

Meeting No. 418

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

June 2, 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 Tuesday, June 2, 2009, at 1:50 p.m., EDT, at the TVA Office of the General Counsel, Knoxville Office Complex, WT 6, Knoxville, Tennessee.

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The following directors were present: Frank E. Alford, Chairman; Leslie P. Bays; Janet C. Herrin; 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.

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418-1. Each director was notified in a memorandum dated May 18, 2009, of the regular quarterly meeting to be held on June 2, 2009. A copy of the notice from the Executive Secretary is filed as Exhibit 418-1.

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418-2 (A-5621). There were no items to report from the Chairman.

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418-3 (A-5622). The Executive Secretary's report included the following:

- The Executive Secretary updated the Board on TVA's mainframe conversion and how it will relate to the System's records and information that is currently integrated with TVA's mainframe.
- The Executive Secretary informed the Board that the System has provided retirement information for current employees to TVA for inclusion in TVA benefit booklets.

- The Executive Secretary gave a report to the Board on the System's pandemic contingency controls and plans.

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418-4 (A-5623). 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 updated the Board on the status of the System's 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).

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418-5 (A-5624). The Board approved the minutes of Meeting No. 417 held March 6, 2009.

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418-6 (A-5625). The Board accepted the Treasurer's Report for the quarter ending March 31, 2009. A copy of the Treasurer's Report is filed as Exhibit 418-6. This report is available for review at the Retirement Services office.

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418-7 (A-5626). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated for the quarter ending March 31, 2009. A copy of the Investment Performance Report is filed as Exhibit 418-7. This report is available for review at the Retirement Services office.

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418-8 (A-5627). The Board accepted the report of retirements approved for the quarter ending March 31, 2009. A copy of the report, and a copy of summary demographic information regarding retirements for the quarter, are filed as Exhibits 418-8(a) and (b), respectively. These reports contain information on individual cases and are not available for review.

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418-9 (A-5628). 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, 2009. A copy of the 401(k) Plan

Investment Review is filed as Exhibit 418-9. This report is available for review at the Retirement Services office.

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418-10 (A-5629). The Investment Committee report consisted of the items reported below at A-5630, A-5631 and A-5632, and of the following item:

- After discussion, and upon the recommendation of the Investment Committee and the Executive Secretary, the Board voted to reduce from \$600 million to \$300 million the notational amount allocated to the currency overlay strategy managed by Mellon Capital Management.

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418-11 (A-5630). The Board noted its previous notational action approving, upon the recommendation of the Investment Committee and the Executive Secretary, the gradual wind down of the Global Securities Lending services being performed by BNY Mellon Asset Servicing, a division of Mellon Bank N.A., the System's trustee, and authorizing the Executive Secretary to execute any documentation and to take any other actions necessary to effect this action. A copy of information from the Executive Secretary to the Board regarding the wind down of the Global Securities Lending services is filed as Exhibit 418-11.

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418-12 (A-5631). The Board was provided and took note of information regarding two mutual funds in the 401(k) Plan that were closed in March 2009. These funds were the Old Mutual Developing Growth Fund Z and the Old Mutual Mid Cap Fund Z. All 401(k) participants with money in these funds were notified of the liquidation date of the funds and any participant assets in these funds as of the applicable liquidation date were mapped to the Old Mutual Strategic Small Company Fund Z and Old Mutual TS&W Mid Cap Value Fund Z, respectively, in the 401(k) Plan investment menu. A copy of the information presented to the Board regarding the closure of these mutual funds and the mapping of participant balances to the new funds is filed as Exhibit 418-12(a).

The Board was also provided and took note of information regarding two Fidelity funds in the 401(k) Plan that will be merged into other Fidelity funds on or about June 19, 2009. The Fidelity Select Paper & Forest Products Portfolio is merging into the Fidelity Select Materials Portfolio and the Fidelity Select Networking & Infrastructure Portfolio is merging into the Fidelity Select Communications Equipment Portfolio. All 401(k) participants with money in these funds will be notified of the pending merger of these funds into the new Fidelity funds and provided with a letter of direction from Fidelity regarding where they would like their assets in these funds transferred. A copy of the information presented to the Board regarding the merging of these Fidelity funds and the participant letter of direction is filed as Exhibit 418-12(b)

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418-13 (A-5632). The Board was previously presented with the results of Wilshire's asset/liability study for the System. After discussion of the asset/liability study results, upon the recommendation of Wilshire, the Investment Committee, and the Executive Secretary, the Board adopted the following revised asset allocation policy for investment of the System's funds effective as of June 2, 2009:

- 60% equities, of which 22 ½% may be international (non-United States) equities (as measured as a percentage of the total fund), and 15% may be alternative investments (as measured as a percentage of the total fund) including private equity, distressed debt, timberland, and private real estate, but not to include holding title to real property
- 40% fixed income, of which 15% may be investment grade corporate credit (as measured as a percentage of the total fund) and 9% may be high yield (as measured as a percentage of the total fund)

The Board adopted the revised asset allocation policy with a permissible 3% deviation, either plus or minus, from these target allocations. The Board also approved a transition plan to the revised asset allocation policy and the Executive Secretary's authority to take action, as appropriate, to rebalance the System's assets consistent with the revised asset allocation policy over a flexible period of time. A copy of the results of Wilshire's asset/liability study dated April 14, 2009, and Wilshire's asset allocation transition outline dated June 1, 2009, are filed as Exhibits 418-13(a) and (b), respectively.

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418-14 (A-5633). The Retirement Committee report consisted of the items reported below at A-5634 and A-5635.

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418-15 (A-5634). The Board noted its previous notational action approving, upon the recommendation of the Retirement Committee and the Executive Secretary, the engagement letter agreement with Mercer Human Resource Consulting for actuarial services for fiscal year 2009, and authorizing the Executive Secretary to execute the agreement. This action supersedes the Board's previous action taken at its September 12, 2008 quarterly meeting (see Minute Entry 415-14). A copy of an e-mail from the Executive Secretary to the Board, dated April 2, 2009, and a copy of the engagement letter agreement are filed as Exhibits 418-15(a) and (b), respectively.

The Board previously approved the performance of a Recalibration Strategy of the System's costs and benefits by Mercer Human Resource Consulting (see Minute

Entry 417-16). Upon the recommendation of the Retirement Committee and the Executive Secretary, the Board voted to approve, and authorized the Executive Secretary to execute, the engagement letter agreement with Mercer for the Recalibration Strategy services. A copy of the engagement letter agreement is filed as Exhibit 418-15(c).

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418-16 (A-5635). The Board discussed the recommended contribution rate of TVA to the System for fiscal year 2010. No action was taken by the Board.

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418-17 (A-5636). The Audit Committee report consisted of the item reported below at A-5637.

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418-18 (A-5637). The Board discussed ideas regarding a communications policy. No action was taken by the Board.

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418-19 (A-5638). The Election Committee report consisted of the item reported below at A-5639.

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418-20 (A-5639). The Election Committee Chairman reported that the System will conduct the election to fill the director vacancy created by the expiration, on October 31, 2009, of the term of the seat currently held by Leonard Muzyn. Thereafter, the Board voted to adopt the 2009 TVARS Election Schedule presented by the Election Committee. A copy of the 2009 TVARS Election Schedule is filed as Exhibit 418-20.

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The meeting was adjourned at 2:15 p.m., EDT.

original signed by Tammy W. Wilson

Executive Secretary

Approved:

original signed by Tammy W. Wilson for Frank Alford

Chairman