

Meeting No. 437

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

March 16, 2012

(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, March 16, 2012, at 12:05 p.m., EDT, at the Airport Hilton, 2001 Alcoa Highway, Alcoa, Tennessee.

* * *

The following directors were present: Leslie P. Bays, Chairman; Allen Stokes, Vice Chairman; Janet C. Herrin; John M. Hoskins; Leonard J. Muzyn; 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 and Risk Management.

* * *

437-1 Each director was notified in a memorandum dated February 17, 2012, of the regular quarterly meeting to be held on March 16, 2012. A copy of the notice from the Executive Secretary is filed as Exhibit 437-1.

* * *

437-2 (A-5915). There were no items to report from the Chairman.

* * *

437-3 (A-5916). The Executive Secretary's report included the following:

- The Executive Secretary provided the Board with an update on progress towards fiscal year 2012 goals and objectives of the System. The Executive Secretary also provided a 2012 Board calendar with proposed topics to be addressed at each meeting.
- The Executive Secretary provided the System Board a proposed plan to complete the governance project with Hewitt EnnisKnupp. A Board workshop on April 20 will be devoted to fiduciary training and work on governance.

* * *

437-4 (A-5917). 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.

* * *

437-5 (A-5918). The Board noted its previous notational action approving the minutes of Meeting No. 436 held December 2, 2011.

* * *

437-6 (A-5919). The Board noted its previous notational action approving amendments to 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 Provisions) in accordance with the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act). As part of this action the Board approved the following:

WHEREAS, the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) sets forth certain additional rights afforded to military reservists under IRS-qualified retirement plans pursuant to the Uniformed Services Employment and Reemployment Rights Acts (USERRA); and

WHEREAS, the IRS has published Notice 2010-15 addressing certain questions regarding the retirement plan provisions of the HEART Act; and

WHEREAS, qualified retirement plans, including governmental plans, must be amended to reflect these additional rights for plan participants who are called to qualified military service where compliance is either required or discretionary, when elected by the plan, under the HEART Act; and

WHEREAS, the TVA Retirement System Board of Directors desires to adopt certain additional required or discretionary amendments to 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 Provisions) in accordance with the HEART Act and IRS Notice 2010-15;

THEREFORE, BE IT RESOLVED, that Section 1(12) of the System Rules is amended 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, and differential wage payments under section 3401(h) 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, 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.

RESOLVED FURTHER, that Section 11J of the System Rules is amended to add the language underlined as follows:

SECTION 11

General Conditions

J. Uniformed Services Employment and Reemployment Rights Act of 1994

Notwithstanding any provision of the plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Internal Revenue Code. In addition, the survivors of any member who dies on or after January 1, 2007, while performing qualified military service, are entitled to any additional benefits (including benefit accruals and vesting service credit relating to the period of qualified military service, and any ancillary life insurance or other survivor benefits) that would have been provided under the plan had the member resumed employment on the day preceding the member's death and then terminated employment on account of death.

RESOLVED FURTHER, that Section 17B1 of the System Rules is amended to add the language underlined as follows:

SECTION 17

Limitation on Benefits

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 9A1 and 19A1, 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(c)(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. For purposes of (b) above, the member's compensation shall include any differential wage payments under section 3401(h) of the Code.

RESOLVED FURTHER, that Articles 2.9A and 2.9B of the 401(k) Plan Provisions are amended 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 and differential wage payments under section 3401(h) 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, 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.
- B. For purposes of applying the limitations of section 415 of the Code as provided for in Article 9.6, compensation shall mean the compensation paid by TVA to the participant during the taxable year ending with or within the plan year which is

required to be reported as wages on the participant's Form W-2 and 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 and differential wage payments under section 3401(h) of the Code.

RESOLVED FURTHER, that Article 9.9 of the 401(k) Plan Provisions is amended to add the language underlined as follows:

ARTICLE 9

Contribution Limits

- 9.9 Uniformed Services Employment and Reemployment Rights Act. Notwithstanding any provision of this plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Internal Revenue Code. In addition, the survivors of any participant who dies on or after January 1, 2007, while performing qualified military service, are entitled to any additional benefits (including contributions and vesting service credit relating to the period of qualified military service, and any ancillary life insurance or other survivor benefits) that would have been provided under the plan had the participant resumed employment on the day preceding the participant's death and then terminated employment on account of death.

