

Meeting No. 425

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 18, 2010

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Friday, June 18, 2010, at 3:25 p.m., EDT, via teleconference.

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The following directors were present: Leslie P. Bays, Chairman; Janet C. Herrin; John M. Hoskins; Leonard J. Muzyn; Anthony L. Troyani; and Tammy W. Wilson. Also present were Patrick D. Brackett, Executive Secretary; W. Colby Carter, Legal Counsel; and Eric J. Davis, Program Manager, Investment Management.

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425-1. Each director was notified in a memorandum dated May 20, 2010, of the regular quarterly meeting to be held on June 4, 2010. Due to a lack of a quorum, the Executive Secretary rescheduled the meeting by notice to June 18. Copies of the notices from the Executive Secretary are filed as Exhibits 425-1(a) and (b).

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425-2 (A-5710). The Chairman presented recommendations for the Board's standing and special committee members. After discussion of the recommendations, the Board approved the following standing and special committee assignments, as recommended by the Chairman:

Audit Committee

Leonard J. Muzyn, Chair
John M. Hoskins
Leslie P. Bays

Retirement Committee

Janet C. Herrin, Chair
Leslie P. Bays
Tammy W. Wilson

Investment Committee

John M. Hoskins, Chair
Leonard J. Muzyn, Vice Chair
Leslie P. Bays
Janet C. Herrin
Anthony L. Troyani
Tammy W. Wilson

Election Committee

Anthony L. Troyani, Chair
Janet C. Herrin
Leonard J. Muzyn

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425-3 (A-5711). The Executive Secretary's report included the following:

- The Executive Secretary provided details to the Board on the upcoming SAS 70 audit to be performed by E.H. Johnson & Company.
- The Executive Secretary informed the Board that the System has provided retirement information for current employees to TVA for inclusion in TVA benefit booklets, which will be available to employees within the next couple weeks.

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425-4 (A-5712). The Legal Counsel's update included the following:

- The Legal Counsel updated the Board members on the status of the current lawsuit against them.
- The Legal Counsel provided information to the Board on a recently announced legal settlement between Mercer and the Alaska Retirement Management Board involving Mercer's past actuarial work regarding the state's future health care liabilities.

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425-5 (A-5713). The Board approved the minutes of Meeting No. 423 held March 5, 2010.

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425-6 (A-5714). The Board approved the minutes of special-called Meeting No. 424 held March 26, 2010.

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425-7 (A-5715). The Board accepted the Treasurer's Report for the quarter ending March 31, 2010. A copy of the Treasurer's Report is filed as Exhibit 425-7. This report is available for review at the Retirement Services office.

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425-8 (A-5716). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated for the quarter ending March 31, 2010. A copy of the Investment Performance Report is filed as Exhibit 425-8. This report is available for review at the Retirement Services office.

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425-9 (A-5717). The Board accepted the report of retirements approved for the quarter ending March 31, 2010. A copy of the report, and a copy of summary demographic information regarding retirements for the quarter, are filed as Exhibits 425-9(a) and (b), respectively. These reports contain information on individual cases and are not available for review.

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425-10 (A-5718). The Board accepted the Investment Review for the Savings and Deferral Retirement Plan (401(k) Plan) prepared by Fidelity Investment Institutional Services Company for the quarter ending March 31, 2010. A copy of the 401(k) Plan Investment Review is filed as Exhibit 425-10. This report is available for review at the Retirement Services office.

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425-11 (A-5719). The Investment Committee report consisted of the items reported below at A-5720, A-5721, A-5722, A-5723, A-5724, A-5725 and A-5726, and of the following items:

- Pursuant to the System's Rules and Regulations, the Board is to select an independent investment professional or financial expert to be a non-voting member or and adviser to the Investment Committee. After discussion, and upon the recommendation of the Investment Committee and the Executive Secretary, the Board approved the selection of Michael Brakebill for this position pending an agreement with Mr. Brakebill acceptable to the Board. Mr. Brakebill is currently the Chief Investment Officer of the Tennessee Consolidated Retirement System and the State of Tennessee Treasury Department's Investment Division. As a part of this approval, the Board delegated to the Executive Secretary the authority to negotiate a contract with Mr. Brakebill.
- 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,

2010, is filed as Exhibit 425-11. This report is available for review at the Retirement Services office.

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425-12 (A-5720). After discussion, and upon the recommendation of the Investment Committee and the Executive Secretary, the Board approved the consolidation of two global inflation-linked bond portfolios managed by Bridgewater Associates, with 2% and 4% tracking error, into one fee-neutral portfolio with 3% tracking error, and authorized the Executive Secretary to take any actions necessary to implement this consolidation as soon as feasible. A copy of information from the Executive Secretary to the Board regarding the consolidation of the Bridgewater portfolios is filed as Exhibit 425-12.

