

Meeting No. 451

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

September 11, 2014

[Edited to remove personal information of members and retirees and proprietary or other confidential information pursuant to TVARS Confidentiality Policy]

The regular quarterly meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Thursday, September 11, at 1:10 p.m., EDT, in the Kinsey Room at the Chattanooga Hotel, 1201 Broad Street, Chattanooga, Tennessee.

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The following directors were present: Allen E. Stokes, Chair; Anthony L. Troyani, Vice-Chair; Brian M. Child; John M. Hoskins (via telephone); James W. Hovious; Leonard J. Muzyn; and Tammy W. Wilson. Also present were Patrick D. Brackett, Executive Secretary; Pamela K. Ramsey, Assistant Secretary; W. Colby Carter, Senior Counsel, Retirement Benefits & Compliance; and Chris A. Stinnett, Sr. Analyst, Investment & Risk Management.

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451-1 Each director was notified in a memorandum dated August 15, 2014, of the regular quarterly meeting to be held on September 11, 2014. A copy of the notice from the Executive Secretary is filed as Exhibit 451-1.

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451-2 (A-6158). The Chair reported on the Board Self Evaluation and Executive Secretary Evaluation performed by the Board with Jeanna Cullins of Hewitt EnnisKnupp, the Board's governance consultant, on September 10, 2014, in conformance with the Board's

governance policies. As agreed to by the Board, the Chair and Vice-Chair will discuss the results of the Executive Secretary Evaluation with Pat Brackett, the Executive Secretary, and provide a copy to Wilson Taylor, TVA's Vice President, Compensation & Benefits, to whom Mr. Brackett reports as Director, Retirement Management.

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451-3 (A-6159). The Executive Secretary provided to the Board the following: (i) a summary of the major activities performed and accomplishments achieved by the Board, the System, and the System staff for fiscal year 2014, and (ii) proposed budget for the System for fiscal year 2015. A copy of this information is filed as Exhibit 451-3.

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451-4 (A-6160). The Legal Counsel's update included the following:

- On September 10, 2014, Chris Christie at Bradley Arant Boult Cummings, outside fiduciary and litigation counsel representing the System in the current lawsuit against TVA and the System, discussed with the Board (via telephone) issues regarding the lawsuit.
- Senior Counsel informed the Board that the System received new favorable determination letters from the Internal Revenue Service on Friday, August 1, 2014, as to the tax-qualified status of the System and the TVA Savings and Deferral Retirement Plan (401(k) Plan). As a part of the IRS determination letters, the Board will be presented with several amendments to the System's Rules and Regulations and the 401(k) Plan Provisions for approval which have been requested by the IRS.

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451-5 (A-6161). The Board approved the minutes of Meeting No. 449 held June 20, 2014.

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451-6 (A-6162). The Board approved, as amended, the minutes of Special Meeting No. 450 held July 14, 2014.

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451-7 (A-6163). The Board accepted the Treasurer's Report for the quarter ending June 30, 2014. A copy of the Treasurer's Report is filed as Exhibit 451-7.

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451-8 (A-6164). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending June 30, 2014. A copy of the Investment Performance Report is filed as Exhibit 451-8.

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451-9 (A-6165). The Board accepted the report of retirements approved for the quarter ending June 30, 2014. A copy of the report and a copy of summary demographic information regarding retirements in the quarter are filed as Exhibit 451-9.

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451-10 (A-6166). 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 June 30, 2014. A copy of the 401(k) Plan Investment Review is filed as Exhibit 451-10.

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451-11 (A-6167). The Investment Committee report consisted of the items reported below at A-6168, A-6169 and A-6170, 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 June 30, 2014, is filed as Exhibit 451-11(a).

