with respect to matters related to the investment of TVARS assets, the administration of TVARS, and the fulfillment of its responsibilities in accordance with the Rules, the Board may engage the services of outside advisors and service providers, including trustees and custodians, investment managers, legal counsel, investment consultants, actuaries, and auditors. Notwithstanding, the Board’s selection of trustees and investment managers is subject to prior approval by TVA.

## **Section 4. Determination of Benefits/Interpretation of Rules**

The Board has sole and exclusive responsibility for determining under the Rules what benefits are payable by TVARS and to whom they will be paid, and the Board's interpretation and application of the Rules in these and all other matters pertaining to TVARS' operations and its determination of the facts in making any such application will be final and conclusive to all parties. [\[Rules Section 3, paragraph 7\]](#)

## **Section 5. Resolution of Conflicting Provisions**

The provisions of these By-Laws are intended to conform to the Rules, and any Policy or Charter adopted by the Board. If there is a conflict among such documents, the Rules will prevail, then these By-Laws, and then any policies and procedures adopted by the Board. In the event any provision of these By-Laws is deemed to be invalid, as a result of its conflict with a provision of the Rules, it will not invalidate the entirety of the By-Laws, but the remaining provisions of the By-Laws will continue in full force and effect.

# **Article II. TVARS Board of Directors and Officers**

## **Section 1. Board Composition and Terms**

The Board will consist of seven (7) Directors, three (3) of whom are elected by and from the membership of the System, three (3) of whom are appointed by TVA, and a seventh member, who will be a retiree, selected by a majority vote of the other six (6). The term of each Director position will be three (3) years.

## **Section 2. Board Election, Appointment, and Selection**

The Director positions on the Board, and any vacancy of a Director position, will be filled by election, appointment, or selection, as the case may be. The election and appointment of the Directors of the Board, as well as the selection of the seventh Director, is governed by the Rules, as supplemented by the Director Election/Selection Policy adopted by the Board.

## **Section 3. Officers**

The Board will have a Chair and a Vice-Chair as officers, who will be elected from among the Directors of the Board.

TVARS will also have the following officers that will not be Directors and as such have no voting rights:

- (a) an Executive Secretary,
- (b) an Assistant Secretary,
- (c) a Treasurer,
- (d) Assistant Treasurers, and



(e) such other officers as the Board may from time to time determine.

The Assistant Secretary may also be designated as one of the Assistant Treasurers.

## Section 4. Officer Elections/Selections and Terms

**Chair and Vice-Chair.** The Chair and Vice-Chair will be elected by ballot, from among the Directors, for three-year terms. Officer elections will occur at the December quarterly meeting of the Board of each election year. The first election year following the adoption of the original By-Laws was 1960, and each third year thereafter will be an election year. Accordingly, upcoming election years are as follows: 2023, 2026, 2029, 2032, and so on.

The Chair and Vice-Chair will serve from the time they are elected until their successors have been elected or until they cease to be members of the Board, whichever first occurs. A vacancy in the office of Chair or Vice-Chair will be filled by the Board for the unexpired portion of the term.

**Executive Secretary.** The Board will appoint the Executive Secretary of TVARS, who will serve in the position without a definite term of office. The Board may elect to appoint, hire, or contract with any person, firm or corporation to provide the services of the Executive Secretary. A succession process to guide the Board in the appointment of the Executive Secretary is set forth in the TVARS Succession Planning Policy adopted by the Board.

**Other Officers.** The Assistant Secretary, Treasurer, and Assistant Treasurers will be appointed by and serve at the pleasure of the Executive Secretary and serve in the positions without definite terms of office.

## Section 5. Director Responsibilities

**Attendance.** While it is acknowledged that attendance is not always possible, all Directors are expected to attend all Board and applicable committee meetings. To achieve this goal, Directors should, once the annual calendar for a year is set, immediately flag any scheduling conflicts and thereafter manage their schedules to avoid creating additional conflicts. Absences for medical or other substantial reasons will be deemed excused absences in the discretion of the Board. [See [Sections 2-4](#) under [Governance Policy](#) for additional information.]

**Committee service.** Each Director is expected to serve on at least one (1) standing committee or special committee.

**Preparation.** Directors should come to Board meetings having read the materials prepared and circulated by TVARS staff.

