

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

March 6, 2009

(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 6, 2009, at 10:15 a.m., EST, at the offices of Barclays, 745 7th Avenue, New York, New York.

* * *

The following directors were present: Frank E. Alford, Chairman; Leslie P. Bays; Janet C. Herrin; John M. Hoskins (via telephone); Leonard J. Muzyn; Phillip L. Reynolds; and Anthony L. Troyani. Also present were Tammy W. Wilson, Executive Secretary; Patrick D. Brackett, Assistant Secretary; Pamela K. Ramsey, Treasurer; and W. Colby Carter, Legal Counsel.

* * *

417-1. Each director was notified in a memorandum dated February 20, 2009, of the regular quarterly meeting to be held on March 6, 2009. A copy of the notice from the Executive Secretary is filed as Exhibit 417-1.

* * *

417-2 (A-5602). In his report, the Chairman thanked the Board and the System's staff for the productive investment manager visits and Board committee meetings during the Board's time in New York.

* * *

417-3 (A-5603). The Executive Secretary's report included the following:

- The Executive Secretary informed the Board that the System had a good audit by Crowe Horwath LLP for the fiscal year ending September 30, 2008, and that the draft Fiscal Year 2008 Annual Report is ready for approval by the Audit Committee and the Board.

- The Executive Secretary informed the Board that the System's number of retirees and beneficiaries increased by a net amount of 400 during calendar year 2008.
- The Executive Secretary informed the Board that the System has added a staff member from TVA Financial Services who will work on risk management projects and will be adding another staff member from TVA Financial Services who will help with work on the System's investments, audits, and accounting.

* * *

417-4 (A-5604). The Legal Counsel's update included the following:

- The Legal Counsel reported that there were no pending administrative or judicial proceedings to which the System is a party.
- The Legal Counsel informed the Board that in January the System submitted applications to the IRS for new determination letters as to the tax-qualified status of the System and the Savings and Deferral Retirement Plan (401(k) Plan).

* * *

417-5 (A-5605). The Board approved the minutes of Meeting No. 416 held December 12, 2008. This report is available for review at the Retirement System Office.

* * *

417-6 (A-5606). The Board accepted the Treasurer's Report for the quarter ending December 31, 2008. A copy of the Treasurer's Report is filed as Exhibit 417-6. This report is available for review at the Retirement System Office.

* * *

417-7 (A-5607). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending December 31, 2008. A copy of the Investment Performance Report is filed as Exhibit 417-7. This report is available for review at the Retirement System Office.

* * *

417-8 (A-5608). The Board accepted the report of retirements approved for the quarter ending December 31, 2008. A copy of the report, and a copy of summary

demographic information regarding retirements for the quarter, are filed as Exhibits 417-8(a) and (b), respectively. This report contains information on individual cases and is not available for review.

* * *

417-9 (A-5609). 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, 2008. A copy of the 401(k) Plan Investment Review is filed as Exhibit 417-9. This report is available for review at the Retirement System Office.

* * *

417-10 (A-5610). The Investment Committee report consisted of the items reported below at A-5611 and A-5612.

* * *

417-11 (A-5611). The Board's asset allocation policy has a permissible 3% deviation, either plus or minus, from the target allocations for each asset class (see Minute Entry 406-12). The Board previously voted to indefinitely suspend the rebalancing requirement in the asset allocation policy and to monitor and review this decision on a quarterly basis, or more frequently, as needed (see Minute Entry 416-22). Given the continued volatility of the markets and the fact that Wilshire is currently conducting an asset/liability study for the System, upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to continue the suspension of the rebalancing requirement in its asset allocation policy. A copy of a memorandum from the Executive Secretary to the Board dated February 24, 2009, is filed as Exhibit 417-11.

* * *

417-12 (A-5612). After a discussion regarding a request by Western Asset Management Company (WAMCO), which manages an absolute return portfolio for the System, and upon the recommendation of the Investment Committee and the Executive Secretary, the Board voted to authorize the Executive Secretary to execute any documents and to take any other actions necessary to allow WAMCO to make investments, consistent with the limits in its investment guidelines, through limited liability company vehicles in the areas of opportunistic structured securities, Asian securities, local market debt securities, developing markets corporate credit securities, and enhanced cash. A copy of a memorandum from the Executive Secretary to the Board dated February 26, 2009, with attachments, is filed as Exhibit 417-12.

