

Meeting No. 443

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

June 28, 2013

(Edited to remove personal information related to individual members and retirees and proprietary information.)

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Friday, June 28, 2013, at 10:39 a.m., EDT, at the TVA Knoxville Office Complex, WT Plaza 404, Knoxville, Tennessee.

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The following directors were present: Leslie P. Bays, Chair; Allen E. Stokes, Vice-Chair; Peyton T. Hairston, Jr.; Leonard J. Muzyn; Anthony L. Troyani; and Tammy W. Wilson. Also present were Patrick D. Brackett, Executive Secretary; Pamela K. Ramsey, Assistant Secretary; and W. Colby Carter, Legal Counsel. Director John M. Hoskins was not present.

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443-1 Each director was notified in an e-mail dated April 3, 2013, of the regular quarterly meeting to be held on June 28, 2013. A copy of the notice from the Executive Secretary is filed as Exhibit 443-1.

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443-2 (A-6035). The Chair noted the Board's meeting with Bill Johnson, TVA's CEO, a couple weeks prior to the Board meeting and that it is expected there will be a continuing dialogue with Mr. Johnson. The Chair also acknowledged the System staff for their excellent service to members in various TVA organizations following the recent announcements of voluntary reductions in force.

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443-3 (A-6036). The Executive Secretary's report included the following:

- The Executive Secretary informed the Board that there will be a meeting scheduled for Friday, July 19th in Knoxville to finalize the long-term funding policy results with Mercer.
- The Executive Secretary informed the Board that the dates for the next quarterly Board meeting in Chattanooga will be rescheduled to Wednesday, September 11th and Thursday, September 12th.

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443-4 (A-6037). The Legal Counsel's update included the following:

- Internal Legal Counsel informed the Board that the IRS has requested that the System adopt certain amendments to the System's Rules and Regulations and 401(k) Plan Provisions that have been proposed as a part of the determination letter process. These proposed amendments have been placed on the Retirement Committee agenda.
- Following the Board meeting, Bradley Arant Boult Cummings, outside legal counsel representing the System in the current lawsuit against TVA and the System, will meet with the Board on issues regarding the lawsuit.

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443-5 (A-6038). The Board noted its previous notational action approving the 2013 TVARS Election Schedule. A copy of the 2013 TVARS Election Schedule is filed as Exhibit 443-5.

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443-6 (A-6039). The Board approved the minutes of Meeting No. 442 held March 15, 2013.

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443-7 (A-6040). The Board accepted the Treasurer's Report for the quarter ending March 31, 2013. A copy of the Treasurer's Report is filed as Exhibit 443-7. This report is available for review at the Retirement System Office.

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443-8 (A-6041). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending March 31, 2013. A copy of the Investment Performance Report is filed as Exhibit 443-8. This report is available for review at the Retirement System Office.

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443-9 (A-6042). The Board accepted the report of retirements approved for the quarter ending March 31, 2013. A copy of the report and a copy of summary demographic information regarding retirements in the quarter are filed as Exhibit 443-9. These reports contain information on individual cases and are not available for review.

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443-10 (A-6043). The Board accepted the Investment Review for the Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investment Institutional Services Company (Fidelity) for the quarter ending March 31, 2013. A copy of the 401(k) Plan Investment Review is filed as Exhibit 443-10. This report is available for review at the Retirement System Office.

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443-11 (A-6044). The Investment Committee report consisted of the items reported below at A-6045 and A-6046, and of the following items:

- The Board was provided and took note of the quarterly report on manager compliance with investment guidelines. A copy of the report, dated March 31, 2013, is filed as Exhibit 443-11(a).
- The Board was provided and took note of information regarding investment manager asset transfers during the first quarter of 2013. A copy of this information is filed as Exhibit 443-11(b).
- The Board was provided and took note of information on due diligence meetings and conference calls between System staff and investment managers during the first quarter of 2013. A copy of the information is filed as Exhibit 443-11(c).
- The Board was provided and took note of the quarterly analysis of 401(k) Plan investment options with respect to the Plan's watch list criteria. A copy of this information is filed as Exhibit 443-11(d).
- The Board was provided and took note of a staff report on quarterly economic indicators. A copy of the report is filed as Exhibit 443-11(e).
- The Board was provided and took note of a report giving the status of the System's risk and performance of the System's asset allocation to its "Tail Risk" strategy managed by Pacific Investment Management Company (PIMCO). A copy of this report is filed as Exhibit 443-11(f).
- The Board was provided an update on the funded status of the System through May 17, 2013. A copy of the report is filed as Exhibit 443-11(g).