* * *

437-7 (A-5920). The Board noted its previous notational action approving an amendment to the Provisions of the Tennessee Valley Authority Savings and Deferral Retirement Plan (401(k) Plan Provisions) in accordance with the Pension Protection Act of 2006 (PPA). As part of this action the Board approved the following:

WHEREAS, the Pension Protection Act of 2006 (PPA) provides required and optional provisions applicable to IRS-qualified retirement plans; and

WHEREAS, governmental retirement plans, both defined benefit and defined contribution plans, must be amended to reflect certain of these PPA provisions where required or elected; and

WHEREAS, the TVA Retirement System Board of Directors (System Board) has previously amended 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 Provisions) to include the PPA provisions applicable to the System's defined benefit and defined contribution plans; and

WHEREAS, the System Board desires to amend the 401(k) Plan Provisions, in accordance with the PPA, to incorporate the time period restriction on the calculation of gap-period earnings in the distribution of any excess deferrals from the 401(k) Plan;

THEREFORE, BE IT RESOLVED, that Article 9.3D of the 401(k) Plan Provisions is amended to delete the language marked through and to add the language underlined as follows:

ARTICLE 9

Contribution Limits

9.3 Distribution of Excess Deferrals

- D. The excess deferral amount distributed to a participant with respect to the 2007 calendar year shall include gap-period investment earnings (gains or losses with respect to the excess deferral amount for the period after the close of the calendar year and before the distribution). If there is a loss allocable to the excess deferral, the excess deferral amount shall in no event be less than the lesser of the total amount of contributions in the participant's Pre-tax and Roth Elective Deferral Accounts under this Deferral Plan or the participant's Pre-tax and Roth Elective Deferrals for the plan year.

* * *

437-8 (A-5921). The Board accepted the Treasurer's Report for the quarter ending December 31, 2011. A copy of the Treasurer's Report is filed as Exhibit 437-8. This report is available for review at the Retirement System Office.

* * *

437-9 (A-5922). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending December 31, 2011. A copy of the Investment Performance Report is filed as Exhibit 437-9. This report is available for review at the Retirement System Office.

* * *

437-10 (A-5923). The Board accepted the report of retirements approved for the quarter ending December 31, 2011. A copy of the report and a copy of summary demographic information regarding retirements in the quarter are filed as Exhibit 437-10. This report contains information on individual cases and is not available for review.

* * *

437-11 (A-5924). 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 December 31, 2011. A copy of the 401(k) Plan Investment Review is filed as Exhibit 437-11. This report is available for review at the Retirement System Office.

* * *

437-12 (A-5925). The Investment Committee report consisted of the items reported below at A-5926, A-5927, A-5928, A-5929, A-5930, A-5931, and A-5932, 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 December 31, 2011, is filed as Exhibit 437-12(a).
- The Board was provided and took note of the quarterly report regarding investment manager asset transfers during the fourth quarter of 2011. A copy of the report, dated February 29, 2011, is filed as Exhibit 437-12(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 is filed as Exhibit 437-12(c).
- The Board was provided and took note of information from the System's investment consultant Wilshire Associates benchmarking the System's contractual investment management fees, by manager, as compared to the Wilshire Universe. A copy of the report is filed as Exhibit 437-12 (d).
- The Board was provided and took note of information on the System's investment managers' counterparty risk management policies. A copy of the information, dated March 2, 2012, is filed as Exhibit 437-12(e).
- The Board was provided and took note of information pertaining to the System staff's plan to analyze investment manager trading with the assistance of a third party vendor at the end of this fiscal year. A copy of the information, dated March 2, 2012, is filed as Exhibit 437-12(f).
- The Board was provided and took note of information pertaining to Fidelity Investments' Excessive Trading Policy with regards to the Fidelity Spartan 500 Index Fund within the System's Variable Fund. A copy of this information is filed as Exhibit 437-12(g).
- The Board was provided and took note of an analysis of 401(k) plan investment options with respect to proposed watch list criteria (see Minute Entry 437-17). A copy of this information is filed as Exhibit 437-12(h).