- The Board was provided and took note of information regarding investment manager asset transfers for the fiscal year through June 30, 2014. A copy of this information is filed as Exhibit 451-11(b).
- The Board was provided and took note of information on due diligence meetings and conference calls between System staff and investment managers during the second quarter of 2014. A copy of the information is filed as Exhibit 451-11(c).
- The Board was provided and took note of the quarterly analysis of 401(k) Plan investment options with respect to the Plan's watch list criteria. A copy of this information is filed as Exhibit 451-11(d).
- The Board was provided and took note of a report giving the status of the System's risk and performance of the System's asset allocation to its "Tail Risk" strategy managed by Pacific Investment Management Company (PIMCO) as of June 30, 2014. A copy of this report is filed as Exhibit 451-11(e).
- The Board was provided an update on the funded status of the System through June 30, 2014. A copy of the report is filed as Exhibit 451-11(f).
- The Board was provided information on Wilshire's 10-year forward looking capital market assumptions for asset classes as of June 30, 2014, and the expected return and risk of the System's current asset allocation policy based on these assumptions. A copy of Wilshire's report dated September 10, 2014, is filed as Exhibit 451-11(g).
- At its June 2014 meeting, the Board was provided information on BNY Mellon's securities lending program. At its request, the Board was provided additional information on BNY Mellon's securities lending cash collateral investment guidelines. A copy of this information from BNY Mellon is filed as Exhibit 451-11(h).

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451-12 (A-6168). After discussion, and upon the recommendation of Wilshire and the Investment Committee, the Board voted to approve and, authorized the Executive Secretary to execute, an amendment to the Limited Partnership Agreement (LPA) of the Adams Street Co-Investment Fund II, L.P. of which the System is a limited partner. The amendment to the LPA extends the close of the investment period for the Fund by six months from September 30, 2014, to March 30, 2015. A copy of the LPA amendment is filed as Exhibit 451-12.

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451-13 (A-6169). Under the System's asset allocation policy, 10% of the System's assets will be allocated to private real assets, of which private real estate is targeted at 7% and other real assets at 3%. The private real estate allocation is further allocated as 70% core/core plus and 30% value added/opportunistic investments. After discussion, and upon the recommendation of Wilshire and the Investment Committee, the Board voted to approve the following new commitments to four private real estate managers that are currently managers of the System: \$45 million to the JP Morgan Special Situations Property Fund (core plus), \$25 million to Sigular Guff Advisers in the Sigular Guff Distressed Real Estate Opportunities Fund II (value added/opportunistic), \$25 million to Landmark Realty Advisors in the Landmark Real Estate Fund VII (value added/opportunistic), and \$25 million to Oaktree Capital Management in the Oaktree Real Estate Opportunities Fund VII (value added/opportunistic). A copy of a report from Wilshire on the private real estate manager recommendations, dated September 10, 2014, is filed as Exhibit 451-13.

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451-14 (A-6170). The Investment Committee, along with Wilshire, discussed with the Board a proposed amendment to the Partnership Agreement of the Huff Alternative Fund, L.P. of which the System is the a limited partner. The proposed amendment to the Partnership Agreement would extend the term of the Partnership by one year to October 15, 2015, and reduce management fees for the one-year extension. The Board took no action pending a request by the limited partners to add to the proposed amendment the termination of management fees at the end of the one-year extension on October 15, 2015. A copy of the proposed Partnership Agreement amendment is filed as Exhibit 451-14.

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451-15 (A-6171). The Retirement Committee report consisted of items reported below at A-6172, A-6173, A-6174, A-6175, A-6176, A-6177, A-6178, A-6179, A-6180, A-6181 and A-6182, and of the following items:

- The Board was provided with a Quarterly Communication Update providing the communication initiatives implemented during the third quarter of 2014. A copy of the Quarterly Communication Update is filed as Exhibit 451-15(a).
- On September 10, 2014, the Board met with Hewitt EnnisKnupp (HEK), the consultant for the 401(k) Plan. During the meeting, HEK reviewed and discussed with the Board the following: (i) the current structure of the 401(k) Plan's investment menu and funds within the menu, (ii) HEK's recommended investment menu structure, (iii) the Board's preferences for target-date funds, and (iv) administrative fee benchmarking for the 401(k) Plan's recordkeeping, which HEK will be performing. A copy of HEK's 401(k) Plan Discussion Guide dated September 10, 2014, is filed as Exhibit 451-15(b).

