

## **Audit Critical of TVA's Retirement Fund**

TVA's Inspector General said the federal utility cut its share of retirement contributions in half during the 1990's and later quit making any contributions for six years, despite rising benefit expenses for TVA and increased retirement contributions by most other electric utilities.

When the market slump cut the value of TVA's investments in 2008 and 2009, the utility's once-rich retirement plan shrank to \$3 billion below what actuaries said it needed to meet future obligations. The retirement program now has about \$6.6 billion or 83 percent of the desired level.

"These events constituted a near 'perfect storm' that created a financially unhealthy system," TVA Inspector General Richard Moore concluded in an 11-page audit.

TVA moved to shore up the fund last summer with a \$1 billion contribution and \$300 million in benefit cuts. TVA directors last year also accepted a retirement system board plan to eliminate any inflationary increases in benefits this year and in 2012 and to limit any cost-of-living increases in 2011 and 2013.

Critics of the TVA retirement system changes adopted last year claim TVA should make up for the shortfall in the system due to investment losses. They contend the utility took advantage of earlier investment gains to reduce employer contributions from 1990 through 2009.

An independent actuary hired by the Inspector General's office questioned the decision not to contribute to the fund when it was flush with cash and then failing to make up the shortfall when the plan was under funded.

"When an employer uses those returns to fund their contributions (during market upswings), they should anticipate funding more in negative return years," the audit concluded.

### **TVA Retirement System – By The Numbers**

- ❖ **22,785 -- Number of TVA retirees covered**
- ❖ **12,034 -- Number of TVA employees covered**
- ❖ **\$6.6 billion -- Current value of TVA retirement system (83 % of desired level)**
- ❖ **\$1 billion -- TVA ratepayer contribution to plan last August**
- ❖ **\$300 million -- Value of benefit reductions due to cutbacks in cost-of-living increases adopted last August**