

Meeting No. 435

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

September 15, 2011

(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 Thursday, September 15, 2011, at 10:28 a.m., EDT, in the Kinsey Room, Chattanooga Hotel, 1201 South Broad Street, Chattanooga, Tennessee.

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

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435-1. Each director was notified in a memorandum dated August 26, 2011, of the regular quarterly meeting to be held on September 15, 2011. A copy of the notice from the Executive Secretary is filed as Exhibit 435-1.

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435-2 (A-5847). The Chairman, as a part of his report, informed the Board that TVA will be making a discretionary contribution to the System by the end of fiscal year 2011 and that the TVA Board has approved a potential discretionary contribution to the System for fiscal year 2012.

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435-3 (A-5848). The Executive Secretary's report included the following:

- The Executive Secretary suggested tentative time frames to schedule a planning meeting for fiscal year 2012.
- The Executive Secretary provided the Board with a report containing information and statistics highlighting the System's achievements for fiscal year 2011.

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435-4 (A-5849). Bradley Arant Boult Cummings, outside counsel representing the System in the current lawsuit against TVA and the System, provided an update to the Board regarding the status of the litigation via teleconference on September 14, 2011.

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435-5 (A-5850). The Board approved the minutes of Meeting No. 433 held June 17, 2011.

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435-6 (A-5851). The Board approved the minutes of special-called Meeting No. 434 held July 29, 2011, with the one Director who did not attend the meeting abstaining.

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435-7 (A-5852). The Board accepted the Treasurer's Report for the quarter ending June 30, 2011. A copy of the Treasurer's Report is filed as Exhibit 435-7. This report is available for review at the Retirement Services office.

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435-8 (A-5853). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending June 30, 2011. A copy of the Investment Performance Report is filed as Exhibit 435-8. This report is available for review at the Retirement Services office. This report is available for review at the Retirement Services office.

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435-9 (A-5854). The Board accepted the report of retirements approved for the quarter ending June 30, 2011. A copy of the report, and a copy of summary demographic information regarding retirements for the quarter, are filed as Exhibit 435-9. These reports contain information on individual cases and are not available for review.

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435-10 (A-5855). 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, 2011. A copy of the 401(k) Plan Investment Review is filed as Exhibit 435-10. This report is available for review at the Retirement Services office.

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435-11 (A-5856). The Board accepted the Report of Actuary on the Seventy-First Actuarial Valuation of the TVA Retirement System prepared as of September 30, 2010, by Mercer Human Resource Consulting (Mercer). A copy of the actuarial report is filed as Exhibit 435-11. This report is available for review at the Retirement System office.

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435-12 (A-5857). The Board noted its previous notational action approving, by a 5 to 1 vote, a delay of up to seven days in the election schedule in order to discuss an issue involving campaign statements.. As a candidate in the election, Mr. Troyani recused himself from the discussions and vote on this matter. A copy of an e-mail from the Executive Secretary to the Board, dated July 20, 2011, describing the proposed actions, along with the Board members' notational votes, is filed as Exhibit 435-12.

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435-13 (A-5858). The Investment Committee report consisted of the items reported below at A-5859, A-5860, A-5861, and A-5862, and of the following items:

- The Board was provided and took note of the quarterly report regarding investment manager asset transfers during the second quarter of 2011. A copy of the report, dated August 31, 2011, is filed as Exhibit 435-13(a).
- The Board was provided and took note of a 1 year extension of the Limited Partnership Agreement related to the System's investment in the Wilshire U.S. Private Markets Fund IV, L.P. Information regarding this matter is filed as Exhibit 435-13(b).
- The Board was provided and took note of the quarterly report on manager compliance with investment guidelines. A copy of the, dated June 30, 2011, is filed as Exhibit 435-13(c).
- The Board was provided and took note of information on due diligence meetings and conference calls between TVARS staff and investment managers during the quarter. This information is filed as Exhibit 435-13(d).
- The Board was provided information that Baillie Gifford, one of the System's managers for international equity, closed its fund to new investors following the System's investment in July 2011. Information regarding this matter is filed as Exhibit 435-13(e).
- The Board was provided information regarding the completion of investment manager allocation changes for fiscal year 2011. A copy of this information is filed as Exhibit 435-13(f).

- The Board was provided information on the current small-cap allocation versus large-cap allocation in the System's domestic equity portfolio. This information is filed as Exhibit 435-13(g).
- The Board was provided advance information from Fidelity for review and discussion at the December Board meeting regarding the 401(k) Plan investment menu and participant fee disclosure. This information is filed as Exhibit 435-13(h).
- The Board was provided an update on the funded status of the System as of August 31, 2011. A copy of this update is filed as Exhibit 435-13(i).

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435-14 (A-5859). After discussion, upon the recommendation of the Investment Committee, the Board approved a change to Bridgewater's custom inflation-linked bond benchmark in its investment guidelines by removing Italian bond holdings such that the 30% European component includes only French and German bonds at their relative market weights. A copy of a memorandum from the Executive Secretary and Program Manager, Investment Management, to the Board, dated September 1, 2011, regarding the revised Bridgewater's investment guideline, is filed as Exhibit 435-14.

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435-15 (A-5860). The Board was provided a copy of an Asset Allocation Analysis and Recommendation presentation prepared by Wilshire and an Asset Allocation options presentation prepared by the System staff as a part of the Board's discussions over several months regarding potential asset allocation policies and investment strategies in order to improve the funded status of the System while decreasing the volatility of the funded status. After further discussion, upon the recommendation of the Investment Committee, the Board approved Glide Path I in the Wilshire presentation as the System's new asset allocation policy, which contains a dynamic de-risking strategy as funded status improves over time. A copy of the Wilshire and System staff presentations is filed as Exhibit 435-15.