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451-16 (A-6172). The Board voted to (i) remove Judy Stephens as an Assistant Treasurer given her upcoming retirement from TVA on September 30, 2014, (ii) appoint Justin Vineyard and Colby Carter as Assistant Treasurers, and (iii) 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
W. Colby Carter, Assistant Treasurer
Courtney L. Hammontree, Assistant Treasurer
T. Justin Vineyard, Assistant Treasurer

RESOLVED further, That this resolution shall become effective October 1, 2014, 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 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 TVA 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 TVA Savings and Deferral Retirement Plan in the Plan's eligible investment funds, and (2) 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
W. Colby Carter, Assistant Treasurer
Courtney L. Hammontree, Assistant Treasurer
T. Justin Vineyard, Assistant Treasurer

RESOLVED further, That this resolution shall become effective October 1, 2014, 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
W. Colby Carter, Assistant Treasurer
Courtney L. Hammontree, Assistant Treasurer
T. Justin Vineyard, Assistant Treasurer

RESOLVED further, That this resolution shall become effective October 1, 2014, and shall supersede and rescind any previous resolutions adopted by the Board to the extent inconsistent with this resolution.

* * *

451-17 (A-6173). The Board was provided information on a current TVA employee, [redacted], who has been accruing retirement benefits in the Cash Balance Benefit Structure (CBBS) but prior to being employed by TVA was employed at another Federal agency and was a participant in the Federal Employees Retirement System (FERS), and who has expressed his desire to continue receiving benefits under the CBBS. After discussion, and upon the recommendation of the Retirement Committee, the Board voted to admit [redacted] as a member of TVARS and adopted the following resolution:

WHEREAS, TVA hired [redacted] in February 2004 from the U.S. Army Corps of Engineers, and at the time of hire, was a participant in the Federal Employees Retirement System (FERS);

WHEREAS, [redacted] transferred directly to TVA without a break-in-service of more than three days; however, an error occurred at the time of his hire where TVA coded him in its HR system as a "new hire" instead of a "federal transfer," which caused TVARS to

erroneously enroll [redacted] in the cash balance benefit structure instead of maintaining his participation in FERS;

WHEREAS, TVARS recently became aware of this error and has explained to [redacted] the difference in FERS and the TVARS cash balance benefit structure;

WHEREAS, [redacted], after receiving this explanation, has notified TVARS staff that he desires to remain in the TVARS cash balance benefit structure; and

WHEREAS, under Section 3(1) of the TVARS Rules and Regulations, it states the following:

The Board of Directors of the Retirement System of the Tennessee Valley Authority shall have control over the responsibility for the general administration of the System in accordance with the Trust Agreement and the Rules and Regulations insofar as are involved matters relating to the computation of necessary contributions by TVA and by the members, the allowance of benefits, and the rights generally of the beneficiaries of the System

WHEREAS, Section 11E of the TVARS Rules and Regulations provides that a TVA employee who does not meet the definition of “employee” under Section 1(13) may be admitted to membership in TVARS upon the request of TVA and with the approval of the TVARS Board;

NOW, THEREFORE, BE IT RESOLVED, that, in accordance with the authority of the Board in Sections 3(1) and 11E of the TVARS Rules and Regulations and the election by [redacted] as described and set forth above, the Board hereby determines that [redacted] is and may remain a member of TVARS as a participant in the cash balance benefit structure with benefits accruing in accordance with the TVARS Rules and Regulations.

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451-18 (A-6174). The Board was provided information on a System staff proposal to move the valuation date for the Variable Annuity Fund from March 31st each year to September 30th, the same valuation date for the Fixed Fund, in order to provide one combined census data file to the System’s actuary. Upon the recommendation of the Executive Secretary and the Retirement Committee, the Board voted to approve the following resolution changing the annual actuarial valuation date for the Variable Annuity Fund:

WHEREAS, under section 3(4) of the Rules and Regulations of the TVA Retirement System (System Rules), the TVARS Board of Directors (System Board) designates an actuary to make annual actuarial valuations; and

WHEREAS, under section 16F of the System Rules, the System Board has the discretion to designate the actuarial valuation date of the Variable Annuity Fund and March 31st of each year is the date currently designated by the System Board as the valuation date for the Variable Annuity Fund (see Minute Entry No. 203-12); and

WHEREAS, following the actuarial valuation of the Variable Annuity Fund, the number of any units to be adjusted based on the valuation results is done on December 31st each year; and

WHEREAS, for purposes of the TVARS annual valuation, census data is collected and submitted as of September 30th each year to the actuary to perform the annual valuation; and

WHEREAS, given the administrative burden in having varying valuation dates, the System Board desires to change the designated valuation date of the of the Variable Annuity Fund to be the same date as the TVARS annual valuation in order to provide census data one time each year to the actuary;

NOW, THEREFORE, BE IT RESOLVED, that pursuant to section 16F of the System Rules, the System Board hereby designates September 30th as the valuation date of the Variable Annuity Fund for 2014 and for all future years; and

BE IT FURTHER RESOLVED, that pursuant to the section 16F of the System Rules, beginning in 2015 and in all future years, the adjustment date for any units of the Variable Annuity Fund will be June 30th based on the results of the September 30th annual valuation of the Variable Annuity Fund.

