

Meeting No. 433

MINUTES OF MEETING  
OF THE BOARD OF DIRECTORS

RETIREMENT SYSTEM OF THE TENNESSEE VALLEY AUTHORITY

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

June 17, 2011

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Thursday, June 17, 2011, at 7:03 a.m., CDT, at the Nashville Airport Marriott, 600 Marriott Drive, Nashville, 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; Allen E. Stokes; 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; and W. Colby Carter, Legal Counsel.

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433-1. Each director was notified in a memorandum dated June 1, 2011, of the regular quarterly meeting to be held on June 17, 2011. A copy of the notice from the Executive Secretary is filed as Exhibit 433-1.

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433-2 (A-5826). The Chairman's report included the following:

- The Chairman will be preparing a response letter in his individual capacity to TVA CEO and President Tom Kilgore's May 26 letter regarding a long-term strategy for the System.
- At the request of the Chairman, and after discussion, the Board approved a services agreement with Director Allen Stokes to compensate him for his time serving as the seventh Director of the Board. Mr. Stokes recused himself from the discussion and vote. A copy of the services agreement with Mr. Stokes is filed as Exhibit 433-2.
- The Chairman recommended the following changes to the current Board Committees (see Minute Entry 430-24), which were approved by the Board:
  - Add Allen Stokes to the Investment Committee and Audit Committee

- Remove Les Bays from the Audit Committee

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433-3 (A-5827). The Executive Secretary's report included the following:

- The Executive Secretary distributed copies of a Wilshire fund report for the System and information comparing utility pension plans and their current status.
- The Executive Secretary provided the Board with an update on the status of governance policies for the Board and discussed future workshop plans for additional work on governance policies.
- The Executive Secretary will schedule a meeting for the Board prior to the next scheduled Board meeting to continue asset/liability work with Wilshire.

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433-4 (A-5828). 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 regarding the status of the litigation.

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433-5 (A-5829). The Board approved the minutes of Meeting No. 433 held March 8, 2011.

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433-6 (A-5830). The Board approved the minutes of special-called Meeting No. 432 held April 22, 2011.

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433-7 (A-5831). The Board accepted the Treasurer's Report for the quarter ending March 31, 2011. A copy of the Treasurer's Report is filed as Exhibit 433-7. This report is available for review at the Retirement Services office.

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433-8 (A-5832). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending March 31, 2011. A copy of the Investment Performance Report is filed as Exhibit 433-8. This report is available for review at the Retirement Services office.

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433-9 (A-5833). The Board accepted the report of retirements approved for the quarter ending March 31, 2011. A copy of the report is filed as Exhibit 433-9. These reports contain information on individual cases and are not available for review.

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433-10 (A-5834). 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 March 31, 2011. A copy of the 401(k) Plan Investment Review is filed as Exhibit 433-10. This report is available for review at the Retirement Services office.

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433-11 (A-5835). The Investment Committee report consisted of the item reported below at A-5836, 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 March 31, 2011, is filed as Exhibit 433-11(a). This report is available for review at the Retirement Services office.
- The Board was provided and discussed information regarding BNY Mellon's foreign exchange services. Suits have been filed by 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. Information regarding this matter is filed as Exhibit 433-11(b).
- The Board was provided and took note of information regarding investment manager asset transfers during the first quarter of 2011. A copy of this information is filed as Exhibit 433-11(c).
- The Board was provided and took note that Fidelity Investments has announced plans to convert the Spartan 500 Index Fund Investor Class and the Spartan 500 Index Fund Advantage Class within the 401(k) Plan investment menu to the new Spartan 500 Index Fund Institutional Class with lower fees. Information regarding this matter is filed as Exhibit 433-11(d).
- The Board was provided information regarding additional investments into the Prudential Real Estate Investment's PRISA diversified core real estate fund. Information regarding this matter is filed as Exhibit 433-11(e).
- The Board was provided information regarding the possibility that Oaktree Capital Management, a current investment manager of the System, will be taken public. A copy of this information is filed as Exhibit 433-11(f).

- The Board was provided information on various asset-liability and investment strategies for the System's assets from Wilshire and current managers Bridgewater Associates and Pacific Investment Management Company (PIMCO), as well as the System staff. The Board discussed this information and will be using it to develop an updated funding and investment strategy for the System. This information is filed as Exhibit 433-11(g).

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433-12 (A-5836). The Board was provided a copy of the revised investment guidelines for Guggenheim Partners Asset Management (Guggenheim), which the Board previously approved (see Minute Entry 431-14). A copy of the revised investment guidelines is filed as Exhibit 433-12.

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433-13 (A-5837). The Retirement Committee report consisted of the item reported below at A-5838, 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 433-13(a).
- The Board was provided with a default option resolution to a reoccurring issue with vested terminated employees not applying for benefits. Following discussions with Mercer and the Legal Counsel, the System staff proposed the following default option to be considered by the Board at a future meeting. Upon termination, the System will notify employees of their eligibility to apply for an immediate (if eligible) and/or deferred retirement benefit. The certified letter will inform them that they have 60 days from their termination date to apply. After 60 days, their benefit will default to a single life deferred to age 55. Information regarding this default option proposal is filed as Exhibit 433-13(b).
- The Board was provided with an update of the TVARS-related changes to TVA's 2011 Personal Statement of Benefits (PSOB) for TVA employees. A copy of this update is filed as Exhibit 433-13(c).
- The Board discussed changing the date of the September Meeting from September 16 to September 15 if acceptable to the Board members. This change would allow attendance by Board members at the valley wide TVARA picnic in Guntersville on September 16.

- The Board was provided with a comparison table of other Non-Appropriated Federal Retirement Plans and their current benefits. A copy of this table is filed as Exhibit 433-13(d).

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433-14 (A-5838). The Board deferred discussions regarding possible amendments to the System's Rules and the 401(k) Plan Provision to credit TVA lump-sum payments made to employees in lieu of base wage or salary increases for FY 2012 for purposes of calculating pension benefits under the Rules and TVA matching contributions under the 401(k) Plan.

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433-15 (A-5839). The Audit Committee report consisted of the items reported below at A-5840, A-5841, A-5842, and of the following item:

- The Board was provided information on the conference calls and investment manager meetings from March 15 through June 2. A copy of this information is filed as Exhibit 433-15.

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433-16 (A-5840). Upon the recommendation of the Audit Committee, the Board voted to approve, and authorized the Executive Secretary to execute, an engagement letter with Crowe Horwath to perform the fiscal year 2011 financial statement audits of the System and the 401(k) Plan. A copy of a memorandum from the Executive Secretary to the Board regarding Crowe Horwath's contract and a copy of the engagement letter between Crower Horwath and the System are filed as Exhibit 433-16.

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433-17 (A-5841). After discussion, the Board voted to approve a Board Self Evaluation Policy. A copy of the policy will be added to the System's website and is filed as Exhibit 433-17.

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433-18 (A-5842). The Board noted its previous notational action approving the preparation of discussion areas by Bradley Arant Boult Cummings on behalf of the Board with respect to the current lawsuit for the attorneys of TVA and the Plaintiffs in the lawsuit.

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433-19 (A-5843). The Election Committee report consisted of the item reported below at A-5844 and the following item:

- The Election Committee presented to the Board nomination candidate information forms to be used in the 2011 Board Director election.

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433-20 (A-5844). Upon the recommendation of the Election Committee, the Board voted to approve the 2011 TVARS Election Schedule. A copy of the 2011 TVARS Election Schedule is filed as Exhibit 433-18.

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The meeting was adjourned at 7:33 a.m., CDT.



Executive Secretary

Approved:



Chairman