POST TO BULLETIN BOARD

Meeting No. 420

MINUTES OF MEETING

OF THE BOARD OF DIRECTORS

RETIREMENT SYSTEM OF THE TENNESSEE VALLEY AUTHORITY

August 17, 2009

(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 Monday, August 17, 2009, at 11:00 a.m., EDT, via teleconference.

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The following directors were present: Frank E. Alford, Chairman; Leslie P. Bays; Janet C. Herrin; John M. Hoskins; 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; Nicholas P. Goschy, Legal Counsel; and W. Colby Carter, Legal Counsel.

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420-1. Three Board members called this special called meeting of the Board pursuant to Article II, Section 2 of the System Bylaws. Each director was notified in an e-mail dated August 15, 2009, of the special called meeting to be held on August 17, 2009. A copy of the notice from the Chairman is filed as Exhibit 420-1.

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420-2. A motion was made to make the following amendments to the Rules and Regulations of the System (System Rules) in exchange for TVA's contribution of $1 billion to the System for fiscal year 2010 to fund the vested benefits of the System and as an advance on TVA's contributions through fiscal year 2013:

- Change in the eligibility for cost-of-living adjustments (COLAs) to actual age 60 for those retiring on or after January 1, 2010.

- Change in the COLA calculation for retirees over the next four years from the change in CPI over the previous year, capped at 5%, to the following:

- For CY 2010, the COLA will be 0%
- For CY 2011, the COLA will be the change in CPI capped at 3%
- For CY 2012, the COLA will be 0%
- For CY 2013, the COLA will be the change in CPI capped at 2.5%

• Change in the interest crediting rate on members' contributions to the System's Fixed Fund from 7.25% to 6%.

• Addition of provision for the System Board to select one or more investment professionals or financial experts as non-voting members of and advisors to the System Board's Investment Committee.

• In consideration of a contribution of $1 billion by TVA to the System for fiscal year 2010, which will go toward the funding of vested benefits, a temporary suspension of the annual contribution requirements under the System Rules for a four-year period from fiscal year 2010 through fiscal year 2013.

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420-3. A motion to amend was made to delay the vote on the motion to give 30 days' notice to System members of the proposed amendments to the System Rules. This amendment to the motion failed by a roll call vote of 4 to 3.

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420-4. A motion to amend was made to delay the vote on the motion until the Board obtains a legal opinion from independent outside counsel on the proposed amendments to the System Rules. This amendment to the motion failed by a roll call vote of 4 to 3.

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420-5. After discussion, the original motion set forth in Minute Entry 420-2 above passed by a roll call vote of 4 to 3, and the following amendments to the System Rules were approved:

Section 6I of the Rules and Regulations of the TVA Retirement System is amended to delete the language marked through and to add the language underlined as follows:

I. Cost-of-Living Increases

The board shall increase (subject, however, to the provisions of section 11) that portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) whenever the 12-month average of the Consumer Price Index (CPI) for any year after 1966 exceeds by as much as one percent (1%) the CPI average for the preceding year ~~for which an adjustment hereunder was made, if earlier~~. To be eligible for the increase, which shall be made beginning with the monthly payment for January following the year in which the CPI increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI increase occurred; provided, however, that the portion of the benefit subject to adjustment hereunder of any retiree whose benefit begins after January 1, 1975, or after any subsequent January 1, shall not be less than it would have been had it begun on such January 1, but in the administration of this provision a retiree shall be deemed for the purpose of determining creditable service pursuant to section 1(8) on said January 1 to have to the retiree's credit the amount of unused sick leave credited to the retiree on the retiree's actual date of retirement rather than the amount to the retiree's credit on said January 1; ~~and~~ provided further that no benefit granted under section 6B1(a) to begin before age 55 shall be increased hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached attained age 55; and provided further that for members who become retired members on or after January 1, 2010, no benefit granted under sections 6B1(a) and 6J to begin before actual age 60 shall be increased hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 60. The rate of increase shall be the percent increase in the CPI over the preceding year~~since the last adjustment (or since 1966 with respect to the first adjustment hereunder)~~; provided, however, that the increase for any year shall not exceed five percent (5%) except that the board may, in its discretion and with the approval of TVA, apply for any year a maximum different from that specified above. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%). The 12-month periods used in determining the increases in CPI averages which provide the basis for increases in benefits hereunder shall conform as closely as practicable to calendar years.

Section 7L of the Rules and Regulations of the TVA Retirement System is amended to delete the language marked through and to add the language underlined as follows:

L. Cost-of-Living Increases

The board shall increase (subject, however, to the provisions of section 11) that portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) whenever the 12-month average of the Consumer Price Index (CPI) for any year exceeds by as much as one percent (1%) the CPI average for the preceding year. To be eligible for the increase, which shall be made beginning with the monthly payment for January following the year in which the CPI increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI increase occurred; provided that no benefit granted under section 7D2 which may begin before age 55 shall be increased hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have ~~attained~~reached age 55; and provided further that for members who become retired members on or after January 1, 2010, no benefit granted under section 7D2 to begin before age 60 shall be increased hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 60. The rate of increase shall be the percent increase in the CPI over the preceding year~~since the last adjustment (or since 1995 with respect to the first adjustment hereunder)~~; provided, however, that the increase for any year shall not exceed five percent (5%) except that the board may, in its discretion and with the approval of TVA, apply for any year a maximum different from that specified above. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%). The 12-month periods used in determining the increases in CPI averages which provide the basis for increases in benefits hereunder shall conform as closely as practicable to calendar years.

