

Meeting No. 431

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

March 8, 2011

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Tuesday, March 8, 2011, at 5:58 p.m., EST, at the Chattanooga Hotel, Kinsey Boardroom, 1201 S. Broad Street, Chattanooga, Tennessee.

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The following directors were present: Leslie P. Bays, Chairman; Janet C. Herrin, Vice Chairman; 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; Eric J. Davis, Program Manager, Investment Management; Michael Brakebill, Advisory Member; and W. Colby Carter, Legal Counsel.

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431-1. Each director was notified in a memorandum dated February 18, 2011, of the regular quarterly meeting to be held on March 8, 2011. A copy of the notice from the Executive Secretary is filed as Exhibit 431-1.

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431-2 (A-5800). There were no items to report from the Chairman.

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431-3 (A-5801). The Executive Secretary's report included the following:

- The Executive Secretary discussed with the Board certain changes to retirement benefit information included in the annual TVA Personal Statement of Benefits to be released this summer, which includes the following: removal of the list of social security earnings, only two retirement age projection estimates along with the addition of a survivor option estimate, and direction to the Fidelity Investments website for 401(k) balance estimates at various retirement dates.
- Beginning with this quarterly meeting, TVARS staff, with Board concurrence, will be releasing communications regarding significant agenda items and decisions immediately following each meeting.
- The Executive Secretary informed the Board of upcoming TVA retiree association invitations for speakers from TVARS staff and the System Board.

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431-4 (A-5802). Bradley Arant Boult Cummings, outside counsel representing the System in the current lawsuit against TVA and the System, provided an update to the System Board via teleconference regarding the status of the litigation.

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431-5 (A-5803). The Board approved the minutes of Meeting No. 430 held December 17, 2010.

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431-6 (A-5804). The Board accepted the Treasurer's Report for the quarter ending December 31, 2010. A copy of the Treasurer's Report is filed as Exhibit 431-6.

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431-7 (A-5805). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending

December 31, 2010. A copy of the Investment Performance Report is filed as Exhibit 431-7.

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431-8 (A-5806). The Board accepted the report of retirements approved for the quarter ending December 31, 2010. A copy of the report is filed as Exhibit 431-8.

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431-9 (A-5807). 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, 2010. A copy of the 401(k) Plan Investment Review is filed as Exhibit 431-9.

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431-10 (A-5808). The Investment Committee report consisted of the items reported below at A-5809, A-5810, A-5811 and A-5812, 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, 2010, is filed as Exhibit 431-10(a).
- The Board was provided and took note of information regarding the withdrawal of Beus Gilbert and the appointment of Cadwalader, Wickersham & Taft LLP as lead counsel in the Board's on-going litigation involving the past investment by W.R. Huff Asset Management, a former investment manager of the System, in the debt securities of Bruno's Supermarkets. Information regarding this matter is filed as Exhibit 431-10(b).
- The Board was provided and discussed information regarding BNY Mellon's foreign exchange services. Suits have been filed by the states of Virginia and Florida on behalf of their retirement systems alleging that BNY Mellon profited by retaining the difference between its cost of currency transactions and the cost it charged to the retirement systems. The Board asked that the System staff continue to monitor these developments. Information regarding this matter is filed as Exhibit 431-10(c).

- The Board was provided and took note of information regarding investment manager meetings and conference calls conducted during the first quarter of 2011. A copy of this information is filed as Exhibit 431-10(d).
- The Board was provided a copy of the Asset-Liability Valuation (ALV) study performed by Wilshire, which the Board will be using to develop an updated funding and investment strategy for the System. To help the Board in analyzing the ALV study, the Board was also provided copies of additional Wilshire reports on Risk-Focused Diversification and Limits of Traditional Asset Allocation. The Wilshire ALV study and reports are filed as Exhibit 431-10(e).

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431-11 (A-5809). Upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to approve an amendment to the investment guidelines for AQR Capital Management, a current investment manager of the System, to include an emerging markets allocation, and authorized the Executive Secretary to take any actions necessary to implement this action. A copy of a memorandum from Wilshire to the System Board, dated February 24, 2001, regarding the addition of this emerging markets allocation is filed as Exhibit 431-11.

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431-12 (A-5810). Upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to continue to dollar cost average investments into the Prudential Real Estate Investors' PRISA diversified core real estate fund by allocating an additional \$45 million to the PRISA fund by the end of March 2011. A copy of a memorandum from Wilshire to the Executive Secretary and Program Manager, Investment Management, dated February 24, 2011, regarding this additional allocation to the PRISA fund is filed as Exhibit 431-12.

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431-13 (A-5811). Upon the recommendation of the Investment Committee, the Board voted to approve, and authorized the Executive Secretary to execute, a revised fee agreement with The Bank of New York Mellon, the System's master trustee, effective February 1, 2011, which will result in \$13,750 annual savings to the System. A copy of the revised BNY Mellon Fee Agreement is filed as Exhibit 431-13.