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425-13 (A-5721). After discussion, and upon the recommendation of the Investment Committee and the Executive Secretary, the Board approved entering into a contract with BNY Mellon Performance & Risk Analytics to provide accounting and reporting services for the System's private equity investments, and authorized the Executive Secretary to take any actions necessary to implement this action. A copy of information from the Executive Secretary to the Board regarding BNY Mellon's private equity investment accounting and reporting services, along with information regarding an alternative proposal from Credit Suisse, is filed as Exhibit 425-13.

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425-14 (A-5722). Upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to terminate the investment management agreement between the System and ClariVest Asset Management, LLC (ClariVest), and to authorize the Executive Secretary to take any actions necessary to effect this action. As a part of this action, the Board approved the following resolution:

WHEREAS section 4 of the Rules and Regulations of the TVA Retirement System (System) authorizes the Board of Directors of the System to enter into investment management agreements; and

WHEREAS the System Board previously selected ClariVest Asset Management, LLC (ClariVest) as an investment manager of a quantitative small cap domestic equities portfolio; and

WHEREAS the investment management agreement between ClariVest and the System Board provides for the termination of the agreement by the System Board upon notice; and

WHEREAS the Investment Committee and the System's consultant, Wilshire Associates Incorporated, have recommended that the investment management agreement between the System Board and ClariVest be terminated;

BE IT RESOLVED, That the System Board hereby approves termination of the System's investment management agreement with ClariVest as soon as administratively feasible, and authorizes the Executive Secretary to execute all necessary and appropriate documents to accomplish this termination.

A copy of information from the Executive Secretary to the Board regarding ClariVest is filed as Exhibit 425-14.

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425-15 (A-5723). Upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to terminate the investment management agreement for the management of a small cap domestic equities portfolio between the System and BlackRock Financial Management Inc. (formerly Barclays Global Investors), and to authorize the Executive Secretary to take any actions necessary to effect this action. As a part of this action, the Board approved the following resolution:

WHEREAS section 4 of the Rules and Regulations of the TVA Retirement System (System) authorizes the Board of Directors of the System to enter into investment management agreements; and

WHEREAS the System Board previously selected Barclays Global Investors, now BlackRock Financial Management Inc. (BlackRock), as an investment manager of a quantitative small cap domestic equities portfolio; and

WHEREAS the investment management agreement between BlackRock and the System Board provides for the termination of the agreement by the System Board upon notice; and

WHEREAS the Investment Committee and the System's consultant, Wilshire Associates Incorporated, have recommended that the investment management agreement between the System Board and BlackRock be terminated;

BE IT RESOLVED, That the System Board hereby approves termination of the System's investment management agreement with BlackRock as soon as administratively feasible, and authorizes the Executive Secretary to execute all necessary and appropriate documents to accomplish this termination.

A copy of information from the Executive Secretary to the Board regarding BlackRock is filed as Exhibit 425-15.

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425-16 (A-5724). Wilshire and the Executive Secretary presented the Board information on candidates to replace ClariVest and BlackRock within the System's domestic small cap equities allocation. Following a discussion on the information and potential candidates, and upon the recommendation of Wilshire, the Investment Committee and the Executive Secretary, the Board voted to approve the selection of (i) Fisher Investments to manage an active domestic small cap value equities portfolio with funding of approximately \$50 million, and (ii) Dimensional Fund Advisors LP to manage a structured domestic small cap equities portfolio with low tracking error with funding of approximately \$100 million. As a part of this action, the Board approved the following resolution:

WHEREAS section 4 of the Rules and Regulations of the TVA Retirement System (System) authorizes the Board of Directors of the System to designate and select investment managers and to enter into investment management agreements subject to the approval of the Board of Directors of TVA; and

WHEREAS the Investment Committee of the System, other representatives of the System, and Wilshire Associates Incorporated have reviewed the qualifications of potential investment managers who have demonstrated expertise in managing domestic small cap equities portfolios and have recommended that the System Board designate and select Fisher Investments (Fisher) and Dimensional Fund Advisors LP (DFA), as investment managers to manage portions of the assets of the System's Fixed Benefit Fund;

BE IT RESOLVED, That the System Board hereby designates and selects Fisher and DFA to each manage a portion of the assets in the System's Fixed Benefit Fund and authorizes the Executive Secretary to negotiate and sign an investment management agreement and to negotiate other related documents between the System and each of Fisher and DFA;

RESOLVED further, That the System Board hereby authorizes the Executive Secretary to approve and to execute a supplemental fee and investment agreement, including investment guidelines between the System and each of Fisher and DFA, and the other related documents necessary to effect the transition of the assets.

