

Meeting No. 438

MINUTES OF MEETING
OF THE BOARD OF DIRECTORS

RETIREMENT SYSTEM OF THE TENNESSEE VALLEY AUTHORITY

May 4, 2012

(Edited to remove personal information related to individual members and retirees and proprietary information.)

A special called meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Friday, May 4, 2012, at 12:00 p.m., EDT, via telephone conference call.

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The following directors were present: Leslie P. Bays, Chair; Allen E. Stokes, Vice-Chair; Janet C. Herrin; 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 Management & Risk. John M. Hoskins was not present.

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438-1. Each director was notified in an email dated May 1, 2012, of the special called meeting to be held on May 4, 2011. A copy of the notice from the Executive Secretary is filed as Exhibit 438-1.

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438-2 (A-5943). After discussion, and upon the recommendation of the Investment Committee, the Board voted to approve amendments to the fee agreements of two current investment managers of the System as follows: (i) lowering the base fee and revising the performance-based fee to include a high water mark on the Diversified Alpha Strategies (DAS) accounts managed by Wellington Management Company (Wellington); and (ii) switching from a performance-based fee with no cap to a base fee on the large-cap equities overlay account managed by Western Asset Management Company (WAMCO). These amendments are expected to result in lower overall annual fees for these accounts. As a part of its approval, the Board delegated to the Executive Secretary the authority to take any actions necessary to execute these fee agreement amendments. Copies of the amended investment management fee agreements with Wellington and WAMCO are filed as Exhibit 438-2.

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438-3 (A-5944). The Board discussed some proposed guideline amendments for BNYM Case Investment Strategies (CIS), a unit of Bank of New York Mellon, the System's master trustee, which manages a cash sweep fund for the System's pension trust with monies held in investment manager accounts that are swept into the fund on a daily basis. The Board requested some additional information related to the proposed guideline amendments, and no action was taken. Information regarding CIS and the proposed guideline amendments is filed as Exhibit 438-3.

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438-4 (A-5945). After discussion, and upon the recommendation of Wilshire Associates, the System's investment consultant, and the Investment Committee, the Board approved a commitment of \$15 million to the McCoy Investments II, L.P., a private equity fund managed by Vedanta Capital, LLC, a current private equity investment manager of the System. As a part of its approval, the Board authorized the Executive Secretary to take any actions necessary for this investment. A copy of information regarding Vedanta Capital and the McCoy II fund is filed as Exhibit 438-4.

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438-5 (A-5946). At its March 16, 2012, quarterly meeting, the Board accepted the System's Statement of Accounting Standards Codification 960 (ASC 960) prepared as of September 30, 2011, by Mercer Human Resource Consulting (Mercer) (see Minute Entry 437-21). Following the acceptance of this report, several discussions with Mercer and Crowe Horwath, the System's external auditor, resulted in information that has required the ASC 960 to be revised and restated. After discussion, and upon the recommendation of the Retirement Committee, the Board accepted the revised ASC 960 for the System prepared as of September 30, 2011, by Mercer. A copy of the revised ASC 960 dated April 2012 is filed as Exhibit 438-5.

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The meeting was adjourned at 12:30 p.m., EDT.



Executive Secretary



Chairman