Section 18C3 of the Rules and Regulations of the TVA Retirement System is amended to add the language underlined as follows:

C. Miscellaneous

3. The supplemental benefits payable under sections 18A or 18B, and the additional benefit payable under section 18D, shall be increased, and the schedule of benefits set forth in section 18A1, section 18B1 and section 18D shall be increased, whenever the 12-month average of the Consumer Price Index (CPI) for any year exceeds by as much as one percent (1%) the CPI average for the preceding year, by an amount equal to the percent increase in the CPI over the preceding year. This increase shall be made beginning with the monthly payment for January following the year in which the CPI increase occurred. For members who are current employees as of December 31, 2009, this increase shall be made beginning January following the year in which the CPI increase occurred and the member or eligible retiree has or would have reached actual age 60. Provided, however, that (a) the increase for any year shall not exceed five percent (5%); (b) the total monthly supplemental benefit payable under section 18A above shall not exceed three hundred percent

(300%) of the TVA contribution towards the cost of TVA medical coverage to which a retiree would have been entitled if the retiree had reached actual age 60 on or before December 31, 1998, unadjusted hereunder; and (c) the total monthly supplemental benefit payable under section 18B above shall not exceed $15 per month per year of actual service, and (d) the total monthly additional benefit payable under section 18D shall not exceed $150 per month. <u>The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%).</u>

Section 17 of the Actuarial Assumptions in the Appendix to the Rules and Regulations of the TVA Retirement system are amended to add the language underlined as follows:

APPENDIX TO THE RULES AND REGULATIONS OF THE
TVA RETIREMENT SYSTEM

Actuarial Assumptions

17. a. The annual rate of interest credited to the Annuity Savings Account for members eligible to contribute to the System as of January 1, 2005 (except for vested members who terminated TVA employment on or after January 1, 1997 and elected an annuity deferral) shall be 9 ½ percent decreased by ½ percent per annum on each successive January 1st but not less than the assumed actuarial rate of return for the System (used by the board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent. The annual rate of interest credited to the Annuity Savings Account for vested members who terminated TVA employment on or after January 1, 1997, and who elected an annuity deferral, shall be 8 3/8 percent until such time as the rate of interest credited to all other members shall decrease to an amount below 8 3/8 percent at which time the interest credited shall be calculated in the same manner as for all other members. <u>On or after January 1, 2010, the annual rate of interest credited to the Annuity Savings Account for members eligible to contribute to the System as of January 1, 2005, and vested members who terminated TVA employment on or after January 1, 1997 and elected an annuity deferral, shall be the lesser of (i) the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent, or (ii) six percent (6%).</u>

b. The annual rate of interest credited to the Annuity Savings Account for members' contributions to the Retirement System pursuant to section 9A1(c) shall be the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent. On or after January 1, 2010, the annual rate of interest credited to the Annuity Savings Account for members' contributions to the Retirement System pursuant to section 9A1(c) shall be the lesser of (i) the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent, or (ii) six percent (6%).

c. The annual rate of interest credited to the Annuity Savings Account for members' contributions to the Retirement System pursuant to section 19 shall be the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent. On or after January 1, 2010, the annual rate of interest credited to the Annuity Savings Account for members' contributions to the Retirement System pursuant to section 19 shall be the lesser of (i) the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent, or (ii) six percent (6%).

Section 3 of the Rules and Regulations of the TVA Retirement System is amended to add a new subsection 10 with the language underlined as follows:

Section 3

Administration of the System

10. The board shall maintain an investment committee as one of its standing committees pursuant to the bylaws of the Retirement System. The board shall select as non-voting members of and advisers to the investment committee one or more independent investment professionals or financial experts.

Section 9B of the Rules and Regulations of the TVA Retirement System is amended to add a new subsection 9 with the language underlined as follows:

Section 9

Contributions to the System

B. TVA's Contributions

9. In consideration of a contribution by TVA to the Retirement System of $1 billion for fiscal year 2010, the requirements regarding TVA's contributions to the Retirement System set forth above in this section 9B and related actuarial valuations shall be suspended for a four-year period from fiscal year 2010 through

fiscal year 2013. Notwithstanding section 10, this $1 billion contribution by TVA to the Retirement System shall be credited to the Accumulation Account as set forth in section 10C1 but shall not be credited to the Excess COLA Account as set forth in 10D1.

Section 10D1 of the Rules and Regulations of the TVA Retirement System is amended to add the language underlined as follows:

Section 10

Method of Accounting

D. Excess COLA Account

1. The Excess COLA Account shall be credited with (a) all contributions made by TVA over and above the contributions required by section 9B5 without regard to section 9B6, except with respect to contributions made pursuant to section 9B9, and (b) interest on the balance in the Excess COLA Account at the valuation rate used by the actuary according to such formula or method as the board deems appropriate.

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The meeting was adjourned at 12:16 p.m., EDT.

___________original signed by Tammy W. Wilson________
Executive Secretary

Approved:

____original signed by Tammy W. Wilson for Frank Alford____
Chairman