**Education.** Directors should identify areas where they might benefit from additional education and work with TVARS staff to find educational opportunities. The Executive

Secretary will maintain a list of educational conferences appropriate for Directors. [See [Section 14](#) under [Governance Policy](#) for additional information.]

**Representation.** At times, Directors may be called on to represent or speak regarding TVARS matters to various constituencies. During any such representation, the Director will ensure that Confidential Information is protected and is being handled carefully, consistently, and appropriately. [See [Confidentiality Policy](#) for additional information.]

**Collegiality.** Directors will make every effort to engage in collegial deliberations, and to maintain an atmosphere where Directors can speak freely, explore ideas before becoming committed to positions, and seek information from TVARS staff and other Directors. To the extent possible, Directors are encouraged to come to meetings without having fixed or committed their positions in advance. [See [Section 16](#) under [Governance Policy](#) for additional information.]

**Independence.** Directors will discharge their fiduciary duties with respect to TVARS for the sole and exclusive benefit of employees, retirees and beneficiaries.

## Section 6. Director Disciplinary Action and Director Removal

As authorized by Section 3(2)(e) [RULES AND REGULATIONS OF THE TVA RETIREMENT SYSTEM \(tvars.com\)](#) of the Rules, the Board may initiate and enforce disciplinary actions against a Director for violation of written policies formally adopted by the Board. Disciplinary actions may include action, up to and including, removal of the Director from his or her position as a Director on the Board. Five (5) votes are required for the removal of a Director from the Board.

## Section 7. Officer Removal

The Chair, Vice-Chair, or Executive Secretary may be removed by five (5) votes of the Board whenever, in its judgment, the interests of the System will be served by such action.

# Article III. Duties of the Chairs, the Executive Secretary, Assistant Secretary, and Treasurer

## Section 1. Duties of the Chair

The Chair of the Board will:

1. Endeavor to confirm that the Board is operating in a manner that is consistent with the Rules, these By-Laws, and the policies and procedures that the Board has adopted;
2. Preside over all meetings of the Board and govern its proceedings;
3. Exercise such control over meetings as the Chair deems reasonable and necessary;

4. Appoint chairs, vice-chairs and members to all standing and special committees of the Board, subject to acceptance by individual Directors and members;
5. Serve as an ex-officio member of all Board committees, and may attend and participate in any committee meeting, but may not vote in committee actions of any committee of which the Chair is not a regular member;
6. Review and approve the agenda for all Board meetings prepared by the Executive Secretary;
7. When required, certify any actions approved by the Board; and
8. Perform such additional duties as are provided for herein and in the Rules, all duties incident to the office of the Chair, or all duties as may be set by resolution of the Board from time to time.

## **Section 2. Duties of the Vice-Chair**

In the absence of the Chair, or in the event of the Chair's inability to act, the Vice-Chair will assume all responsibilities and authority of the Chair. When so acting, the Vice-Chair will have all the powers of and be subject to all the restrictions upon the Chair. The Vice-Chair will also perform such other duties as may be specifically assigned by the Board or the Chair.

## **Section 3. Duties of the Executive Secretary**

Subject to any duties and responsibilities specifically retained by the Board, or other limitations imposed by the Rules or the policies it has adopted, the Board delegates to the Executive Secretary the responsibilities for the day-to-day administration of the System.

The Executive Secretary is responsible for the supervision of the non-Director Board officers, all other TVARS staff, and for all the day-to-day investment management, administrative, accounting, and clerical services for all TVARS functions.

The Executive Secretary may delegate, as he or she deems prudent and appropriate, any of the duties identified in subsection (c) of this Article III, Section 3, to the Assistant Secretary, Treasurer, Assistant Treasurers, or other appropriate TVARS staff.

