

Meeting No. 436

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

December 2, 2011

(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, December 2, 2011, at 11:58 a.m., CST, at the Airport Marriott, 600 Marriott Drive, Nashville, Tennessee.

\* \* \*

The following directors were present: Leslie P. Bays, Chairman; Janet C. Herrin, Vice Chairman (via phone); John M. Hoskins (via phone); Leonard J. Muzyn; Allen Stokes; Anthony L. Troyani; and Tammy W. Wilson. Also present were Patrick D. Brackett, Executive Secretary; Pamela K. Ramsey, Assistant Secretary; W. Colby Carter, Legal Counsel; and Eric J. Davis, Program Manager, Investment Management.

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436-1 Each director was notified in a memorandum dated November 10, 2011, of the regular quarterly meeting to be held on December 2, 2011. A copy of the notice from the Executive Secretary is filed as Exhibit 436-1.

\* \* \*

436-2 (A-5878). The Chairman's report included the following:

- The Chairman noted that he recently attended a public pension conference at the Hewitt EnnisKnupp offices in Chicago.
- The Chairman noted that he spoke at the TVA Retirees Association Chapter Presidents meeting in November regarding the System's status.

\* \* \*

436-3 (A-5879). The Executive Secretary's report included the following:

- The Executive Secretary provided the Board with goals and objectives of the System and System staff for fiscal year 2012 for discussion and as a basis by which the Board may evaluate performance at the end of the fiscal year.
- The Executive Secretary invited the System Board to the annual Christmas lunch on December 16.

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436-4 (A-5880). Bradley Arant Boult Cummings, outside counsel representing the System in the current lawsuit against TVA and System, provided an update to the Board regarding the status of the litigation.

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436-5 (A-5881). The Board approved the minutes of Meeting No. 435 held September 15, 2011.

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436-6 (A-5882). The Board accepted the Treasurer's Report for the quarter ending September 30, 2011. A copy of the Treasurer's Report is filed as Exhibit 436-6. This report is available for review at the Retirement Services offices.

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436-7 (A-5883). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending September 30, 2011. A copy of the Investment Performance Report is filed as Exhibit 436-7. This report is available for review at the Retirement Services offices.

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436-8 (A-5884). The Board accepted the report of retirements approved for the quarter ending September 30, 2011. A copy of the report and a copy of summary demographic information regarding retirements in the quarter are filed as Exhibit 436-8. These reports contain information on individual cases and are not available for review.

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436-9 (A-5885). 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 September 30, 2011. A copy of the 401(k) Plan Investment Review is filed as Exhibit 436-9. This report is available for review at the Retirement Services office.

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436-10 (A-5886). The Investment Committee report consisted of the items reported below at A-5887, A-5888, A-5889, A-5890, and A-5891, 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 September 30, 2011, is filed as Exhibit 436-10(a).
- The Board was provided and took note of the quarterly report regarding investment manager asset transfers during the third quarter of 2011. A copy of the report, dated September 30, 2011, is filed as Exhibit 436-10(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 quarter. A copy of the information, dated September 30, 2011, is filed as Exhibit 436-10(c).
- The Board was provided and took note of information pertaining to foreign exchange trading at BNY Mellon previously communicated to the Board on October 5. A copy of the information, dated November 18, 2011, is filed as Exhibit 436-10(d).
- The Board was provided and took note of information on fixed income performance of the System's investments. A copy of the information, dated November 18, 2011, is filed as Exhibit 436-10(e).
- The Board was provided and took note of an update on the analysis of the System's investment in Wellington's Diversified Alpha Strategies portfolio. A copy of the information, dated November 18, 2011, is filed as Exhibit 436-10(f).
- The Board was provided and took note of a report detailing the investment management fees, in total and by manager, paid by the System for fiscal year 2011. A copy of the report, dated November 18, 2011, is filed as Exhibit 436-11 (g).
- The Board was provided an update on the implementation of the System's new asset allocation policy approved at the September 2011 quarterly meeting (see Minute Entry 435-15). A copy of this update is filed as Exhibit 436-10(h).
- The Board was provided an update on the funded status of the System as of November 11, 2011, and a System Funded Status and Risk Update from the System staff. A copy of the report, dated November 11, 2011, is filed as Exhibit 436-10(i).
- Following its discussion and review of the Fidelity Magellan Fund and Fidelity International Real Estate Fund within the 401(k) Plan investment menu (see Minute Entries 436-12 and 436-13 below), the Board asked the staff to prepare more formal, written guidelines, including a watch list, for the Board to use in its review and monitoring of funds within the 401(k) investment menu, which the Board will discuss and consider at a future meeting.