- The Board was provided an update on the funded status of the System as of February 29, 2012. A copy of the report is filed as Exhibit 437-12(i).
- The Board was provided and took note of information from Bridgewater Associates, a current System investment manager, pertaining to the historical performance of balanced risk weighted portfolios. A copy of the information is filed as Exhibit 437-12(j).

* * *

437-13 (A-5926). Upon the recommendation of the Investment Committee and the Executive Secretary, the Board voted to approve a one half of one percent (0.5%) strategic allocation, or approximately \$35 million, to a tail risk hedging program to be managed by Pacific Investment Management Company (PIMCO), a current investment manager of the System, and authorized the Executive Secretary to take any actions necessary to implement this action. This allocation will be a separately managed account based on the specific risks driven by the System's total asset allocation. The tail risk hedging program is expected to lower volatility long term at a reasonable cost due to the use of active management. The allocation is expected to help mitigate market losses and provide liquidity in times of market stress. A copy of PIMCO's tail risk presentation along with analysis by Wilshire Associates, the System's investment consultant, is filed as Exhibit 437-13.

* * *

437-14 (A-5927). Upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to reduce exposure to Wellington Management Company (Wellington) to seven percent of total System assets. The reduction will be implemented by eliminating the Wellington Diversified Alpha Strategies (DAS) Treasury Inflation Protected Securities portfolio and reallocating those assets in accordance with the System's asset allocation policy, and/or reducing Wellington's U.S. Research Equity portfolio and/or Wellington's All Country World Index (ACWI) ex-U.S. DAS portfolio. Assets from the U.S. Research Equity portfolio and the ACWI ex-U.S. DAS portfolio will be re-invested in the appropriate U.S. and non U.S. index fund accounts with Mellon Capital Management. A copy of the information is filed as Exhibit 437-14.

* * *

437-15 (A-5928). Upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to terminate the investment grade credit portfolio managed by Taplin Canida Habacht, LLC (TCH), and to re-invest these assets in an intermediate investment grade credit index fund managed by Mellon Capital Management, a current investment manager of the System, and to authorize the Executive Secretary to take any actions necessary to effect this action. TCH has recently undergone organizational changes with the principals liquidating eighty percent of their ownership and the departure of their head of credit research. A copy of the analysis performed by Wilshire, dated March 15, 2012, is filed as Exhibit 437-15.

* * *

437-16 (A-5929). After discussion, and upon the recommendation of the Investment Committee, the Board voted to approve, and authorized the Executive Secretary to allow an exception to the investment guidelines for Baillie Gifford, a current international equity manager of the System. Baillie Gifford's investment guidelines do not allow them to purchase a company domiciled in the U.S. Baillie Gifford requested the exception to purchase a company domiciled in the U.S. whose revenues are generated outside of the U.S. A copy of the information is filed as Exhibit 437-16.

* * *

437-17 (A-5930). After discussion, and upon the recommendation of the Investment Committee, the Board voted to approve, and amend the TVA Savings and Deferral Retirement Plan (401(k) plan) Investment Policy Statement to include specific criteria that would warrant additional detailed analysis of investment fund options in the 401(k) plan and placing such funds on a watch list. A copy of the amended 401(k) Plan Investment Policy Statement is filed as Exhibit 437-17.

* * *

437-18 (A-5931). After discussion, and upon the recommendation of the Investment Committee, the Board voted to remove the Fidelity Magellan fund from the core 401(k) Plan investment menu and to map those assets for Plan participants to the age appropriate Fidelity Freedom Target Date Fund, the 401(k) Plan's qualified default investment alternative. Based on criteria specified in the 401(k) Plan Investment Policy Statement, the Fidelity Magellan fund was removed due to current and historical performance, as well as portfolio manager changes. The Board authorized the Executive Secretary to take any actions necessary to effect this action. The Board directed the Executive Secretary to present to the Board a detailed strategy to communicate the change to affected participants, including a notice period whereby affected participants could choose to make changes before the mapping would take place. A copy of the analysis is filed as Exhibit 437-18.