The duties of the Executive Secretary will include, but are not limited to, the following:

1. Keeping the records of the meetings of the Board;
2. Issuing notices of all Board meetings in accordance with these By-Laws and the Chair's directions;
3. Preparing and submitting to the Directors in advance of each meeting an agenda as approved by the Chair;
4. Preparing and submitting to the Directors in advance of each meeting an agenda as approved by the Chair;

5. Having custody of the records of TVARS;
6. Procuring administrative services as are necessary for TVARS business, provided that any purchase or contract in excess of \$100,000 will be subject to prior approval by the Board;
7. Approving the retirement of TVARS members who are eligible under the Rules and whose applications are filled in accordance therewith, referring to the Board any application for retirement which requires the exercise of judgment in determining the applicant's rights;
8. Submitting a quarterly report of all retirements approved during the prior quarter;
9. Approving the monthly payroll for retirees and beneficiaries;
10. Preparing annual reports of TVARS finances and operations in accordance with the Board's instructions and subject to its approval, for submission to the membership, retirees and beneficiaries, and TVA;
11. Conducting on behalf of the Board, under the direction of the Board's Election Committee, the election of Directors to represent the TVARS membership [See [Director Election/Selection Policy](#) for additional information]
12. Arranging with the TVARS medical board and actuary, in accordance with their respective contracts, for such medical and actuarial services as are required in carrying out the business of TVARS pursuant to the Rules;
13. Assisting any standing or special committee in the discharge of its duties when and as requested by the Chair;
14. Signing and executing all contracts and other instruments approved and/or authorized by the Board to be executed or entered into; and
15. Communicating on behalf of TVARS and the Board to outside entities interested in TVARS.

#### **Section 4. Duties of the Assistant Secretary**

The Assistant Secretary will assist the Executive Secretary generally and will perform such duties and functions as the Executive Secretary may designate.

#### **Section 5. Duties of the Treasurer/Assistant Treasurers**

The duties of the Treasurer will include, but are not limited to, the following:

1. Having charge and custody of and responsibility for all funds of TVARS except those in the custody of the Trustee;
2. Receiving and giving receipts for monies due and payable to TVARS from any source whatsoever and depositing all such monies in the name of TVARS in such bank or banks as the Board or Executive Secretary designates;

3. Paying all benefits, debts and other obligations of TVARS as authorized by the Board, and issuing and signing checks drawn against TVARS' funds for such purposes; and
4. Performing all the duties in general incident to the treasurer of a retirement system and such other duties as may be specifically assigned by the Executive Secretary or Board.

The Treasurer may delegate any of the duties in this Article III, Subsection (a) above to the Assistant Treasurer(s) as appropriate, and subject to the approval of the Executive Secretary.

## **Article IV. Meetings of the Board of Directors**

### **Section 1. Meeting Frequency**

A regular meeting of the Board of Directors will be held during each calendar quarter at such time and place as the Board may designate from time to time. The Chair, with the concurrence of three (3) members of the Board, may change the scheduled date of a meeting to another date during the quarter and likewise may designate a different place for a meeting. Special meetings of the Board may be called by the Chair or any three (3) members of the Board.

### **Section 2. Notice of Meeting**

Notice of the time and place of each regular meeting, or any change in the time or place of such a meeting, will be given at least three (3) days prior to the meeting by a written or electronic statement delivered to each member's regular home or business address. Directors will notify the Executive Secretary, or designee, of their address of record to receive notifications.

The Executive Secretary is expected to use best, reasonable efforts to ensure that all Directors receive meeting notifications. Notice of the time, place, and purpose or any special meeting will be given in a similar manner except that only one (1) day's advance notice is required.

The attendance of a Director at any meeting will constitute a waiver of notice with the exception of a Director who attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not properly called or convened.

A schedule of meetings for the upcoming year will be prepared at the end of each year.

### **Section 3. Quorum**

The attendance of four (4) directors will constitute a quorum of the Board for the transaction of business in any meeting of the Board, provided that if less than four (4) Directors are present at a meeting, a majority of the Directors present may adjourn the meeting to another time and, in that event, they will notify the other Directors orally or in writing of the adjourned meeting time.

If, during the course of a meeting, it comes to the attention of the Chair that a Director is temporarily absent from the meeting, and/or the quorum is lost, the Chair may in his or her own discretion and without benefit of a motion, cause the meeting to be recessed until the Director returns and/or the quorum is reestablished.