\* \* \*

436-11 (A-5887). Upon the recommendation of the Investment Committee, the Board voted to approve, and authorized the Executive Secretary to execute, a contract with Wilshire Associates Incorporated for investment consulting services for the period January 1, 2012, through December 31, 2012. A copy of the contract is filed as Exhibit 436-11.

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436-12 (A-5888). As part of its administration of the 401(k) Plan, in accordance with the 401(k) Investment Policy Statement, the Board was provided information on and discussed the Fidelity Magellan fund within the 401(k) Plan investment menu. No action was taken. A copy of the information is filed as Exhibit 436-12.

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436-13 (A-5889). As part of its administration of the 401(k) Plan, in accordance with the 401(k) Investment Policy Statement, the Board was provided information on and discussed the Fidelity International Real Estate Fund within the 401(k) Plan investment menu. No action was taken. A copy of the information is filed as Exhibit 436-13.

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436-14 (A-5890). After discussion, and upon the recommendation of the Investment Committee, the Board voted to approve, and authorized the Executive Secretary to execute, an amendment to the 401(k) Plan Trust Agreement with Fidelity to add the Fidelity Spartan Global ex-U.S. Index Fund to the 401(k) Plan investment menu. A copy of the prospectus is filed as Exhibit 436-14.

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436-15(A-5891). After discussion, and upon the recommendation of the Investment Committee, the Board voted to approve, and authorized the Executive Secretary to execute, an amendment to the 401(k) Plan Trust Agreement with Fidelity to add the Fidelity Spartan Emerging Markets Index Fund to the 401(k) Plan investment menu. A copy of the Fund's prospectus is filed as Exhibit 436-15.

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436-16 (A-5892). The Retirement Committee report consisted of items reported below at A-5893, A-5894, A-5896, A-5897, A-5898, A-5899, A-5900, and A-5901 and of the following items:

- The Board was provided an update on the status of the Cash Balance plan recordkeeping conversion.

- The Board was provided with a Quarterly Communication Update providing the communication initiatives implemented during the first quarter of fiscal year 2012. A copy of the Quarterly Communication Update is filed as Exhibit 436-16.

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436-17(A-5893). Upon the recommendation of the Executive Secretary, the Board accepted the actuarial valuation of the Variable Annuity Fund, as of March 31, 2011, by Mercer Human Resource Consulting, and its recommendation that, because the Variable Annuity Fund had a surplus as of March 31, 2011, the outstanding variable units should be decreased by 74,436. The decrease in the number of units will result in no significant change in the December 2011 unit value. A copy of a letter from Réal Lamarche, Principal, Mercer Human Resource consulting, to the Board, dated November 3, 2011 and a copy of the TVA Retirement System Variable Annuity Valuation Report as of March 31, 2011, are filed as Exhibit 436-17.

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436-18 (A-5894). The Board approved the calculation of a 6 percent annual interest rate credit to participants' accounts in the Cash Balance Benefit Structure for calendar year 2012 in accordance with the System Rules. Under section 7C3 of the System Rules, this interest rate credit is calculated as the greater of (i) the percentage change in the Consumer Price Index plus 3 percent (not to exceed 10 percent unless approved by the Retirement System Board and TVA) or (ii) 6 percent. The relevant CPI increase of 2.85 percent plus 3 percent equaled 5.85 percent. A copy of the Cash Balance annual interest rate calculation is filed as Exhibit 436-18.