A copy of a memo from the Executive Secretary to the Board on the Variable Annuity Fund valuation, dated August 29, 2014, is filed as Exhibit 451-18.

* * *

451-19 (A-6175). Pursuant to the System's Administrative Claims and Appeals Procedures, the Board considered an appeal requesting a disability retirement benefit for TVA employee [redacted] and related survivor benefit to his spouse. After review and discussion of additional due diligence related to the appeal, including opinions from internal and external legal

counsel, the Board voted 4 to 3 to deny granting a disability retirement benefit for [redacted]. Directors Child, Stokes, Troyani and Wilson voted to deny granting the disability retirement benefit, and Directors Hoskins, Hovious and Muzyn voted in favor of granting the disability retirement benefit. A copy of the appeal materials is filed as Exhibit 451-19.

Director statements submitted regarding the vote

Statement of Directors Hovious and Muzyn:

[paragraph redacted]

[section redacted] The widow filed an appeal with the TVARS Board to obtain the disability retirement for her husband, and her appeal was denied by a 4-3 vote.

We believe the following:

This appeal case had plenty of unique aspects to stand on its own merit:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted], and
- [redacted]

Every appeal made to the TVARS Board has its own unique set of circumstances, and the set of extenuating circumstances of this particular appeal warranted granting the appeal. We believe that this appeal should be granted to this widow, [redacted], for the following reasons:

- The intent of the widow and of her late husband for the husband to retire on disability had been established [redacted],
- The widow of this employee was denied the disability retirement benefit through no fault of her own,
- Granting this particular appeal would not have been a precedent-setting event that in the future would allow the relatives of any TVA employee who died while still employed to claim that they should be given the disability retirement for the employee instead of the death benefit,
- Granting this particular appeal in our opinion would not be “arbitrary and capricious”, and
- The cost of a legal challenge to the denial of this appeal would likely exceed the cost of granting the appeal.

Statement of Director Troyani:

- As previously stated in the transcript of the meeting, this was an extremely difficult benefit appeal for me personally, as well as the entire TVARS board.
- The decision on this appeal was delayed numerous times to insure all possible due diligence was performed.
- Input was incorporated from TVARS legal counsel, fiduciary counsel, and from TVA's ethics officer. Interviews were held with members of the staff who were directly involved and all correspondence regarding this appeal was reviewed and discussed numerous times.
- Throughout the review process, I could find no evidence of any wrong doing or inconsistencies of the staff related to this benefit appeal. As a director of the TVARS Board and a fiduciary, I can only grant benefits based upon the rules of the system. For me to grant benefits based upon intent or emotions and not following the rules of the system, would give the appearance of an arbitrary and capricious decision or process. In addition, it would further complicate the decision making process of future boards if this precedent was set.

* * *

451-20 (A-6176). Pursuant to the System's Administrative Claims and Appeals Procedures, the Board considered an appeal from retiree [redacted] requesting to cancel his survivor benefit election and adjustment and to receive the maximum retirement benefit with no survivor election. After review and discussion of additional due diligence related to the appeal, the Board voted to deny [redacted] request to cancel his survivor benefit election and to make a new election. A copy of the appeal materials is filed as Exhibit 451-20.

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451-21 (A-6177). Senior Counsel informed the Board that as a part of the issuance of new favorable determination letters by the IRS for TVARS and the 401(k) Plan in August 2014, proposed amendments to the TVARS Rules and Regulations and the 401(k) Plan Provisions were presented to the IRS for review, and the IRS has requested that the amendments be adopted and the plans be restated to incorporate them. Accordingly, upon the recommendation of the

Retirement Committee, the Board approved the following amendments to the TVARS Rules and Regulations and the 401(k) Plan Provisions:

Amendments to the System Rules

Section 1(12) of the System Rules is amended to correct the Internal Revenue Code reference by deleting the language marked through and adding the language underlined as follows:

SECTION 1

Definitions

12. "Earnable compensation" shall mean the rate of regular salary or wages which a member would earn if the member worked full time on the basis of the stated salary or wage paid the member; provided, however, that earnable compensation shall include the total of any amount deferred as a salary deferral contribution by the member pursuant to the Deferral Plan, the total of any pretax contributions by the member for employee benefits pursuant to a flexible benefit or spending arrangement established under section 125 of the Code or for qualified transportation fringe benefits under section 132 of the Code, and differential wage payments under section ~~340(h)~~3401(h) of the Code. Notwithstanding any other provision of this plan, the earnable compensation of each member taken into account under the plan for any year shall not exceed the compensation limit established under section 401(a)(17)(B) of the Code, as adjusted for cost-of-living increases in accordance with that section. For plan years beginning on or after January 1, 2002, the annual earnable compensation of each member taken into account in determining allocations for any plan year shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual earnable compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the Rules and Regulations (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual earnable compensation for the determination period that begins with or within such calendar year.

Section 2(4) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

SECTION 2

Membership

4. A leased employee, ~~as defined by section 414(n) of the Code,~~ shall not be eligible to become a member of the Retirement System. "Leased employee" shall mean an individual who is not a common law employee of TVA and who provides services to

TVA if (i) such services are provided pursuant to an agreement between TVA and a leasing organization, (ii) such individual has performed such services for TVA on a substantially full-time basis for a period of at least 1 year, and (iii) such services are performed under primary direction or control by TVA; provided that an individual shall not be treated as a leased employee with respect to services performed for TVA if such individual is covered by a money purchase pension plan maintained by the leasing organization that has a nonintegrated employer contribution rate for each participant of at least 10% of compensation, provides for full and immediate vesting, and provides for immediate participation for employees of the leasing organization (other than employees who perform substantially all of their services for the leasing organization).

Section 8(B)(1) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

SECTION 8

Direct Rollover of Certain Distributions

B. The following definitions apply to the terms used in this section:

1. An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; ~~hardship distributions described in section 401(k)(2)(B)(i)(IV) of the Code to the extent they may be permitted by the Plan after December 31, 1998~~any hardship distribution; and the portion of any distribution that is not includable in gross income.

Section 15(F)(1) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

SECTION 15

Minimum Distribution Requirements for Benefits

F. Definitions.

- (1) Designated beneficiary. The individual who is designated as the beneficiary under these Rules and Regulations and is the designated beneficiary under section 401(a)(9)

of the Code and section ~~1.401(a)(9)-1, Q&A-4, 1.401(a)(9)-4~~ of the Treasury regulations.

Section 17(B)(4) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

SECTION 17

Limitations on Benefits and Contributions

B. Limitation on Contributions

4. For limitation years beginning prior to July 1, 2007, if pursuant to this section, a member's annual additions under the Deferral Plan and under these Rules and Regulations would result in an excess amount for a limitation year, the excess amount contributed will be disposed of as follows:
 - (i) Any voluntary employee contributions under these Rules and Regulations and savings contributions to the Deferral Plan, together with any earnings attributable thereto, to the extent it would reduce the excess amount, will be returned to the member in a manner determined by the board;

Section 19(A)(1) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

SECTION 19

Contributions by Those Who First Become Members of the System on or After January 1, 1996

A. Contributions by Members

1. Effective as of May 1, 2005, a member who first becomes a member of the System on or after January 1, 1996, may make contributions to the Retirement System up to \$10,000 per calendar year, so long as the total of the member's contributions to the Retirement System taken together with contributions to the Deferral Plan shall not exceed the limitations set forth in ~~section 9A6, to the extent applicable, or section 17,~~ as they may be amended or supplemented. Such contributions shall be placed, as directed by the member, in either (i) an account in the Annuity Savings Account, and/or (ii) an account in the Variable Annuity Fund. The member's contributions to the Annuity Savings Account shall earn a fixed rate of return as set by the Board and set forth in the actuarial assumptions in the Appendix to these Rules and Regulations. The member's contributions to the Variable Annuity Fund shall be invested and earn a variable rate of return in the same manner as funds within the Employee Account as

set forth in section 16D. Upon termination of the member's employment for any reason, including without limitation retirement or death in service, the member's contribution account, together with all income earned on the assets held therein, shall be distributed in a lump sum to the member, the member's beneficiary designated under section 11H, or in the absence or default of such designation the member's estate, subject to the member's or beneficiary's rights, if any, to rollover such distribution as provided in section 8, as amended or supplemented. In the absence of direction as to the withdrawal or rollover of such funds from the member or beneficiary, as applicable, the amounts shall remain in the member's account but shall cease to earn interest, if in the Annuity Savings Account, after sixty (60) days following the date of the member's termination of employment.