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443-12 (A-6045). After discussion, upon the recommendation of the Investment Committee, the Board voted to approve, and authorized the Executive Secretary to execute, an amendment to the investment guidelines with Bridgewater Associates (Bridgewater), a current investment manager of the System, to allow the tracking error of the Pure Alpha portfolio to increase from the current 3% to an estimated 4.32% as the System reduces some of its exposure to Treasury Inflation Protected Securities (TIPS) within the portfolio. A copy of information regarding the Bridgewater portfolio and change in the tracking error guidelines is filed as Exhibit 443-12.

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443-13 (A-6046). The System staff recently worked with Fidelity to review the share classes of all of the funds available in the 401(k) Plan investment menu. After this review,

sixteen funds were identified with lower fee share classes that are eligible to be offered to 401(k) Plan participants. After discussion, upon the recommendation of the Investment Committee, the Board approved mapping these sixteen funds in the 401(k) Plan investment menu to the lower available share classes. As a part of this approval, the Board authorized the Executive Secretary to execute an amendment to 401(k) Plan Trust Agreement with Fidelity to implement this action, which such amendment will also separate the recordkeeping portion from the Trust Agreement to be added to a separate recordkeeping agreement with Fidelity. A copy of information on the 401(k) Plan investment fund share class changes is filed as Exhibit 443-13.

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443-14 (A-6047). The Retirement Committee report consisted of items reported below at A-6048, A-6049, A-6050 and A-6051, and of the following items:

- The Board was provided with a Quarterly Communication Update providing the communication initiatives implemented during the third quarter of fiscal year 2013. A copy of the Quarterly Communication Update is filed as Exhibit 443-14(a).
- The Board was provided an update on the status of the long-term funding policy study being performed by Mercer, the System's actuary. A copy of Mercer's preliminary results report for the long-term funding policy study dated June 27, 2013, is filed as Exhibit 443-14(b).
- Legal Counsel informed the Board that as a part of the determination letter review of the TVARS defined benefit plan document by the IRS, proposed amendments to the Rules and Regulations of the TVA Retirement System ("System Rules") were presented to the IRS for review, and the IRS has requested that the amendments be adopted and the System Rules restated to incorporate them. Accordingly, upon the recommendation of the Retirement Committee, the Board approved the following amendments to the System Rules:

BE IT RESOLVED, That Section 11 of the System Rules is amended to add a new subsection L as follows:

L. Governmental Plan

As a plan maintained for employees of the Tennessee Valley Authority, an agency of the Federal government, the Retirement System intends to satisfy Code section 401(a) by meeting the requirements of a governmental plan in Code section 414(d).

BE IT FURTHER RESOLVED, That Section 17 of the System Rules is amended to delete the language marked through and to add the language underlined as follows:

SECTION 17

Limitations on Benefits and Contributions

A. Limitation on Benefits

1. Notwithstanding anything in these Rules and Regulations to the contrary, the annual benefit otherwise payable to a member at any time will not exceed the defined benefit dollar limitation. If the benefit the member would otherwise accrue in a limitation year would produce an annual benefit in excess of the defined benefit dollar limitation, the benefit will be limited (or the rate or accrual reduced) to a benefit that does not exceed the defined benefit dollar limitation.
2. The "defined benefit dollar limitation" is \$160,000, as adjusted, effective January 1 of each year, under section 415(d) of the Code in such manner as the Secretary shall prescribe, and payable in the form of a straight life annuity. A limitation as adjusted under section 415(d) will apply to limitation years ending with or within the calendar year for which the adjustment applies.

