

Meeting No. 472

MINUTES OF MEETING  
OF THE BOARD OF DIRECTORS  
RETIREMENT SYSTEM OF THE TENNESSEE VALLEY AUTHORITY  
January 23, 2018

A special-called meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Tuesday, January 23, 2018, at 11:58 a.m., via teleconference.

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The following directors were present: Brian M. Child, Chair; Wilson Taylor III, Vice-Chair; Samuel J. DeLay; James W. Hovious; Leonard J. Muzyn; Allen E. Stokes; and Tammy W. Wilson. Also present were Patrick D. Brackett, Executive Secretary; Sally R. Weber, Manager, Retirement Operations; and W. Colby Carter, Senior Counsel.

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472-1. Director Child, Board Chair, called this special meeting of the Board pursuant to Article IV, Section 1(c) of the System Bylaws. Each director was notified in an email by the Executive Secretary dated January 19, 2018, of the special-called meeting to be held on January 23, 2018. A copy of the notice is filed as Exhibit 472-1.

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472-2. Prior to the meeting, Senior Counsel updated the Board on the status of the IRS Private Letter Ruling request of the proposed amendments to the System Rules and Regulations and 401(k) Plan Provisions, which would allow those System members with cash balance accounts and benefits to elect to receive future retirement benefits through the 401(k) Plan only

and also allow them to transfer their cash balance account value to the 401(k) Plan. The Executive Secretary and Senior Counsel then discussed with the Board the implementation timeline and proposed communications and education materials for System members who would have these election options and an opportunity to partner with Fidelity Benefits Consulting on these communications and education materials. Following this update and discussion, the Chair called the special meeting to order.

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472-3. The Board was provided a proposal from Fidelity Benefits Consulting (Fidelity) on communication and election services for the cash balance elections, including the ability for eligible members to make elections on the Fidelity NetBenefits platform.

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472-4. Following a review of the proposal options and discussion among the Board members, Director Taylor made a motion to approve the selection of Fidelity to partner with the Board and System staff to provide communication, education, and election services as set forth under the “enhanced” scope of services under the Fidelity proposal, which includes personalized statements of projected benefits for each election option. The motion received a second from Director Wilson.

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472-5. Director DeLay made a motion to postpone a vote on this matter and on providing the cash balance election options indefinitely. The motion received a second from Director Hovious. Following statements by the Directors in support of and against the motion to postpone indefinitely, the motion failed by a roll call vote of 4 to 3. Directors DeLay, Hovious and Muzyn

voted for the motion to postpone, and Directors Child, Stokes, Taylor and Wilson voted against the motion.

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472-6. Director Hovious made a motion to postpone a vote on this matter for 60 days in order to work on communication details and to request funding from TVA to the System for any cash balance account transfers from the System to the 401(k) Plan. The motion received a second from Director DeLay. Following discussion on the motion to postpone for 60 days, the motion failed by a roll call vote of 4 to 3. Directors DeLay, Hovious and Muzyn voted for the motion to postpone, and Directors Child, Stokes, Taylor and Wilson voted against the motion.

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472-7. Following action on the two intervening motions to postpone, the Board voted on the original motion, which passed by a roll call vote of 4 to 3. Directors Child, Stokes, Taylor and Wilson voted for the motion, and Directors DeLay, Hovious and Muzyn voted against the motion. A copy of Fidelity's Cash Balance Election Window Proposal for Communication and Election Support is filed as Exhibit 472-7.

#### Director statements submitted regarding the vote

##### *Statement of Director Muzyn:*

I believe cash balance members should have the choice to keep their cash balance pension or transfer it to the 401K. However, I voted against the original motion, and for each of the motions to postpone, because:

- I am not convinced that members of the system will be given all the relevant information they need in a format that allows for easy and accurate comparisons.
- The supplemental benefit and the ability to maintain an annuity account must be given up if the pension is transferred to the 401K. I am not convinced that the information to be

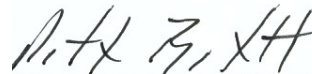
provided will clearly indicate the magnitude of the loss of these two benefits. This loss can be very significant for longer-term employees.

- Discussions indicate that members will be told that the 401K match will be as secure as the pension going forward because a majority of the TVARS Board can reduce both of them. Everyone is in agreement that a majority of the TVARS Board can reduce the 401K match at any time for any reason. However, I believe it will be more difficult for a majority of the TVARS Board to justify reducing the pension. The one time a majority of the TVARS Board reduced the pension's interest crediting rate, the argument was made that the interest rate was being adjusted to more closely align with market rates. The one time a majority of the TVARS Board reduced the pension's pay crediting rate, it was compensated for by increasing the 401K match.

At the end of fiscal year 2017, TVARS was underfunded by \$4.6 billion, resulting in a 63% funded ratio. This funded ratio will decrease further as those who transfer receive payouts at 100%. I believe TVA should at least contribute enough to maintain the funded ratio as money is transferred out.

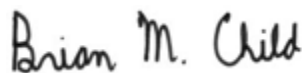
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The meeting was adjourned at 12:17 p.m., EST.



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Executive Secretary



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Chair