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436-19 (A-5895). Pursuant to the System's Bylaws, officer elections were held for the positions of Chairman and Vice Chairman of the System Board. Les Bays was nominated and unanimously elected by ballot as Chairman, and Allen Stokes was nominated and unanimously elected by ballot as Vice Chairman. The terms of these officers will run until the first meeting of the Board after October 31, 2014, except as provided for in the Bylaws.

\* \* \*

436-20 (A-5896). The Chairman presented recommendations for the Board's standing and special committee members. After discussion of the recommendations, the Board approved the following standing and special committee assignments, as recommended by the Chairman:

Audit Committee

John M. Hoskins, Chair  
Allen E. Stokes  
Leonard J. Muzyn

Retirement Committee

Anthony L. Troyani, Chair  
Janet C. Herrin  
Allen E. Stokes

Investment Committee

Leonard J. Muzyn, Chair  
John M. Hoskins, Vice Chair  
Leslie P. Bays  
Janet C. Herrin  
Allen E. Stokes  
Anthony L. Troyani  
Tammy W. Wilson  
Michael Brakebill (non-voting)

Election Committee

Tammy W. Wilson, Chair  
Leslie P. Bays  
Anthony L. Troyani

\* \* \*

436-21 (A-5897). The Board discussed and approved a tentative schedule and locations for the Board meetings and workshops to be held in calendar year 2012. This tentative schedule is filed as Exhibit 436-21.

\* \* \*

436-22 (A-5898). The Board postponed discussion and consideration of HEART Act amendments to the System Rules and 401(k) Plan Provisions until a later meeting.

\* \* \*

436-23 (A-5899). The Board postponed discussion and consideration of Pension Protection Act amendments to the System Rules and 401(k) Plan Provisions until a later meeting.

\* \* \*

436-24 (A-5900). After discussion, and upon the recommendation of the Retirement Committee, the Board voted to approve, and authorized the Executive Secretary to execute, a contract with Mercer Human Resource Consulting to perform a long term funding policy study for the System. A copy of a memorandum from the Executive Secretary, dated November 18, 2011, regarding this contract and study is filed as Exhibit 436-24

\* \* \*

436-25 (A-5901). This item contains information on an individual case and is not available for review.

\* \* \*

436-26 (A-5902). The Election Committee report consisted of items reported below at A-5903 and of the following item:

- The Board discussed and took note of the voter participation in both the initial and runoff election. A copy of voter participation information is filed as Exhibit 436-26.

\* \* \*

436-27 (A-5903). The Election Committee presented, and the Board accepted, the results of the runoff election that ended October 5. Tony Troyani received 52.64% of the votes to win re-election to the System Board for a new three-year term from November 1, 2011, through October 31, 2014. A copy of a memorandum from the Executive Secretary, dated October 7, 2011, with the election results is filed as Exhibit 436-27.

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436-28 (A-5904). The Audit Committee report consisted of the items reported below at A-5905, A-5906, A-5907, A-5908, A-5909, A-5910, A-5911, A-5912, A-5913, and A-5914 and of the following items:

- The Board was provided and took note of the System Board's travel expenses for the previous quarter. A copy of these expenses is filed as Exhibit 436-28(a).
- The Board was provided and took note of a summary of charges on the System's credit card for the previous quarter. A copy of this summary of charges is filed as Exhibit 436-28(b).
- The Board was provided and took note of the Audit Timeline for the TVARS Benefit Plans by Crowe Horwath, the System's external auditor. On December 2, a phone conference with Crowe Horwath was held to discuss progress and status of the audit. A copy of the Audit Timeline is filed as Exhibit 436-28(c).
- The Audit Committee and System staff discussed with the Board the recent bankruptcy of MF Global, which provided brokerage and trading services for many pension plan clients. The Board noted that the System had no exposure to MF Global.

