

Meeting No. 453

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

March 4, 2015

A special called meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Wednesday, March 4, 2015, at 9:37 a.m., EST, via telephone conference call.

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The following directors were present: Allen E. Stokes, Chair; Anthony L. Troyani, Vice-Chair; Brian M. Child; John M. Hoskins; James W. Hovious; Leonard J. Muzyn and Tammy W. Wilson. Also present were Patrick D. Brackett, Executive Secretary; Pamela K. Ramsey, Assistant Secretary; and Chris Christie and Anne Knox Averitt, Bradley Arant Boult Cummings, External Legal Counsel.

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453-1. Each director was notified in an email dated February 24, 2015, of the special called meeting to be held via teleconference on March 4, 2015. A copy of the notice from the Executive Secretary is filed as Exhibit 453-1.

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453-2. External Legal Counsel had previously presented to the System Board for their review a proposed response to motions for summary judgment filed by TVA and the plaintiffs in the current lawsuit involving TVA and TVARS. After discussion, the Board voted 4 to 3 to approve this response to motions for summary judgment, which will be filed with the court on

March 6, 2015 on behalf of the Board. Directors Hovious, Muzyn, Stokes, and Troyani voted in favor of the approval, and Directors Child, Hoskins, and Wilson voted against the approval. A copy of the response is filed as Exhibit 453-2.

Board Member statements submitted regarding the vote

Mr. Stokes' statement:

Rationale for voting that COLAs are vested:

- 1) TVA has granted COLA's from 1968 to 2009
- 2) TVARS annual reports has stated on numerous occasions that COLA's were vested and
- 3) The TVARS board did not have independent counsel when the 2009 decision was made.

Mr. Troyani's statement:

I voted "Yes" to filing the TVARS response in its' entirety, as I have been waiting over four years to do so. I voted against the benefit cuts in 2009 for many reasons, including my conviction that COLA's were and are a vested benefit. Retirees have received a COLA since 1968 and TVARS annual reports have stated that throughout the years. Even though I voted "Yes" to the response in its' entirety, I supported the 2009 motion to give a 30 day notice to members, primarily because it is in the rules and this was the first time in TVARS history that benefits were reduced. It has also come to light through the depositions of the litigation process that the Executive Secretary at the time withheld information from certain Directors in an effort to sway votes, even though it was stated that this action would lead to a lawsuit. It is my conclusion that this interference caused the 2009 vote to be arbitrary and capricious.

Mr. Hovious' statement:

On February 12th, 2015, the TVARS board took a separate vote on each of the following three items:

- 1) Was an adequate 30 day notice given prior to the August 17th, 2009 vote taken by the TVARS board to change the system rules and reduce benefits?; and
- 2) Are future COLAs vested?; and

3) Can the TVARS board change the annuity interest crediting rate?

My no votes were in the minority on items 1 and 3, and my yes vote was in the majority on item 2.

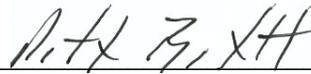
My vote on March 4th, 2015 to approve “TVARS’s Response to Motions for Summary Judgment” document for the Court reflects the majority opinion of the entire TVARS board, even though I am not personally in agreement with the majority vote on items 1 and 3.

Statement of Mr. Child, Mr. Hoskins and Ms. Wilson:

We support protecting the hard-earned benefits of the approximately 36,000 participants in the TVA retirement system. We disagree, however, with a position taken by the TVARS Board in its Response to Motions for Summary Judgment. In this response, the TVARS Board states its belief that COLAs are a vested benefit. While we recognize that the TVARS Rules as they relate to the vesting of COLAs are ambiguous, the conclusion that COLAs are a vested benefit is inconsistent with guidance we have received from legal counsel, the Inspector General, and the System’s actuary. Given our belief that the TVARS Rules and extrinsic evidence are ambiguous or uncertain as to the vesting of COLAs, it is likewise uncertain how a judge might rule in the matter. Accordingly, we advocate negotiation with plaintiffs and TVA in an effort to resolve the matter and to allow TVARS participants to secure benefits and plan for the future, and we view the affirmation of the TVARS Board that COLAs are a vested benefit to be a potential barrier to negotiated resolution. The alternative to negotiating a resolution is to leave the matter in the hands of the judge, and by doing so, we are unnecessarily placing plan participants at risk of never receiving a COLA as part of their benefit payment.

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The meeting was adjourned at 9:44 a.m., EST.



Executive Secretary

Approved:



Chair