B. Limitation on Contributions

1. Notwithstanding anything in these Rules and Regulations to the contrary, but subject to the limits on contributions to the Retirement System set forth in sections 9AI and 19AI, the annual additions that may be contributed or allocated to a member's account in the Retirement System under these Rules and Regulations shall not exceed the maximum annual addition. The maximum annual addition for any limitation year is equal to (i) the lesser of (a) \$40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code, or (b) 100 percent of the member's compensation, ~~within the meaning of section 415(e)(3) of the Code~~, for the limitation year, reduced by the annual additions credited to a member's account(s) under the Deferral Plan for the same limitation year. The compensation limit referred to in (b) above shall not apply to any contribution for medical benefits after separation from service (within the meaning of section 401(h) or section 419A(f) (2) of the Code) which is otherwise treated as an annual addition.
2. If contributions to the member's account under these Rules and Regulations would cause the annual additions for the limitation year to exceed the maximum annual addition, then the member's savings contributions, if any, to the Deferral Plan shall first be reduced, and thereafter the member's voluntary employee contributions under these Rules and Regulations, if any, shall next be reduced, and lastly, the amount contributed by TVA under the Deferral Plan will be reduced so that the annual additions under all such plans for the limitation year will approximately equal and not exceed the maximum annual addition.

~~3. Prior to determining the member's actual compensation for the limitation year, the board may determine the maximum annual addition for the member on the basis of a reasonable estimation of the member's compensation for the limitation year, uniformly determined for all members similarly situated. RESERVED~~

~~4. As soon as is administratively feasible after the end of the limitation year, the maximum annual addition for the limitation year will be determined on the basis of the member's actual compensation for the limitation year.~~

~~5.4.~~ If, pursuant to this section, a member's annual additions under the Deferral Plan and under these Rules and Regulations would result in an excess amount for a limitation year, the excess amount contributed will be disposed of as follows:

- (i) Any voluntary employee contributions under these Rules and Regulations and savings contributions to the Deferral Plan, together with any earnings attributable thereto, to the extent it would reduce the excess amount, will be returned to the member in a manner determined by the board;

C. For the Purposes of this Section 17:

1. Adjustment factor shall mean the cost-of-living adjustment factor prescribed by the Secretary of the Treasury under section 415(d) of the Code for years beginning after December 31, 1987, as applied to such items and in such manner as the Secretary shall provide.
2. Annual additions shall mean the amount credited or allocated to a member's account during the limitation year that constitutes:
 - (i) Employer contributions (including salary deferral contributions) to the Deferral Plan;
 - (ii) Employee contributions under these Rules and Regulations and savings contributions under the Deferral Plan (including excess contributions defined in section 401(k)(8)(B) of the Code, excess aggregate contributions as defined in section 401(m)(6)(B) of the Code, and excess deferrals as described in section 402(g) of the Code, regardless of whether such amounts are distributed or forfeited),
 - (iii) Forfeitures, and
 - (iv) Amounts described in sections 415(c)(2) and 419A(d)(2) of the Code.

However for any limitation year beginning before January 1, 1987, employee contributions treated as an annual addition shall be the lesser of (i) one-half of the nondeductible employee contributions or (ii) the nondeductible employee

contributions in excess of six (6) percent of the member's compensation for the limitation year.

Any excess amount applied in the limitation year to reduce TVA contributions will be considered annual additions for such limitation year.

3. Annual benefit shall mean the annual pension benefit (adjusted for an actuarially equivalent straight life annuity if such pension is expressed in a form other than a straight life annuity consistent with the requirements of section 415 of the Code using the Actuarial Assumptions contained in the Appendix to these Rules and Regulations) to which the member would be entitled under the terms of these Rules and Regulations assuming: (1) the member will continue employment until normal retirement age under the Retirement System (or current age, if later), and (2) the member's compensation for the current limitation year and all other relevant factors used to determine benefits under these Rules and Regulations will remain constant for all future limitation years.
4. Current accrued benefit shall mean a member's annual pension benefit (including optional benefit forms) accrued as of the later of the last limitation year beginning before January 1, 1983, or September 30, 1983, but determined without regard to changes in the Retirement System Rules and Regulations or cost-of-living increases occurring after July 1, 1982.
5. The defined benefit dollar limitation shall be determined as follow:
 - (i) If the benefit of a member begins prior to age 62, the defined benefit dollar limitation applicable to the member at such earlier age ~~is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the actuarial equivalent of the defined benefit dollar limitation applicable to the participant at age 62 (adjusted under subsection (iv) below, if required). The defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of (i) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using~~ shall be adjusted as required under section 415(b) of the Code and the Treasury Regulations thereunder (including as set forth in subsection (iv) below, as applicable). To the extent that a Retirement System-specified interest rate is to be applied, the plan-specified interest rate and mortality table under such applicable guidance is the interest rate and the applicable mortality table (or other tabular factor) to the extent specified in the Actuarial Assumptions contained in the Appendix to these Rules and Regulations and (ii) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate and the "applicable mortality table" is the applicable mortality table as defined in section 1 of the Actuarial Assumptions contained in the Appendix to these Rules and Regulations. Any decrease in the defined