\* \* \*

436-29 (A-5905). After discussion, and upon the recommendation of the Audit Committee and the Executive Secretary, the Board accepted the Service Organization Control (SOC1) Report for the System for the period ending July 31, 2011, prepared by E.H. Johnson & Company, P.C., the System's internal auditor. A copy of the SOC1 Report is filed as Exhibit 436-29.

\* \* \*

436-30 (A-5906). Upon the recommendation of the Audit Committee, the Board voted to approve, and authorized the Executive Secretary to execute, a contract with E.H.

Johnson & Company, P.C., to for the purpose of auditing internal controls of the System upon which TVA relies in the preparation of TVA's financial statements and producing a SSAE-16 report for fiscal year 2012. A copy of the contract is filed as Exhibit 436-30.

\* \* \*

436-31 (A-5907). Upon the recommendation of the Audit Committee, the Board voted to adopt Administrative Claims and Appeals Procedures for the System and the 401(k) Plan by taking the following action:

WHEREAS the System Board desires to establish a formal set of procedures under the Rules and Regulations of the TVA Retirement System ("System Rules") and the Provisions of the Tennessee Valley Authority Savings and Deferral Retirement Plan ("401(k) Plan") for claims and appeals by Members, Retirees, Participants, and Beneficiaries of the System and the 401(k) Plan;

THEREFORE, BE IT RESOLVED, that the System Board adopts the Administrative Claims and Appeal Procedures ("Procedures") for the System pursuant to the System Rules and the 401(k) Plan pursuant to the 401(k) Plan Provisions (together with the other related provisions set forth herein), which set forth the manner in which the claim of a Member, Retiree, Participant, or Beneficiary (as applicable) is reviewed and in which an appeal of the denial of a claim is handled; and

RESOLVED FURTHER, that the Procedures are established by amendments to the System Rules and 401(k) Plan Provisions as set forth below:

Section 3(7) of the System Rules is amended to add the language underlined as follows:

### Section 3

#### Administration of the System

7. The Board shall have sole and exclusive responsibility for determining under these Rules and Regulations what benefits are payable by the Retirement System and to whom they shall be paid; and the Board's interpretation and application of the Rules and Regulations in these and all other matters pertaining to the System's operations and its determination of the facts in making any such application shall be final and conclusive as to all parties. The Board shall have the right to delegate to the Executive Secretary, or such other persons as it deems appropriate, the responsibilities for the day-to-day administration of the System including, but not limited to, initial determinations with respect to claims.

The System Rules are amended to add a new Section 20 as follows:



## Section 20

## Administrative Claims and Appeals Procedures

## A. Claims Procedure

1. A claim for benefits or other claim shall be made by a Member, Retiree, or Beneficiary on such applications or forms, if any, required by the Board. An initial determination shall be made by the Executive Secretary of the System or such other persons as designated from time to time by the Board.
2. Without limiting the foregoing, a request for benefits will be considered a claim, and it will be subject to a full and fair review. If a claim is wholly or partially denied, the Executive Secretary will provide the Member, Retiree, or Beneficiary with a written or electronic notification of the denial. This written or electronic notification will ordinarily be provided to the Member, Retiree, or Beneficiary no later than 90 days after the receipt of a claim by the Executive Secretary, unless the Executive Secretary determines that special circumstances require an extension of time for processing a claim. If the Executive Secretary determines that an extension of time for processing is required, written notice of the extension will be furnished to the Member, Retiree, or Beneficiary within the initial determination period or as soon as practicable thereafter. In the case of a claim for a disability benefit (or reexamination of disability), an initial determination will be made by the Executive Secretary.
3. The Executive Secretary's notification of a denial will generally provide the following information:
  - (a) The reason or reasons for the denial.
  - (b) An explanation of the basis on which the determination was made.
  - (c) A description of any additional material or information necessary for a Member, Retiree, or Beneficiary to perfect the claim on appeal.
  - (d) Information as to the steps to be taken if a Member, Retiree, or Beneficiary wants to appeal the denial of a claim.
  - (e) In the case of disability benefits where disability is based on information provided by the Medical Board, the Director of the TVA Division of Medical Services, or otherwise by a physician, if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the denial, either (1) the specific rule, guideline, protocol, or other similar criterion; or (2) a statement that such rule, guideline, protocol, or other similar criterion was relied upon in making the denial and that a copy of the rule, guideline, protocol, or other similar criterion, will be provided to the Member.