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431-14 (A-5812). Upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to approve, and authorized the Executive Secretary to execute, revised investment guidelines for Guggenheim Partners Asset Management (GPAM). GPAM's revised guidelines would expand to allow for opportunistic fixed income investments beyond the mortgage sector. A copy of a memorandum from Wilshire to the System Board, dated March 8, 2011, regarding GPAM's revised investment guidelines is filed as Exhibit 431-14.

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431-15 (A-5813). The Retirement Committee report consisted of the items reported below at A-5814 and A-5815, and of the following items:

- The Board was provided and took note of the quarterly report on System communications, including TVARA website updates, TVARA meetings, TVARS website updates, TVA Today articles, other communications, and future communication initiatives. A copy of the Quarterly Communication Update report is filed as Exhibit 431-15.
- The Board reviewed and discussed a draft Pension Funded Status Recovery Alternatives presentation for the System addressing three primary areas of a long-term plan for a more financially sound, sustainable, and more effective retirement system. The Board prepared this presentation for its own long-term planning considerations and to give to TVA's Chief Financial Officer, John Thomas, at his request.

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431-16 (A-5814). The Board approved the following schedule and locations for the Board meetings and workshops to be held in calendar year 2011:

March 8	Chattanooga
May 4-6 (workshop)	New York
June 16-17	Nashville
September 15-16	Chattanooga
December 1-2	Nashville

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431-17 (A-5815). Upon the recommendation of the Retirement Committee, the Board voted to accept Mercer's report to the Board on the System's FAS 35 Valuation as of September 30, 2010. A copy of a letter from Réal Lamarche at Mercer to the Executive Secretary, dated January 28, 2011, and a copy of Mercer's FAS 35 Valuation report, are filed as Exhibit 431-17.

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431-18 (A-5816). The Audit Committee report consisted of the items reported below at A-5817, A-5818, A-5819, A-5820, A-5821, A-5822, A-5823 and A-5824, and of the following items:

- 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, 2010. The Board met with Brenda Torres and Jennifer Allen of Crowe Horwath to discuss the audit, the System's 2010 Annual Report, and information with respect to the upcoming 2011 fiscal year audit. Upon the recommendation of the Audit Committee, the Board accepted (i) the SAS 114 letter from Crowe Horwath to the Board and (ii) the System's 2010 Annual Report to be made available to members, retirees, and other stakeholders of the System. A copy of the SAS 114 letter and the 2010 Annual report are filed as Exhibit 431-18.

- 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 2011 Wilshire Consulting Client Conference from April 10-12, 2011, and any events integral to the conference.

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431-19 (A-5817). 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, 2009, to September 30, 2010. 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 2010 is filed as Exhibit 431-19.

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431-20 (A-5818). 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. for the performance of internal auditing services of the System's agreed-upon accounting control systems for fiscal year 2011. A copy of the contract is filed as Exhibit 431-20.

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431-21 (A-5819). The Board discussed a proposed contract with E.H. Johnson & Company, P.C. to produce a SSAE-16 report for the System, which will replace the System's previous SAS-70. The Board requested more information on the SSAE-16 report and deferred action on this item until a later date.

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431-22 (A-5820). As a part of its continuing governance work, the Board discussed a proposed Overall Governance Policy. No action was taken.

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431-23 (A-5821). As a part of its continuing governance work, the Board discussed a proposed Service Providers Interaction and Evaluation Policy. No action was taken.

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431-24 (A-5822). As a part of its continuing governance work, the Board discussed a proposed Ethics and Code of Conduct Policy. No action was taken.

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431-25 (A-5823). The Board noted its previous notational action approving the Engagement Letter with Bradley Arant Boult Cummings, which it previously selected as outside counsel to represent TVARS in the current lawsuit against TVA and the System. A copy of the Engagement Letter is filed as Exhibit 431-25.

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431-26 (A-5824). The Board noted its previous notational action approving the next phase of governance policy training and development with Hewitt EnnisKnupp. A copy of an e-mail from the Executive Secretary to the Board, dated January 11, 2011, along with the Board members' notational votes, are filed as Exhibit 431-26.

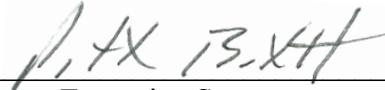
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431-27 (A-5825). The Election Committee report consisted of the following items:

- The Election Committee presented to the Board three candidates for consideration as seventh member of the Board. Pursuant to an election process presented by the Election Committee and approved by the Board, Allen E. Stokes was selected by the Board as the seventh Director.
- The Board discussed a proposal to contract out the election process for Board Directors to a third party and was provided information on potential external election vendors to perform this service. No action was taken. A memorandum from the Executive Secretary to the Board, dated February 16, 2001, with information on external election vendors is filed as Exhibit 431-27.

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The meeting was adjourned at 6:26 p.m., EST.



Executive Secretary

Approved:



Chairman