benefit dollar limitation determined in accordance with this paragraph (b) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

- (ii) If the benefit of a member begins after ~~the member attains age 65~~, the defined benefit dollar limitation applicable to the ~~participant at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is actuarially equivalent to the defined benefit dollar limitation applicable to the participant at age 65 (adjusted under subsection (iv) below, if required)~~. The actuarial equivalent of the defined benefit dollar limitation applicable at any age after the age 65 is determined as (i) ~~the lesser of the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and member at such later age shall be adjusted as required under section 415(b) of the Code and the Treasury Regulations thereunder (including as set forth in subsection (iv) below, as applicable)~~. To the extent that a Retirement System-specified interest rate is to be applied, the plan-specified interest rate and mortality table under such applicable guidance is the interest rate and the applicable mortality table (or other tabular factor) to the extent specified in the Actuarial Assumptions contained in the Appendix to these Rules and Regulations and (ii) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate assumption and the “applicable mortality table” is the applicable mortality table as defined in section 1 of the Actuarial Assumptions contained in the Appendix to these Rules and Regulations. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.
- (iii) Notwithstanding the above, for individuals who were members on July 1, 1982, the defined benefit maximum shall be not less than the member's current accrued benefit.
- (iv) If the member has fewer than 10 years of participation in the Retirement System, the defined benefit dollar limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of participation in the Retirement System and (ii) the denominator of which is 10. ~~(v) — Also notwithstanding the above, because the Retirement System is a governmental plan, any actuarial adjustment to the defined benefit dollar limitation shall not reduce the \$160,000 limitation below \$75,000 if the benefit begins on or after age 55. If the annual benefit commences before age 55, the adjusted defined benefit dollar limitation is the actuarial equivalent of a \$75,000 benefit commencing at age 55. Furthermore, income received from this governmental plan as a result of the recipient becoming disabled by reason of personal injuries or~~

~~sickness, or amounts received from this governmental plan by the beneficiaries, survivors, or the estate of an employee as a result of the death of the employee, shall not be subject to actuarial reduction for benefits commencing before age 62 or reduction for participation or service of less than 10 years, as otherwise provided for in this section. This section 17C5(iv) shall be applied in a manner consistent with section 415(b) of the Code and the Treasury Regulations thereunder.~~

(v) Notwithstanding the foregoing, in the event the annual benefit does not exceed \$10,000, the benefit payable shall be deemed not to exceed the defined benefit dollar limitation as permitted under section 415(b)(4) of the Code.

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7. Excess amount shall mean the excess of the member's annual additions for the limitation year over the maximum annual addition for such limitation year.
 8. For the purpose of this section 17, limitation year shall mean a calendar year. The limitations of this section 17 will apply in limitation years beginning after December 31, 2001, except as otherwise provided herein.
 9. Benefit increases resulting from the increase in the limitations of section 415(b) of the Code ("Code") will be provided to all current and former members (with benefits limited by section 415(b) of the Code) who have an accrued benefit under the Rules and Regulations immediately prior to the effective date of this section 17 (other than an accrued benefit resulting from a benefit increase solely as a result of the increases in limitations under section 415(b) of the Code).
 10. For purposes of this section 17, "compensation" means compensation within the meaning of Treasury Regulation section 1.415(c)-2(d)(4) and as otherwise required under Treasury Regulation 1.415(c)-2.
 11. Notwithstanding any provision of these Rules and Regulations to the contrary, the Retirement System shall comply with the maximum contribution limits under section 415 of the Code and the applicable Treasury Regulations thereunder, as adjusted pursuant to section 415(d) of the Code, and such requirements are incorporated into these Rules and Regulations by reference.
- Legal Counsel informed the Board that as a part of the determination letter review of the 401(k) Plan document by the IRS, proposed amendments to the Provisions of the Tennessee Valley Authority Savings and Deferral Retirement Plan ("401(k) Plan") were presented to the IRS for review, and the IRS has requested that the amendments be adopted and the 401(k) Plan restated to incorporate them. Accordingly, upon the

recommendation of the Retirement Committee, the Board approved the following amendments to the 401(k) Plan Provisions:

BE IT RESOLVED, That Article 1 of the 401(k) Plan Provisions is amended to add a new Article 1.3 as follows:

- 1.3 Governmental Plan. As a plan maintained for employees of the Tennessee Valley Authority, an agency of the Federal government, the Deferral Plan intends to satisfy Code section 401(a) by meeting the requirements of a governmental plan in Code section 414(d).

BE IT FURTHER RESOLVED, That Articles 2.9B, 9.6 and 9.7 of the 401(k) Plan Provisions are, effective as of January 1, 2008, amended and restated in their entirety as follows:

2.9 Compensation

- B. For purposes of applying section 415 of the Code as set forth in Article 9.6, the definition of Compensation set forth in Article 9.7 will apply.

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9.6 Limitation on Total Contributions.

- A. Notwithstanding any provision of the Deferral Plan to the contrary, the Deferral Plan shall comply with the maximum contribution limits under section 415 of the Code and the applicable Treasury Regulations thereunder, as adjusted pursuant to section 415(d) of the Code, and such requirements are incorporated into the Deferral Plan by reference.
- B. To the extent permitted by applicable law, the board may take any such action it deems necessary, in its sole discretion, including, but not limited to, returning contributions pursuant to ERISA, applicable Internal Revenue Service guidance, and any subsequent guidance thereto, to comply with the requirements of this Article 9.6.
- C. To the extent that the Code section 415(c) limits are exceeded, excess contributions shall first be withdrawn from a Participant's Pre-tax Elective Deferral Account and/or Roth Elective Deferral Account, then the Participant's savings contributions, and then voluntary employee contributions to the Retirement System.

9.7 Definitions for Purposes of Article 9.6.

- A. "Compensation" means compensation within the meaning of Treasury Regulation section 1.415(c)-2(d)(4) and as otherwise required under Treasury Regulation 1.415(c)-2.
- B. "Limitation Year" means the calendar year.

BE IT FURTHER RESOLVED, That Article 11.2 of the 401(k) Plan Provisions is amended, effective as of the effective date of the 401(k) Plan, to add the language underlined as follows:

- 11.2 Vested Benefits. All contributions made by TVA on behalf of a participant (salary deferral contributions), all contributions made by a participant (savings contributions), all transfer contributions, and gains and losses thereon pursuant to this Deferral Plan shall at all times be fully vested in the participant and nonforfeitable.

Notwithstanding any provision of the Deferral Plan to the contrary, the Deferral Plan must meet the vesting requirements of section 401(a)(4) of the Code and section 401(a)(7) of the Code as in effect on September 1, 1974. In the event of the termination of the Deferral Plan or a complete or permanent discontinuance of contributions thereunder by TVA or the Board, any individual who is a participant at such time shall be 100% vested in his or her Deferral Plan accrued benefits to the extent required by section 401(a)(7) of the Code as in effect on September 1, 1974. For purposes of this Deferral Plan, normal retirement age shall mean age 65 and three years of actual service as defined in Article 9.5 of the Deferral Plan.

BE IT FURTHER RESOLVED, That Article 12.14 of the 401(k) Plan Provisions is, effective as of the effective date of the 401(k) Plan, amended and restated in its entirety as follows:

- 12.14 Exclusive Benefit. Notwithstanding any provision of the Deferral Plan to the contrary, assets of the Deferral Plan shall be held for the exclusive benefit of Participants and their Beneficiaries in a manner consistent with section 401(a)(2) of the Code; provided, however, that reversions will be permitted to the extent allowed under the Code and any related guidance thereunder, including, but not limited to, a mistake of fact as permitted under applicable Internal Revenue Service guidance.