## B. Appeals Procedures

1. Upon the denial of a claim, a Member, Retiree, or Beneficiary may file an appeal, in writing, with the Board in such form as may be designated by the Board as follows:
  - (a) A Member, Retiree, or Beneficiary must file an appeal no later than 60 days after the Member, Retiree, or Beneficiary has received written notification of the denial of the claim.
  - (b) The Member, Retiree, or Beneficiary may submit written comments, documents, records, and other information relating to the appeal.
  - (c) The Member, Retiree, or Beneficiary may review all pertinent documents relating to the denial of the claim and submit any issues and comments, in writing, to the Board.
  - (d) The Member, Retiree, or Beneficiary will be provided, upon request, with reasonable access to, and copies of, all documents, records, and other information relevant to the claim.
  - (e) The appeal will be given a full and fair review. This review will take into account comments, documents, records, and other information submitted by the Member, Retiree, or Beneficiary relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.
2. In addition, if the claim is for disability benefits, then the following shall apply:
  - (a) In deciding an appeal that requires medical judgment, the Board may request information from or consult with the Medical Board or may consult with a health care professional who has appropriate training and experience.
  - (b) Any medical or vocational experts whose advice was obtained on behalf of the Retirement System in connection with the denial will be identified, without regard to whether the advice was relied upon in making the benefit determination.
  - (c) The health care professional engaged for purposes of a consultation above will be an individual who is neither an individual who was consulted in connection with the determination that is the subject of the appeal nor the subordinate of any such individual.
3. The Board will ordinarily provide the Member, Retiree, or Beneficiary with written or electronic notification of the determination on appeal within 60 days after the receipt of the Member's, Retiree's, or Beneficiary's notice of appeal, unless the Board determines that special circumstances require an extension of time for processing the

claim. If the Board determines that an extension of time for processing is required, written notice of the extension will be furnished to the Member, Retiree, or Beneficiary prior to the termination of the initial 60-day period or as soon as practicable thereafter. If the claim is approved on appeal, the Board will notify the Member, Retiree, or Beneficiary accordingly. If the claim is denied, the Board will provide a notification that generally sets forth the following:

- (a) The specific reason or reasons for the denial.
- (b) An explanation of the basis on which the determination was made.
- (c) A statement that the Member, Retiree, or Beneficiary is entitled to receive, upon request, reasonable access to, and copies of, all documents, records, and other information relevant to the claim.
- (d) In the case of disability benefits where disability is based on information provided by the Medical Board, the Director of the TVA Division of Medical Services, or otherwise by a physician, if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the denial, either (1) the specific rule, guideline, protocol, or other similar criterion; or (2) a statement that such rule, guideline, protocol, or other similar criterion was relied upon in making the denial and that a copy of the rule, guideline, protocol, or other similar criterion, will be provided to the Member.

#### C. Further Review

A Member, Retiree, or Beneficiary is required to utilize and exhaust the claims and appeal procedures set forth in these Procedures before filing a lawsuit. The scope of review by a court is limited to the administrative record developed as part of the claims and appeal procedures and such review is further limited as to whether the determination by the Board was arbitrary and capricious.

Article 4.5 of the 401(k) Plan Provisions is amended to add the language underlined as follows:

#### Article 4

##### Administration

- 4.5 Responsibilities. The Board shall have sole and exclusive responsibility for determining under these Provisions what benefits are payable by the Deferral Plan and to whom they shall be paid; and the Board's interpretation and application of the Provisions in these and all other matters pertaining to the Deferral Plan's operations and its determination of the

facts in making any such application shall be final and conclusive as to all parties. The Board shall have the right to delegate to the Executive Secretary, or such other persons as it deems appropriate, the responsibilities for the day-to-day administration of the Deferral Plan including, but not limited to, initial determinations with respect to claims.

