From: Mike Moseley, President, TVARC
Subject: TVARC Action Alert: GAO Says Fully Fund TVA Pension Plan

The Tennessee Valley Authority Retirees Coalition (TVARC) requests support from TVARC members, members of TVA Retiree Chapters, our Unions, readers and senders of Facebook and Twitter messages and other contacts to send a message to our Tennessee Valley members of Congress. Please read this message and then go to http://www.nrln.org/congress.html#/54 to respond to this important Action Alert.

Background

The U.S. Government Accountability Office (GAO) was asked by Congress to review the **Tennessee Valley Authority's (TVA)** plan for debt reduction and to make recommendations: the first was that TVA must better communicate its plans for overall debt reduction and second, the GOA specifically recommends that **TVA take steps to have its retirement system adopt funding rules designed to ensure the pension plan's full funding. (**Click here to read the GAO's Report**.)**

The **Tennessee Valley Authority (TVA),** the nation's largest public power provider, is a federal electric utility with revenues of about $10.6 billion in fiscal year 2016. As you know, TVA's mission is to provide affordable electricity, manage river systems, and promote economic development. TVA provides electricity to more than 9 million customers in the southeastern United States. TVA must finance its assets with debt obligations and operating revenues. TVA primarily finances large capital investments by issuing bonds but is subject to a statutorily imposed $30 billion debt limit.

The **Tennessee Valley Authority Retirees Coalition (TVARC)** was formed in 2016 as a TVA retirees' coalition and a chapter of the National Retiree Legislative Network (NRLN) to specifically address TVA retiree's income security and health care benefits. TVARC has communicated to TVA retirees and members of Congress that the TVA was purposefully and grossly underfunding its pension plan and was disrespectful toward the plan's independent fiduciary, the Tennessee Valley Authority Retiree System (TVARS).

Unlike ERISA protected pension plans, TVA is allowed to negotiate and indirectly mandate plan minimum funding requirements. TVARC succumbs to pressure with the backdrop of TVA's having the right to terminate the plan rather than meet ERISA's accepted actuarial minimum funding practices or having to follow ERISA voluntary or non-voluntary plan termination rules. TVARC rules are inadequate.

GOA Specific Pension Plan Findings (Information and Quotes):

"In a 2010 report, the TVA OIG [Office of Inspector General] found that a combination of factors— including market conditions and TVA actions—resulted in a significant shortfall between pension plan assets and projected liabilities. These factors included: (1) TVA not making contributions to TVARS for 6 years, (2) the addition of significant retirement benefits to the plan when the funded status was better, (3) the establishment of TVARS Rules that had the effect of enticing employees to retire, and (4) the economic downturn in 2008 and 2009. The TVARS pension **plan's funded status decreased from about 92 percent in 2007 to about 55 percent in 2016…"**

"As of September 30, 2016, TVA's pension plan was about 54 percent funded with a **funding shortfall of about $6 billion** (plan assets totaled $7.1 billion and liabilities $13.1 billion). While TVA's debt has remained relatively flat, its unfunded **pension liabilities have steadily increased over the past 10 years"**

"In 2016 the TVARS board approved amendments that reduced TVA's pension liabilities by about $960 million, reduced future benefit accruals, and added a minimum contribution requirement of $300 million to the existing requirement for a period of 20 years. However, the **amended TVARS Rules do not adjust TVA's annual contribution requirement to ensure TVA will fully fund its pension liabilities**."

"The TVARS Rules require that for a period of 20 years, or until the plan is deemed fully funded. TVA's annual contribution equal the greater of (1) a formula-based contribution or (2) $300 million." However, "The formula uses a 30-year "open amortization method," meaning that the amortization period is reset to 30 years each fiscal year, so the end of the amortization period (i.e., paying off the unfunded liability) may never be achieved.

“A Blue Ribbon Panel commissioned by the Society of Actuaries believes that plans’ risk management practices and their ability to respond to changing economic and market conditions would be enhanced through the use of amortization periods shorter than the 30-year period commonly used today. **The panel recommended amortization periods of no more than 15 to 20 years for gains and losses.** According to the panel’s 2014 report, the panel believes that fully funding pension benefits of public employees over their average future service reasonably aligns the cost of today’s public services with the taxpayers who benefit from those services. In addition, according to the American Academy of Actuaries, funding rules should include targets based on accumulating the present value of benefits for employees by the time they retire, and a plan to make up for any variations in actual assets from the funding target within a defined and reasonable time period.[57] In the private sector, **ERISA generally requires a 7-year amortization** of shortfalls for private sector single- employer pension plans.”

“TVA officials told us that because TVA uses revenue from the rates it charges customers to fund the pension, and not debt in the form of bonds, unfunded pension liabilities would not affect TVA’s debt reduction plan.” Some retirees believe that when TVA did not fund the plan for 6 years they errored and charged pension funding as a regulatory assets in the rates and thus may have a future liability that will suppress the ability to fund the plan.

In short, the TVARC believes that Congress should mandate that ERISA rules become applicable to and replace current TVARC rules.

Your TVARC board will lobby Congress again shortly but for now, it is your turn. Please send the Action Alert’s sample letter. (Remember to click here to read the full text of the GAO report.)

Mike Moseley, President, TVARC

Here are the easy steps to follow on this Action Alert:

1. Go to http://www.nrln.org/congress.html#/54. It will present the sample letters for you to email to your U.S. Representative and U.S. Senators. If you have a problem with this link, go to www.nrln.org and click on the “**Take Action Now!**” near the top of the NRLN website home page. When the Action Alert appears, click on the “Write your Legislators” link.
2. When you have accessed the sample letters, to the left of the letters are windows to type in your contact information required by members of Congress so they know they are receiving an email from a constituent. If you have sent previous NRLN emails to your members of Congress your contact information may be automatically displayed.
3. Personalize the letters by editing in your own comments.
4. Click on the "Preview" button and the letters addressed to your Representative and two Senators will appear. Their names will be automatically added in the letter’s greeting. Check to make sure the letters to your members of Congress appear correct and then click "Send".