Amendments to the 401(k) Plan Provisions

Article 3.1 of the 401(k) Plan Provisions is amended by deleting the language marked through and adding the language underlined as follows:

ARTICLE 3

Participation and Enrollments

- 3.1 Eligible Employee. Any employee on the date of establishment or on the date the plan becomes operational on October 1, 1987, whichever is later, shall be eligible to participate in this Deferral Plan and may elect to become a participant in accordance with these Provisions. Any person who becomes an employee after the date of establishment or after the date the plan becomes operational, whichever is later, shall be eligible to participate in this Deferral Plan as of the date the person becomes an employee and may elect to become a participant in accordance with these Provisions. In the event of a question arising as to the eligibility of any person to participate in this Deferral Plan, the decision of the board shall be final. A leased employee, ~~as defined by section 414(n) of the Code,~~ shall not be eligible to participate in this Deferral Plan. "Leased employee" shall mean an individual who is not a common law employee of TVA and who provides services to TVA if (i) such services are provided pursuant to an agreement between TVA and a leasing organization, (ii) such individual has performed such services for TVA on a substantially full-time basis for a period of at least 1 year, and (iii) such services are performed under primary direction or control by TVA; provided that an individual shall not be treated as a leased employee with respect to services performed for TVA if such individual is covered by a money purchase pension plan maintained by the leasing organization that has a nonintegrated employer contribution rate for each participant of at least 10% of compensation, provides for full and immediate vesting, and provides for immediate participation for employees of the leasing organization (other than employees who perform substantially all of their services for the leasing organization).

Article 7.5(B)(1) of the 401(k) Plan Provisions is amended by deleting the language marked through and adding the language underlined as follows:

7.5 Direct Rollover of Certain Distributions

B. The following definitions apply to the terms used in this section:

- (1) An “eligible rollover distribution” is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee’s designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; ~~hardship distributions described in section 401(k)(2)(B)(i)(IV) of the Code made after December 31, 1998~~any hardship distribution; and the portion of any distribution that is not includable in gross income.

Article 7.4(E)(1) of the 401(k) Plan Provisions is amended by deleting the language marked through and adding the language underlined as follows:

7.4 Minimum Distribution Requirements for Benefits

E. Definitions.

- (1) Designated beneficiary. The individual who is designated as the beneficiary under Article 7.3 above and is the designated beneficiary under section 401(a)(9) of the Internal Revenue Code and section ~~1.401(a)(9)-1, Q&A-4, 1.401(a)(9)-4~~ of the Treasury regulations.

Article 9.6(C) of the 401(k) Plan Provisions is amended by deleting the language marked through and adding the language underlined as follows:

9.6 Limitation on Total Contributions.

C. For limitation years beginning prior to July 1, 2007, to~~To~~ the extent that the Code section 415(c) limits are exceeded, excess contributions shall first be withdrawn from a Participant’s Pre-tax Elective Deferral Account and/or Roth Elective Deferral Account, then the Participant’s savings contributions, and then voluntary employee contributions to the Retirement System.

* * *

451-22 (A-6178). Upon the recommendation of the Retirement Committee, the Board approved an amendment to the 401(k) Plan Trust Agreement with Fidelity Management Trust Company increasing the amount of refund from revenue sharing fees collected from the various funds in the 401(k) Plan's investment menu which are credited pro rata to Plan participants' accounts on a quarterly basis. As a part of the approval, the Board delegated to the Executive Secretary the authority to take any actions necessary to execute the amendment to the Trust Agreement. A copy of the 401(k) Plan Trust Agreement amendment is filed as Exhibit 451-22.