A copy of a memorandum from the Executive Secretary to the Board regarding small cap manager recommendations, and a copy of the report from Wilshire on the small cap domestic equity manager search, are filed as Exhibits 425-16(a) and (b).

In addition to the above actions, in order to rebalance the allocation of the System's assets between small and large cap domestic equities, upon the recommendation of Wilshire, the Investment Committee and the Executive Secretary, the Board voted to reduce the portfolio managed by The Greene Group within Neuberger Berman, LLC by \$50 million and move \$100 million from small cap domestic equities to the large cap domestic equities index managed by Mellon Capital Management, and authorized the Executive Secretary to take any actions necessary to effect this action.

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425-17 (A-5725). Upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board voted to terminate the investment management agreement for the management of an international equities portfolio between the System and BlackRock Financial Management Inc. (formerly Barclays Global Investors), and to authorize the Executive Secretary to take any actions necessary to effect this action. As a part of this action, the Board approved the following resolution:

WHEREAS section 4 of the Rules and Regulations of the TVA Retirement System (System) authorizes the Board of Directors of the System to enter into investment management agreements; and

WHEREAS the System Board previously selected Barclays Global Investors, now BlackRock Financial Management Inc. (BlackRock), as an investment manager of an international equities portfolio; and

WHEREAS the investment management agreement between BlackRock and the System Board provides for the termination of the agreement by the System Board upon notice; and

WHEREAS the Investment Committee and the System's consultant, Wilshire Associates Incorporated, have recommended that the investment management agreement between the System Board and BlackRock be terminated;

BE IT RESOLVED, That the System Board hereby approves termination of the System's investment management agreement with BlackRock as soon as administratively feasible, and authorizes the Executive Secretary to execute all necessary and appropriate documents to accomplish this termination.

A copy of information from the Executive Secretary to the Board regarding BlackRock is filed as Exhibit 425-17.

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425-18 (A-5726). Wilshire and the Executive Secretary presented the Board information on candidates to replace BlackRock within the System's international

equities allocation. Following a discussion on the information and potential candidates, and upon the recommendation of Wilshire, the Investment Committee and the Executive Secretary, the Board voted to approve the selection of (i) Baillie Gifford Overseas Limited to manage an active international equities portfolio with funding of approximately \$250 million, and (ii) Pyramis Global Advisors, LLC to manage a structured international equities portfolio with low tracking error with funding of approximately \$250 million. As a part of this action, the Board approved the following resolution:

WHEREAS section 4 of the Rules and Regulations of the TVA Retirement System (System) authorizes the Board of Directors of the System to designate and select investment managers and to enter into investment management agreements subject to the approval of the Board of Directors of TVA; and

WHEREAS the Investment Committee of the System, other representatives of the System, and Wilshire Associates Incorporated have reviewed the qualifications of potential investment managers who have demonstrated expertise in managing international equities portfolios and have recommended that the System Board designate and select Baillie Gifford Overseas Limited (Baillie Gifford) and Pyramis Global Advisors, LLC (Pyramis), as investment managers to manage portions of the assets of the System's Fixed Benefit Fund;

BE IT RESOLVED, That the System Board hereby designates and selects Baillie Gifford and Pyramis to each manage a portion of the assets in the System's Fixed Benefit Fund and authorizes the Executive Secretary to negotiate and sign an investment management agreement and to negotiate other related documents between the System and each of Baillie Gifford and Pyramis;

RESOLVED further, That the System Board hereby authorizes the Executive Secretary to approve and to execute a supplemental fee and investment agreement, including investment guidelines between the System and each of Baillie Gifford and Pyramis, and the other related documents necessary to effect the transition of the assets.

A copy of a memorandum from the Executive Secretary to the Board regarding international manager recommendations, and a copy of the report from Wilshire on the non-U.S. equity manager search, are filed as Exhibits 425-18(a) and (b).

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425-19 (A-5727). The Retirement Committee report consisted of the item reported below at A-5728.