* * *

417-13 (A-5613). The Retirement Committee report consisted of the items reported below at A-5614, A-5615 and A-5612.

* * *

417-14 (A-5614). The Board was provided information regarding certain issues in the calculation of the pension benefit for Original Benefit Structure retirees who retire in the few months prior to age 45 using actuarial factors versus those who retire in the few months after age 45 using formula driven factors as a result of the new mortality table adopted by the Board for service retirements on or after April 1, 2009 (see Minute Entry 416-14). In order to address these issues, the Board discussed the addition of a new section regarding these pension benefit calculations to the Actuarial Assumptions in the Appendix to the Rules and Regulations of the System (System Rules) and, upon the recommendation of the Retirement Committee and the Executive Secretary, took the following action:

BE IT RESOLVED, That the Actuarial Assumptions in the Appendix to the Rules and Regulations of the TVA Retirement System are amended to add the language underlined as follows:

APPENDIX TO THE RULES AND REGULATIONS OF THE
TVA RETIREMENT SYSTEM

Actuarial Assumptions

Certain benefit payments are calculated on the basis of actuarial assumptions, mortality tables, and interest rates. The following have been adopted by the board. The board may change these assumptions, tables, and rates from time to time.

21. Effective for service retirements on or after April 1, 2009, a member's pension under section 6B2b(ii) shall be the greater of (a) the pension calculated under section 6B2b(ii) and (b) the pension calculated under section 6B2c(ii).

A copy of a memorandum from the Executive Secretary to the Board dated February 25, 2009, with information regarding this addition to the Actuarial Assumptions, is filed as Exhibit 417-14.

* * *

417-15 (A-5615). After discussion, and upon the recommendation of the Retirement Committee and the Executive Secretary, the Board voted to amend Article 11.2 of the 401(k) Plan Provisions to clean up certain language regarding the vesting requirement for matching contributions. The Board took the following action:

BE IT RESOLVED, That Article 11.2 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:

ARTICLE 11

TVA's Obligations, Vested Benefits, and Plan Termination

- 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. ~~A participant shall have a nonforfeitable interest in the balance of the participant's matching contributions account upon completing five years of cash balance service as defined in the Rules and Regulations.~~

* * *

417-16 (A-5616). The Board noted its previous notational action approving the performance of a Recalibration Strategy of the System's costs and benefits by the System's actuary, Mercer Human Resource Consulting (Mercer). A copy of the approval e-mails from System Board members is filed as Exhibit 417-16.

* * *

417-17 (A-5617). The Audit Committee report consisted of the items reported below at A-5618 and A-5619, and of the following item:

- 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 Wilshire annual client conference from April 19-21, 2009, and any events integral to the conference.

* * *

417-18 (A-5618). The Audit Committee discussed with the Board the results of the audit report from E.H. Johnson & Company, P.C. evaluating the effectiveness of the System's internal accounting control systems for the period October 1, 2007 to September 30, 2008. Upon the recommendation of the Audit Committee, the Board accepted the audit report. A copy of the Report on Agreed-Upon Procedures for the Tennessee Valley Authority Retirement System 2008 is filed as Exhibit 417-18.

* * *

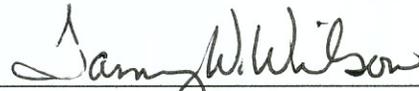
417-19 (A-5619). The Audit Committee informed the Board that Crowe Horwath LLP (Crowe Horwath) has completed its audit of the System's financial statements for the fiscal year ending September 30, 2008. The Board participated in a conference call with Crowe Horwath to discuss the audit, information and ideas with respect to the upcoming 2009 fiscal year audit, and the System's 2008 Annual Report. Upon the recommendation of the Audit Committee, the Board accepted (i) the SAS 114 letter from Crowe Horwath to the Board and (ii) the Retirement System 2008 Annual Report to be distributed to members, retirees, and other stakeholders of the System. A copy of the SAS 114 letter and the 2008 Annual Report are filed as Exhibits 417-19(a) and (b), respectively.

* * *

417-20 (A-5620). The Election Committee had no items to report.

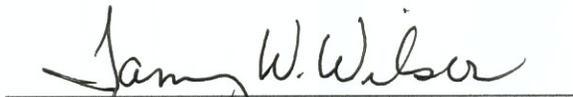
* * *

The meeting was adjourned at 11:00 a.m., EST.



Executive Secretary

Approved:



for Chairman