- Following a previous discussion with TVA, upon the recommendation of the Retirement Committee, the Board voted to adopt amendments to Section 1(12) of the System Rules and Article 2.9A of the 401(k) Plan Provisions. These amendments allow certain lump-sum payments in lieu of base wage or salary increases for fiscal year 2013 to be included in employees' compensation for purposes of calculating pension benefits and TVA matching contributions to the 401(k) Plan. The Board took the following actions:

BE IT RESOLVED, That Section 1(12) of the Rules and Regulations of the TVA Retirement System is amended to delete the language marked through and to add the language underlined as follows:

SECTION 1

Definitions

12. "Earnable compensation" shall mean the rate of regular salary or wages which a member would earn if the member worked full time on the basis of the stated salary or wage paid the member; provided, however, that earnable compensation shall include the total of any amount deferred as a salary deferral contribution by the member pursuant to the Deferral Plan and the total of any pretax contributions by the member for employee benefits pursuant to a flexible benefit or spending arrangement established under section 125 of the Code or for qualified transportation fringe benefits under section 132 of the Code. Notwithstanding any other provision of this plan, the earnable compensation of each member taken into account under the plan for any year shall not exceed the compensation limit established under section 401(a)(17)(B) of the Code, as adjusted for cost-of-living increases in accordance with that section. For plan years beginning on or after January 1, 2002, the annual earnable compensation of each member taken into account in determining allocations for any plan year shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual earnable compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the Rules and Regulations (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual earnable compensation for the determination period that begins with or within such calendar year.

Provided, however, that earnable compensation shall include lump-sum payments of up to 3 percent of regular salary or wages for Fiscal Year 1998, and lump-sum payments of up to 4 percent of regular salary or wages for Fiscal Years 1999 through ~~2012~~2013, which TVA informs the System were made available, in lieu of a base wage or salary increase, across a represented or non-represented group of employees as agreed to during annual negotiations, in the case of represented groups, or approved by TVA in connection with an annual review of management and excluded compensation. Provided further, that earnable compensation shall include (a) lump-sum payments of up to 1.7 percent of regular salary or wages, and minimum awards of \$500 and prorated amounts where applicable, made in Fiscal Year 2001 for Fiscal Year 2000 performance under the TVA Performance Success Award Plan; (b) lump-sum payments of up to 3 percent of regular salary or wages (excluding any overtime pay adjustments) made in Fiscal Years 2001 through 2005 under the Memorandum of Understanding regarding Transition to Multiple Skill Classifications in TVA's River System Operations and Environment organization; and (c) lump-sum payments of up to 6.25 percent of regular salary or wages (excluding any overtime pay adjustments), as approved by TVA, under the TVA Winning Performance Team Incentive Plan.

BE IT FURTHER RESOLVED, That Article 2.9A of the Provisions of the Tennessee Valley Authority Savings and Deferral Retirement Plan is amended to delete the language marked through and to add the language underlined as follows:

2.9 Compensation.

- A. Except as otherwise provided herein and unless otherwise required by the Code, compensation shall mean the annual rate of regular salary or wages which a participant would earn if the participant worked full-time on the basis of the stated salary or wages paid the participant; provided, however, that such compensation shall also include compensation which is not currently includable in the participant's gross income by reason of the application of sections 125, 132(f)(4), or 402(g)(3) of the Code. For the purpose of determining participant's compensation under Article 9.5, compensation shall include a lump-sum payment of up to 3 percent of regular salary or wages for Fiscal Year 1998, and a lump-sum payment of up to 4 percent of regular salary or wages for Fiscal Years 1999 through ~~2012~~2013, which TVA informs the Retirement System were made available, in lieu of a base wage or salary increase, across a represented or non-represented group of employees as agreed to during annual negotiations, in the case of represented groups, or as approved by TVA in connection with an annual review of management and excluded compensation. For the purposes of determining participant's compensation under Article 9.5, compensation shall include (a) for plan year 2001, lump-sum payments of up to 1.7 percent of regular salary or wages, and minimum awards of \$500 and prorated amounts where applicable, made for Fiscal Year 2000 performance under the TVA Performance Success Award Plan; (b) for plan years 2001 through 2005, lump-sum payments of up to 3 percent of regular salary or wages (excluding any overtime pay adjustments) made under the Memorandum of Understanding regarding Transition to Multiple Skill Classifications in TVA's River System Operations and Environment organization; and (c) for plan years after 2001, lump-sum payments of up to 6.25 percent of regular salary or wages (excluding any overtime pay adjustments), as approved by TVA, under the TVA Winning Performance Team Incentive Plan. Notwithstanding any other provisions of this plan, the annual compensation of each participant taken into account under the plan for any year shall not exceed the compensation limit established under section 401(a)(17)(B) of the Code, as adjusted for cost-of-living increases in accordance with that section. For any plan year beginning after December 31, 2001, the annual compensation of each participant taken into account in determining allocations shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