Article 12.6 of the 401(k) Plan Provisions is amended to add the language underlined as follows:

#### Article 12

##### Administration

- 12.6 Efficacy of the Board's Determinations. The board shall have sole and exclusive responsibility for determining under these Provisions what benefits are payable under this Deferral Plan and to whom they shall be paid; and the board's interpretation and application of these Provisions in these and all other matters pertaining to the Deferral Plan's operations and its determination of the facts in making any such application shall be final and conclusive as to all participants, parties, and persons. Notwithstanding the foregoing, the Board shall have the right to delegate to the Executive Secretary or such other persons as it deems appropriate the responsibilities for the day-to-day administration of the Deferral Plan.

The 401(k) Plan Provisions are amended to add a new Article 13 as follows:

#### Article 13

##### Administrative Claims and Appeals Procedures

##### 13.1 Claims Procedure

- A. A claim for benefits or other claim shall be made by a Participant, Retiree, or Beneficiary on such applications or forms, if any, required by the Board. An initial determination shall be made by the Executive Secretary of the System or such other persons as designated from time to time by the Board.
- B. Without limiting the foregoing, a request for benefits will be considered a claim, and it will be subject to a full and fair review. If a claim is wholly or partially denied, the Executive Secretary will provide the Participant, Retiree, or Beneficiary with a written or electronic notification of the denial. This written or electronic notification will ordinarily be provided to the Participant, Retiree, or Beneficiary no later than 90 days after the receipt of a claim by the Executive Secretary, unless the Executive Secretary determines that special circumstances require an extension of time for processing a claim. If the Executive Secretary determines that an extension of time for processing is required, written notice of the extension will be furnished to the Participant, Retiree, or Beneficiary within the initial determination period or as soon as practicable thereafter.

C. The Executive Secretary's notification of a denial will generally provide the following information:

- (1) The reason or reasons for the denial.
- (2) An explanation of the basis on which the determination was made.
- (3) A description of any additional material or information necessary for a Participant, Retiree, or Beneficiary to perfect the claim on appeal.
- (4) Information as to the steps to be taken if a Participant, Retiree, or Beneficiary wants to appeal the denial of a claim.

### 13.2 Appeals Procedures

A. Upon the denial of a claim, a Participant, Retiree, or Beneficiary may file an appeal, in writing, with the Board in such form as may be designated by the Board as follows:

- (1) A Participant, Retiree, or Beneficiary must file an appeal no later than 60 days after the Participant, Retiree, or Beneficiary has received written notification of the denial of the claim.
- (2) The Participant, Retiree, or Beneficiary may submit written comments, documents, records, and other information relating to the appeal.
- (3) The Participant, Retiree, or Beneficiary may review all pertinent documents relating to the denial of the claim and submit any issues and comments, in writing, to the Board.
- (4) The Participant, Retiree, or Beneficiary will be provided, upon request, with reasonable access to, and copies of, all documents, records, and other information relevant to the claim.
- (5) The appeal will be given a full and fair review. This review will take into account comments, documents, records, and other information submitted by the Participant, Retiree, or Beneficiary relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

B. The Board will ordinarily provide the Participant, Retiree, or Beneficiary with written or electronic notification of the determination on appeal within 60 days after the receipt of the Member's, Retiree's, or Beneficiary's notice of appeal, unless the Board determines that special circumstances require an extension of time for processing the claim. If the Board determines that an extension of time for processing is required, written notice of the extension will be furnished to the Participant,

Retiree, or Beneficiary prior to the termination of the initial 60-day period or as soon as practicable thereafter. If the claim is approved on appeal, the Board will notify the Participant, Retiree, or Beneficiary accordingly. If the claim is denied, the Board will provide a notification that generally sets forth the following:

- (1) The specific reason or reasons for the denial.
- (2) An explanation of the basis on which the determination was made.
- (3) A statement that the Participant, Retiree, or Beneficiary is entitled to receive, upon request, reasonable access to, and copies of, all documents, records, and other information relevant to the claim.

