



Committee on Transportation and Infrastructure
U.S. House of Representatives

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Chairman

Washington, DC 20515

Peter A. DeFazio
Ranking Member

Christopher P. Bertram, Staff Director

April 11, 2016

Katherine W. Dedrick, Democratic Staff Director

William D. Johnson
President and Chief Executive Officer
Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, TN 37902

Mr. Johnson,

On December 16, 2015, you submitted a proposal to the Tennessee Valley Authority Retirement System (TVARS) Board of Directors to dramatically modify the pension systems of more than 30,000 federal employees. On March 3, 2016, the TVARS Board approved a counter-proposal that is currently under review by the Tennessee Valley Authority (TVA) Board of Directors. In light of the significant impact that these proposals could have on the Tennessee Valley Authority's Federal workforce, we write to request your answers to the following questions regarding TVA's historical contributions to its pension system, the pending TVARS modifications, and the impact that these changes would have on TVA workers and retirees who have voiced concern that the changes are inequitable, and will subject them to drastic benefit reductions.

Thus, we respectfully request your answers to the following questions:

1. In FY 2015, TVA reported that it lost \$762 million in its pension fund investments, contributing to a \$6 billion shortfall in TVA's employee retirement system. In TVA's annual report filing with the U.S. Securities and Exchange Commission, TVA estimated that its FY 2015 pension benefit cost was equal to \$511 million, but only \$282 million was paid into the pension benefit plan. Could you please account for the \$229 million difference and other efforts undertaken by TVA to address the \$6 billion shortfall?
2. You have asserted that changes are needed to "improve the long-term health of the (pension) system." Please provide details on any other changes, other than the proposed pension benefits reductions, that you considered that would have improved the health of the pension benefit system, including any changes to the Supplemental Executive Retirement Plan.

3. Speaking of the common industry practice to apply changes to general retirement plans and supplemental executive plans concurrently, George H. Bostick, former Benefit Tax Counsel at the United States Department of Treasury, was quoted in a recent New York Times article stating, "People tend to run their supplemental executive plan in parallel with qualified plans. If they're reducing benefits prospectively in a qualified plan, they're reducing benefits prospectively in the supplemental plan as well."¹ Given that the executive salaries at TVA are already high enough to attract talented individuals to the organization, please explain the rationale for not recommending any changes to the Supplemental Executive Retirement Plan.
4. TVA annually receives a recommended pension contribution request from TVARS. However, despite TVA's return to general profitability since the end of the 2008 financial crisis, TVA has continued to provide only the minimum contribution amount, which some have said is actuarially unsound. Please provide your rationale for why TVA has contributed less than the TVARS recommended amount, for each of the years TVA has not met the TVARS recommended contribution level.
5. Please provide details on the changes that TVA made to its pension system in 2009, and data regarding the impact of these changes on the overall viability of TVA's pension system.
6. Some blame the \$6 billion pension shortfall on TVA's reluctance to make sufficient contributions to maintain the health of the pension benefits system. Please detail TVA's contributions to the pension system to date.

Additionally, considering the drastic impact that these proposed changes would have for TVA's workers and retirees, we respectfully request that you take all available actions to prevent the adoption and implementation of any modifications to TVA's pension system that could harm TVA workers and retirees.

Please contact the Democratic Staff of the Subcommittee on Water Resources and Environment at (202) 225-0060 or the Office of Representative Steve Cohen at (202) 225-3265 if you have any questions regarding this request.

Thank you for your consideration.



PETER DeFAZIO
Ranking Member

Sincerely,



STEVE COHEN
Member of Congress

¹ Sheiber, Noam. "Pension Benefit Cuts Planned at T.V.A, Breaking a Federal Firewall." *The New York Times* March 3, 2016. <http://nyti.ms/1RM0UKK>

President William D. Johnson

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cc: Mr. Joe Ritch, Chairman, TVA Board of Directors
Marilyn A. Brown, Member, TVA Board of Directors
Lynn Evans, Member, TVA Board of Directors
Virginia Lodge, Member, TVA Board of Directors
Richard Howorth, Member, TVA Board of Directors
Peter Mahurin, Member, TVA Board of Directors
Michael McWherter, Member, TVA Board of Directors
Ronald Walter, Member, TVA Board of Directors
Allen Stokes, Chair, TVARS Board of Directors
James Hovious, Member, TVARS Board of Directors
Leonard Muzyn, Member, TVARS Board of Directors
Tony Troyani, Member, TVARS Board of Directors
Brian Child, Member, TVARS Board of Directors
John M. Hoskins, Member, TVARS board of Directors
Tammy Wilson, Member, TVARS Board of Directors