* * *

437-19 (A-5932). After discussion, and upon the recommendation of the Investment Committee, the Board voted to remove the Fidelity International Real Estate fund from the core 401(k) Plan investment menu and to map those assets for Plan participants to the DFA Global Real Estate Securities fund, which the Board approved adding to the 401(k) Plan investment menu. Based on criteria specified in the 401(k) Plan Investment Policy Statement, the Fidelity International Real Estate fund was removed due to current and historical performance. The Board authorized the Executive Secretary to take any actions necessary to effect this action. The Board directed the Executive Secretary to present to the Board a detailed strategy to communicate the change to affected participants, including a notice period whereby affected participants could choose to make changes before the mapping would take place. A copy of the analysis is filed as Exhibit 437-19.

* * *

437-20 (A-5933). The Retirement Committee report consisted of items reported below at A-5934 and A-5935, and of the following items:

- The Board was provided with a Quarterly Communication Update providing the communication initiatives implemented during the second quarter of fiscal year 2012. A copy of the Quarterly Communication Update is filed as Exhibit 437-20(a).
- The Board was provided with a Board calendar for 2012 with proposed topics to be addressed at each scheduled meeting. A copy of this information is filed as Exhibit 437-20(b).
- The Board was provided information pertaining to In-plan Roth 401(k) conversions. A copy of this information is filed as Exhibit 437-20(c).
- The Board was provided a long term forecast study discussion presentation from Mercer, the System's actuary. This information will be discussed at a later meeting. A copy of this information is filed as Exhibit 437-20(d).

* * *

437-21(A-5934). Upon the recommendation of the Retirement Committee and the Executive Secretary, the Board accepted the Statement of Accounting Standards Codification 960 (ASC 960) prepared as of September 30, 2011. A copy of a letter from Réal Lamarche, Principal, Mercer Human Resource consulting, to the Executive Secretary, dated January 9, 2012 and a copy of the ASC 960 as of September 30, 2011, are filed as Exhibit 437-21. This report is available for review at the Retirement System Office.

* * *

437-22 (A-5935). After discussion and upon the recommendation of the Retirement Committee, the Board voted to adopt the following resolution to clarify references in the System Rules and 401(k) Plan Provisions to terms or positions that are no longer applicable or do not exist.

WHEREAS the Rules and Regulations of the TVA Retirement System (System Rules) and the Provisions of the TVA Savings and Deferral Retirement Plan (401(k) Plan) contain references to terms or positions that are no longer applicable or do not exist; and

WHEREAS these references include the following:

- TVA General Counsel (found in Sections 3(3) and 6D1 of the System Rules and Article 4.2 of the 401(k) Plan Provisions);

- TVA Comptroller (found in Section 3(3) of the System Rules and Article 4.2 of the 401(k) Plan Provisions);
- Director of the TVA Division of Medical Services (found in Sections 3(3), 6C1, 20A3 and 20B3 of the System Rules);
- Medical Board (found in Sections 3(3), 6C1, 6O, 7H1, 20A3, 20B2 and 20B3 of the System Rules);
- TVA Employment Branch (found in Section 6C1 of the System Rules);
- TVA Medical Services (found in Section 7H1 of the System Rules);
- Retirement Services (found in Section 13 of the Military Procedures and Principles in the Appendix to the System Rules); and
- TVA Medical Director (found in Article 4.2 of the 401(k) Plan Provisions); and

WHEREAS the System Board desires to clarify these references with respect to the operation of the provisions in the System Rules and 401(k) Plan Provisions described above;

THEREFORE, BE IT RESOLVED, that the System hereby clarifies these references within the System Rules and 401(k) Plan Provisions as follows:

- TVA General Counsel shall mean any appropriate attorney selected by the System Board from within TVA's Office of the General Counsel, which may include TVA's General Counsel, in addition to any internal and/or external legal counsel that the System Board may select to provide legal services to the System;
- TVA Comptroller is a position that no longer exists at TVA and therefore shall mean any appropriate employee selected by the System Board from within TVA's Financial Services organization;
- Director of the TVA Division of Medical Services, TVA Medical Services and TVA Medical Director are divisions and positions that no longer exist at TVA and therefore the references to this division and these positions shall mean any physician employed or contracted by TVA and designated by TVA for the purposes set forth in the Sections of the System Rules and Article of the 401(k) Provisions in which those terms are contained;
- Medical Board may include physicians designated by the System Board or a third party medical provider review service that provides contract physicians in appropriate specialties;

- TVA Employment Branch is a division that no longer exists at TVA and therefore shall mean TVA's Human Resources organization; and
- TVA Retirement Services shall mean the TVA Retirement System

* * *

The Election Committee report consisted of items A-5936 and A-5937 reported below.