### **Section 4. Manner of Voting**

Each Director will be entitled to one (1) vote, and unless otherwise indicated, four (4) concurring votes will be necessary for every decision or action by the Board. Voting by proxy will not be permitted. Voting by teleconference is permitted. The Board may use a consent agenda for routine matters. [See [Sections 7](#) and [10](#) under [Governance Policy](#) for additional information.]

### **Section 5. Minutes**

The Board will maintain minutes that reflect, at a minimum, a summary of the discussions of the Board and its committees, the decisions reached, and the actions taken. Meetings of the Board will be recorded in order to produce a transcript of the meetings. The transcript will be made available to TVARS members and retirees upon request. [See [Section 11](#) under [Governance Policy](#) for additional information.]

### **Section 6. Meeting Decorum**

No Director will engage in private discourse or commit any other act tending to distract the attention of the Board from the business before it. Directors will confine their remarks to the questions under discussion or debate, and will avoid personal remarks. A Director wishing to speak (in order to give notice, to make a motion, to submit a report, or to accomplish any other purpose) may not proceed until the Director has been recognized by the Chair, after which the Director may address the Board. No Director will be permitted to speak more than once on any subject until every Director desiring to be heard on the subject has been allowed to speak.

### **Section 7. Length of Meetings**

Every Board meeting (except meetings with investment managers, the investment consultant, actuary, or auditor), may be adjourned by the Chair, without motion, four (4) hours after the meeting has been called to order; provided, however, that upon motion, duly

seconded, and approved by a majority of Directors present, a Board meeting may continue for a period longer than four (4) hours.

## **Article V. Committees of the Board and Committee Meetings**

### **Section 1. Standing Committees**

There will be four (4) standing committees of the Board: the Audit Committee, the Election Committee, the Investment Committee, and the Retirement Committee. Each standing committee will consist of at least three (3) persons designated for one-year terms by the Chair. Committee members will be designated by the Chair at the December quarterly meeting of the Board. The members of each standing committee will serve from the time they are designated until their successors have been designated, until they cease to be eligible for such service, (e.g. conclusion of employment, removal, etc.), or until they are removed by the Chair, or by a majority vote of the Board.

### **Section 2. Special Committees**

The Board may from time to time, as it deems necessary and appropriate for the purpose of transacting its business, establish a special committee. Special committees will be appointed by the Chair at such time and for such period and purpose as the business of TVARS reasonably requires.

### **Section 3. Committee Composition**

Committees will normally be comprised of Directors of the Board; however, the Board may, as it deems appropriate, by majority vote, appoint non-Directors to a committee, such as the Audit Committee. As set forth in the Rules, the Board will select as non-voting members of and advisers to the Investment Committee one (1) or more independent investment professionals or financial experts. The Chair will designate the chair of each committee at the time the Chair designates the membership of such committee or at any time a vacancy exists in the chair position of a committee.

### **Section 4. Committee Meetings**

A meeting of any committee may be called by the chair of the committee or two (2) members thereof on not less than twenty-four hour notice. Such notice, which may be oral, written, or electronic means, will state the time and place for the meeting. The Executive Secretary will use best, reasonable efforts to ensure that all members receive notification.

### **Section 5. Vacancies**

A vacancy in any committee will be filled by the Chair for the unexpired portion of the term.

## **Section 6. Removal from a Committee**

Any member of a committee may be removed by the Chair, or four (4) votes of the Board, whenever it is deemed appropriate and in the best interests of TVARS.

## **Section 7. Committee Charters**

Each standing committee of the Board will have a committee charter. The committee charter will, at a minimum, include the following:

1. the purpose of the committee,
2. the scope of the committee's authority,
3. the responsibilities of the committee,
4. the committee's composition,
5. the expected meeting frequency,
6. staffing of the committee,
7. reporting requirements,
8. how frequently the charter will be reviewed,
9. when the charter was adopted, and
10. the date of any amendments.

Charters for each committee will be adopted by the Board and are incorporated by reference herein.

## **Article VI. Amendments**

These By-Laws, or any part thereof, may be amended or repealed by the Board at any regular or special meeting, provided that the notice or the agenda of such meeting shows the substance of the proposed amendment or repeal.

## **Article VII. By-Laws Effective**

These By-Laws are effective as of the date adopted by the Board and will supersede and replace any and all previous By-Laws of the Board, which govern the administrative procedure of the Board.