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425-20 (A-5728). The Board voted to (i) appoint Pam Ramsey as Assistant Secretary to replace Pat Brackett who was appointed Executive Secretary earlier this year, (ii) appoint Sally Weber as Treasurer to replace Pam Ramsey who is being appointed Assistant Secretary, (iii) appoint Courtney Hammontree as Assistant Treasurer, and (iv) adopt the following resolutions to affirm officer appointments, to authorize the officers to conduct certain transactions required in the operation and administration of the Fixed Benefit Fund, Variable Fund, and the 401(k) Plan, and to authorize the officers to sign checks on behalf of the System:

Operation and Administration of the Fixed Benefit Fund and Variable Fund:

WHEREAS the operation and administration of the Fixed Benefit Fund and Variable Fund require execution of various forms and documents on behalf of the Board of Directors of the System;

BE IT RESOLVED, That the Board hereby affirms the appointment of each of the below named officers of the System and authorizes each of them to approve, sign, attest, or authenticate on behalf of the Board any form or document required in the operation and administration of the Fixed Benefit Fund and Variable Fund. Such authority shall include but not be limited to (1) transfer of monies between The Bank of New York Mellon, Pittsburgh, Pennsylvania, and First Tennessee Bank, N.A., (2) transfer of monies between investment managers, and (3) approval of withdrawals from the fixed and variable funds.

Patrick Brackett, Executive Secretary
Pamela K. Ramsey, Assistant Secretary
Sally R. Weber, Treasurer
Pamela K. Ramsey, Assistant Treasurer
Judy Stephens, Assistant Treasurer
Courtney L. Hammontree, Assistant Treasurer

RESOLVED further, That this resolution shall become effective June 18, 2010, and shall supersede and rescind any previous resolutions adopted by the Board to the extent inconsistent with this resolution.

Operation and Administration of the 401(k) Plan:

WHEREAS the operation and administration of the TVA Savings and Deferral Retirement Plan require execution of various forms and documents on behalf of the Board of Directors of the System;

BE IT RESOLVED, That the Board hereby affirms the appointment of each of the below named officers of the TVARS and authorizes each of them to approve, sign, attest, or authenticate on behalf of the Board any form or document required

in the operation and administration of the Savings and Deferral Retirement Plan. Such authority shall include but not be limited to (1) Letters of Intention and Price Agreement as required for the investment of the funds of the Savings and Deferral Retirement Plan in the Savings and Deferral Retirement Plan's eligible investment funds; (2) applications for loans and withdrawals from the plan; and (3) orders for the purchase, sale, transfer, assignment, investment in, or withdrawal from such plan or funds.

Patrick Brackett, Executive Secretary
Pamela K. Ramsey, Assistant Secretary
Sally R. Weber, Treasurer
Pamela K. Ramsey, Assistant Treasurer
Judy Stephens, Assistant Treasurer
Courtney L. Hammontree, Assistant Treasurer

RESOLVED further, That this resolution shall become effective June 18, 2010, and shall supersede and rescind any previous resolutions adopted by the Board to the extent inconsistent with this resolution.

Authority to sign checks on behalf of the System:

WHEREAS in accordance with section 8 of Article I of the System's bylaws, the Treasurer may delegate to Assistant Treasurers such duties as the Treasurer deems appropriate, except that the authority to sign checks on behalf of the System shall be delegated only with the Board's approval; and

WHEREAS the Treasurer has delegated some duties to four Assistant Treasurers;

BE IT RESOLVED That the Board hereby affirms the appointment of each of the following officers of the System and authorizes them, as long as they hold the office listed below, to sign on behalf of the System, checks drawn on any of the various bank accounts maintained by the System.

Sally R. Weber, Treasurer
Pamela K. Ramsey, Assistant Treasurer
Judy Stephens, Assistant Treasurer
Courtney L. Hammontree, Assistant Treasurer

RESOLVED further, That this resolution shall become effective June 18, 2010, and shall supersede and rescind any previous resolutions adopted by the Board to the extent inconsistent with this resolution.

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425-21 (A-5729). The Audit Committee report consisted of the item reported below at A-5730.

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425-22 (A-5730). Upon the recommendation of the Audit Committee, the Board voted to approve an engagement letter with Crowe Horwath LLP (Crowe Horwath) to audit the System's financial statements for the fiscal year ending September 30, 2010, and to authorize the Executive Secretary to enter into such engagement letter on behalf of the Board. 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 Crowe Horwath and the System are filed as Exhibits 425-22(a) and (b).

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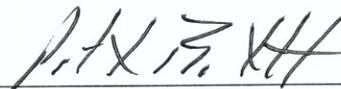
425-23 (A-5731). The Election Committee report consisted of the item reported below at A-5732.

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425-24 (A-5732). The Election Committee Chairman reported that the System will conduct the election to fill the director vacancy created by the expiration, on October 31, 2010, of the term of the seat currently held by Les Bays. Thereafter, the Board voted to adopt the 2010 TVARS Election Schedule presented by the Election Committee. A copy of the 2010 TVARS Election Schedule is filed as Exhibit 425-24.

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The meeting was adjourned at 4:05 p.m., EDT.



Executive Secretary

Approved:



Chairman