* * *

451-23 (A-6179). The Board was provided information on the current license agreements with Hewitt Associates for the recordkeeping of the System's cash balance plan. Upon the recommendation of the Retirement Committee and the Executive Secretary, the Board approved giving the Executive Secretary the authority to negotiate a monthly fee arrangement under the current Hewitt license agreements in the event alternate recordkeeping options with other service providers may be pursued. A copy of a memo from the Executive Secretary to the Board, dated August 29, 2014, on this matter is filed as Exhibit 451-23.

* * *

451-24 (A-6180). Upon the recommendation of the Retirement Committee, the Board to approve Mercer's Statement of Work to provide actuarial services to the System for fiscal year 2015, and delegated to the Executive Secretary the authority to take any actions necessary to effect that approval. A copy of Mercer's Statement of Work is filed as Exhibit 451-24.

* * *

451-25 (A-6181). Upon the recommendation of the Retirement Committee, the Board accepted the actuarial valuation of the Variable Annuity Fund as of March 31, 2014, by Mercer,

and its recommendation that the outstanding variable units should be increased by 246,507. The increase in number of units will result in a decrease in the unit value and will be applied beginning with the December 2014 payroll. A copy of a letter from Réal Lemarche, Partner, Mercer, to the Board, and a copy of the TVA Retirement System Variable Annuity Valuation Report as of March 31, 2014, are filed as Exhibit 451-25.

* * *

451-26 (A-6182). The Board was provided a review of the System's valuation assumptions performed by Mercer, the System's actuary. After a discussion, the Board, upon the recommendation of the Retirement Committee and Mercer, voted to approve the actuarial assumptions to be used in the valuation of the System's liability and benefit calculations as of September 30, 2014. The actuarial assumptions approved by the Board include a decrease in the assumed rate of return on investments of the System's assets from 7.25% to 7%. A copy Mercer's presentation dated September 10, 2014, is filed as Exhibit 451-26.

* * *

451-27 (A-6183). The Election Committee report consisted of the item reported below at A-6184.

* * *

451-28 (A-6184). The Election Committee presented, and the Board accepted, the results of the election that ended September 3, 2014. Anthony L. Troyani received 54.36% of the votes to win election to the System Board for a three year term from November 1, 2014, through October 31, 2017. Overall voter participation exceeded 36.33% of employees with 89.54% of the votes cast via the Internet. A copy of the memorandum from the Executive Secretary, dated

September 5, 2014, along with certified election results from VR Election Services, is filed as Exhibit 451-28.

* * *

451-29 (A-6185). The Audit Committee report consisted of the items reported below at A-6186 and A-6187, and of the following items:

- On September 10, 2014, with the assistance of Jeanna Cullins, a partner with Hewitt EnnisKnupp, the Board's governance consultant, the Board performed a self-evaluation and the evaluation of the Executive Secretary for fiscal years 2013 and 2014 in accordance with the Board's governance policies. The Chair provided feedback to Pat Brackett on his evaluation as Executive Secretary, which will also be shared with TVA's Vice President, Compensation & Benefits, to whom Mr. Brackett reports as Director, Retirement Management.
- The Board was provided and took note of a summary of charges on the System's credit card for the previous quarter.
- The Board was provided and took note of the System Board's travel expenses for the previous quarter.

* * *

451-30 (A-6186). Upon the recommendation of the Audit Committee, the Board voted to approve, and authorized the Executive Secretary to execute, a contract with E.H. Johnson & Company, P.C., to perform the System's Agreed Upon Procedures audit for fiscal year 2014. The Agreed Upon Procedures audit includes tests relied upon by the System's external auditor, Crowe Horwath, in their year-end financial statement audit. A copy of the draft contract between E.H. Johnson & Company, P.C. and the System is filed as Exhibit 451-30.

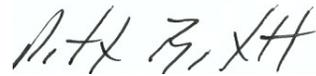
* * *

451-31 (A-6187). On September 10, 2014, the Board discussed with Katherine Henry, partner with Bradley Arant Boult Cummings, via teleconference additional information regarding fiduciary liability insurance. This discussion included price quotes from AIG and

Zurich obtained by insurance broker, Marsh & McLennan for levels of coverage. After discussion, the Board requested further information on the coverages and price quotes for a future meeting and took no action. A copy of an e-mail from Ms. Henry to Pat Brackett regarding the fiduciary liability insurance coverage recommendations and information on the price quotes for various coverage levels is filed as Exhibit 451-31.

* * *

The meeting was adjourned at 1:30 p.m. EDT.



Executive Secretary



Chair