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443-15 (A-6048). After a request for proposal (RFP) process for actuarial services, including on-site interviews, upon the recommendation of the Retirement Committee, the Board approved extending its current contract for actuarial services with Mercer and delegated to the Executive Secretary the authority to negotiate and enter into a contract extension with Mercer subject to acceptable terms by the Board. A copy of information regarding the actuarial RFP process is filed as Exhibit 443-15.

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443-16 (A-6049). After a RFP process for defined contribution (DC) plan consulting services, including on-site interviews, upon the recommendation of the Retirement Committee, the Board approved the selection of Aon Hewitt EnnisKnupp as its DC consultant for the 401(k) Plan and delegated to the Executive Secretary the authority to negotiate and enter into a three-year contract with Hewitt EnnisKnupp subject to acceptable terms by the Board. A copy of information regarding the DC consultant RFP process is filed as Exhibit 443-16.

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443-17 (A-6050). The Board was provided information on Fidelity's loan and hardship withdrawal approval and loan interest rate services that are available to the 401(k) Plan as a part of Fidelity's recordkeeping services. After discussion, upon the recommendation of the Retirement Committee, the Board approved using these services for the 401(k) Plan and approved a delegation to the 401(k) Plan recordkeeper, currently Fidelity, the authority to review, process, and approve loans and hardship withdrawals of participants under the 401(k) Plan in accordance with the terms and conditions set forth in the 401(k) Plan Provisions. A memo from the Executive Secretary to the Board regarding Fidelity's services is filed as Exhibit 443-17.

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443-18 (A-6051). This report contains information on an individual case and is not available for review.

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443-19 (A-6052). The Election Committee report consisted of the item reported above at A-6038.

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443-20 (A-6053). The Audit Committee report consisted of the item reported below at A-6054, and of the following items:

- The Board was provided for review and future discussion a draft Succession Planning Policy prepared by Hewitt EnnisKnupp, the Board's governance consultant. A copy of this draft policy is filed as Exhibit 443-20(a).

- The Board was provided and took note of an updated list of educational conferences specifically for similar types of board trustees. A copy of this information is filed as Exhibit 443-20(b).
- The Board was provided and took note of a summary of charges on the System's credit card for the previous quarter.
- The Board was provided and took note of the System Board's travel expenses for the previous quarter.

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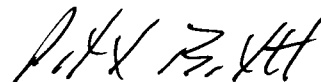
443-21 (A-6054). Upon the recommendation of the Audit Committee, the Board voted to approve, and authorized the Executive Secretary to execute, an engagement letter with Crowe Horwath to perform the fiscal year 2013 financial statement audits of the System and the 401(k) Plan. A copy of a memo from the Executive Secretary to the Board regarding Crowe Horwath's contract and a copy of the engagement letter between Crowe Horwath and the System are filed as Exhibit 443-21.

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443-22. At its previous meeting, the Chair, with the consent of the Board, created a temporary, special committee to look at the System's governance and structure, including independence and transparency (see Minute Entry 442-21). This special committee updated the Board on various options to address the independence of the System and informed the Board they have also consulted with Jeanna Cullins at Hewitt EnnisKnupp, the Board's governance consultant, regarding these options. After discussion, the special committee indicated that it conduct some additional due diligence on certain matters with these independence options and bring back its recommendations to the Board at its next meeting.

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The meeting was adjourned at 10:53 a.m., EDT.



Executive Secretary



Chair