437-23 (A-5936). After discussion, the Board voted to select Allen Stokes to a second term as the seventh Director of the Board. Mr. Stokes was selected on March 8, 2011, to complete the un-expired term of the previous seventh Director, which ends October 31, 2012. Mr. Stokes' second term as the seventh Director of the Board will begin November 1, 2012, and end October 31, 2015.

* * *

437-24 (A-5937). After discussion, and upon the recommendation of the Election Committee and the Executive Secretary, the Board voted to approve the selection of VR Election Services to provide outside election services for the System's Board of Director election for 2012, and delegated to the Executive Secretary the authority to take any actions necessary to effect this approval. A copy of a memorandum from the Executive Secretary to the Board dated March 2, 2012, and the contract with VR Election Services is filed as Exhibit 437-24.

* * *

437-25 (A-5938). The Audit Committee report consisted of items reported below at A-5939, A-5940, A-5941, and A-5942, and of the following items:

- The Board received an update on the on-going fiscal year 2011 financial statement audit being performed by Crowe Horwath, LLP. The Board met with Brenda Torres, Jennifer Allen, Stephanie Pischalko, and Brian Cave of Crowe Horwath to discuss the status of the audit. The Board received a preliminary draft of the SAS 114 and SAS 115 letters from Crowe Horwath for review.
- The Board was provided and took note of educational conferences recommended by Hewitt EnnisKnupp specifically for similar types of board trustees. A copy of this information is filed as Exhibit 437-25(a).
- The Board was provided and took note of an evaluation template provided by Hewitt EnnisKnupp to be used in the year end evaluation of the Executive Secretary. A copy of this information is filed as Exhibit 437-25(b).

- The Board was provided and took note of information pertaining to the Board workshop scheduled for April 20, 2012 and a tentative agenda for the meeting. This information is filed as Exhibit 437-25(c).
- The Board was provided and took note of the System Board's travel expenses for the previous quarter.
- 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 notified by the Executive Secretary that Allen E. Stokes had filed his 2011 Confidential Financial Disclosure Report with the System. Mr. Stokes is the seventh member of the Board of Directors and is retired from TVA.

* * *

437-26 (A-5939). The Audit Committee discussed with the Board the results of the Report on Agreed Upon Procedures from E.H. Johnson & Company, P.C. E. H. Johnson performs specific agreed upon procedures to assist the Board in evaluating certain selected internal accounting control activities, and to assist the external auditors in the detailed testing for their audits of the plans. Upon the recommendation of the Audit Committee, the Board accepted the Report on Agreed Upon Procedures. A copy of the Report on Agreed Upon Procedures for the Tennessee Valley Authority Retirement System 2011 is filed as Exhibit 437-26. This report is available for review at the Retirement System Office.

* * *

437-27 (A-5940). In accordance with the Board's travel policy, the Board accepted the payment of expenses from Wilshire for any Board member and System staff who attend the 2012 Wilshire Consulting Client Conference from April 22-24, 2012, and any events integral to the conference. A copy of the information regarding the conference is filed as Exhibit 437-27.

* * *

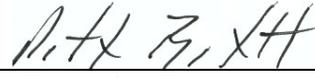
437-28 (A-5941). After discussion, the Board voted to approve a Board Confidentiality Policy. A copy of the policy will be added to the System's website and is filed as Exhibit 437-28.

* * *

437-29 (A-5942). As a part of its continuing governance work, the Board discussed a proposed Communication Policy. No action was taken.

* * *

The meeting was adjourned at 12:32 p.m., EDT.



Executive Secretary



Chairman