### 13.3 Further Review

A Participant, Retiree, or Beneficiary is required to utilize and exhaust the claims and appeal procedures set forth in these Procedures before filing a lawsuit. The scope of review by a court is limited to the administrative record developed as part of the claims and appeal procedures and such review is further limited as to whether the determination by the Board was arbitrary and capricious.

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436-32 (A-5908). After discussion, and upon the recommendation of the Audit Committee, the Board voted to approve the Executive Secretary Evaluation Policy. A copy of the Executive Secretary Evaluation Policy is filed as Exhibit 436-32.

\* \* \*

436-33 (A-5909). After discussion, and upon the recommendation of the Audit Committee, the Board voted to approve the Board Education Policy. A copy of the Board Education Policy is filed as Exhibit 436-33.

\* \* \*

436-34 (A-5910). After discussion, and upon the recommendation of the Audit Committee, the Board voted to approve the Governance Policy. A copy of the Governance Policy is filed as Exhibit 436-34.

\* \* \*

436-35 (A-5911). After discussion, and upon the recommendation of the Audit Committee, the Board voted 6 to 1 to approve the Director Election/Selection Policy. Directors

Bays, Herrin, Hoskins, Stokes, Troyani, and Wilson voted in favor of the approval and Director Muzyn voted against the approval.

Board Member statements submitted regarding the vote

Mr. Bays' statement:

“I voted for the Director Election/Selection Policy. The TVARS Board and its Election Committee should have the goal of having fair and timely elections as a priority. This policy improves the likelihood of fair elections. Candidate statements need to be truthful and should never have remarks which are intentionally misleading. With this policy, the burden of proof of the truthfulness of the statement is on the candidate, as it should be. TVARS should not be publishing candidate statements that have not met the burden of truthfulness, since that is not fair to the other candidates or to the voters who rely on the information provided them to make their decisions. By adopting this new policy, candidates are informed ahead of time that they must meet the burden of truthfulness, so no candidate should be harmed in future elections.”

Mr. Muzyn's statement:

“This election policy authorizes the rejection of campaign statements submitted by candidates by majority vote of the TVARS Board, as occurred during the last election. It allows a sitting Board to isolate itself from the membership, influence the results of elections, and gain favor with TVA management by rejecting statements which question TVA management's actions with regard to the system. In my opinion, this is very poor governance policy, demonstrates a lack of independence from TVA, and will cause members of the system to lose confidence in the fairness of TVARS elections.”

Mr. Troyani's statement:

“After months of deliberations followed by independent counsel review, I voted yes to the election policy to provide guidelines and a framework so future elections/selections can be conducted in a fair and consistent manner. These policies are living documents drafted to document how the Board does or desires to operate and if improvements or deficiencies are found, may be modified as needed at future Board meetings.”

A copy of the Director Election/Selection Policy is filed as Exhibit 436-35.

\* \* \*

436-36 (A-5912). The Board postponed discussion and consideration of a proposed Confidentiality Policy until a later meeting.

\* \* \*

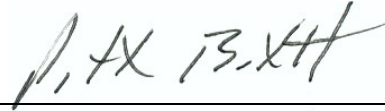
436-37(A-5913). Board postponed discussion and consideration of a proposed Communication Policy until a later meeting.

\* \* \*

436-38 (A-5914). Upon the recommendation of the Audit Committee, the Board voted to approve spending approximately \$8,000 to produce electronic and limited hardcopies of the System's 2011 Annual Report. A copy of a memorandum from the Executive Secretary to the Board, dated November 18, 2011, regarding the projected expenses for the System's 2011 Annual Report is filed as Exhibit 436-38.

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The meeting was adjourned at 1:22 p.m., CST.



Executive Secretary



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Chairman