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435-16 (A-5861). Upon the recommendation of the Investment Committee, the Board approved revisions to the System's Statement of Investment Policy to reflect the adoption of a new asset allocation policy as well as other changes discussed by the Board. A copy of the revised Statement of Investment Policy will be posted on the System's website and is filed as Exhibit 435-16.

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435-17 (A-5862). Upon the recommendation of Wilshire and the Investment Committee, the Board approved investing the upcoming \$270 million discretionary contribution from TVA in a long-duration fixed income portfolio with Prudential Investment Management (Prudential), a current investment manager of the System, and authorized the Executive Secretary to take any actions necessary to implement this action. This long-duration fixed income mandate will utilize Prudential's long duration government/credit strategy but initially begin the mandate with just the credit portion of this strategy, allowing for the government portion of the strategy to be invested at a later date. A copy of a memorandum from Wilshire to the Board, dated September 14, 2011, regarding Prudential's long-duration fixed income portfolio is filed as Exhibit 435-17.

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435-18 (A-5863). The Retirement Committee report consisted of the items reported below at A-5864, A-5865, and A-5866, and of the following items:

- Following the approval of the System's new asset allocation policy (see Minute Entry 435-15), the Board met with Mercer, the System's actuary, to discuss the effect of the new policy on the System's rate of return assumption. Following this discussion with Mercer, upon the recommendation of Mercer and the Investment Committee, the Board approved lowering the System's rate of return assumption on investments from 7.5% to 7.25% based on the new asset allocation policy and directed Mercer to begin using this new rate of return assumption for actuarial purposes. A copy of Mercer's Assumptions Review for the Actuarial Valuation as of September 30, 2011, presented to the Board as a part of these discussions, is filed as Exhibit 435-18(a).
- The Board was provided a status update on the transfer of the Cash Balance Plan recordkeeping to Hewitt Associates that went into effect on September 1, 2011. Information regarding this conversion update is filed as Exhibit 435-18(b).
- The Board was provided with a Quarterly Communication Update providing the communication initiatives implemented during the fourth quarter fiscal year 2011. A copy of the Quarterly Communication Update is filed as Exhibit 435-18(c).
- At the request of TVA, and upon the recommendation of the Retirement Committee, the Board voted to adopt amendments to Section 1(12) of the System Rules and Article 2.9A of the 401(k) Plan Provisions. These amendments allow certain lump-sum payments in lieu of base wage or salary increases for fiscal year 2012 to be included in employees' compensation for purposes of calculating pension benefits and TVA matching contributions to the 401(k) Plan. The Board took the following actions:

BE IT RESOLVED, That Section 1(12) 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:

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 and 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. 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.

Provided, however, that earnable compensation shall include lump-sum payments of up to 3 percent of regular salary or wages for Fiscal Year 1998, and lump-sum payments of up to 4 percent of regular salary or wages for Fiscal Years 1999 through ~~2011~~2012, which TVA informs the System were made available, in lieu of a base wage or salary increase, across a represented or non-represented group of employees as agreed to during annual negotiations, in the case of represented groups, or approved by TVA in connection with an annual review of management and excluded compensation. Provided further, that earnable compensation shall include (a) lump-sum payments of up to 1.7 percent of regular salary or wages, and minimum awards of \$500 and prorated amounts where applicable, made in Fiscal Year 2001 for Fiscal Year 2000 performance under the TVA Performance Success Award Plan; (b) lump-sum payments of up to 3 percent of regular salary or wages (excluding any overtime pay adjustments) made in Fiscal Years 2001 through 2005 under the Memorandum of Understanding regarding Transition to Multiple Skill Classifications in TVA's River System Operations and Environment organization; and (c) lump-sum payments of up to 6.25 percent of regular salary or wages (excluding any overtime pay adjustments), as approved by TVA, under the TVA Winning Performance Team Incentive Plan.

BE IT FURTHER RESOLVED, That Article 2.9A of the Provisions of the Tennessee Valley Authority Savings and Deferral Retirement Plan is amended to delete the language marked through and to add the language underlined as follows:

2.9 Compensation.

- A. Except as otherwise provided herein and unless otherwise required by the Code, compensation shall mean the annual rate of regular salary or wages which a participant would earn if the participant worked full-time on the basis of the stated salary or wages paid the participant; provided, however, that such compensation shall also include compensation which is not currently includable in the participant's gross income by reason of the application of sections 125, 132(f)(4), or 402(g)(3) of the Code. For the purpose of determining participant's compensation under Article 9.5, compensation shall include a lump-sum payment of up to 3 percent of regular salary or wages for Fiscal Year 1998, and a lump-sum payment of up to 4 percent of regular salary or wages for Fiscal Years 1999 through ~~2011~~2012, which TVA informs the Retirement System were made available, in lieu of a base wage or salary increase, across a represented or non-represented group of employees as agreed to during annual negotiations, in the case of represented groups, or as approved by TVA in connection with an annual review of management and excluded compensation. For the purposes of determining participant's compensation under Article 9.5, compensation shall include (a) for plan year 2001, lump-sum payments of up to 1.7 percent of regular salary or wages, and minimum awards of \$500 and prorated amounts where applicable, made for Fiscal Year 2000 performance under the TVA Performance Success Award Plan; (b) for plan years 2001 through 2005, lump-sum payments of up to 3 percent of regular salary or wages (excluding any overtime pay adjustments) made under the Memorandum of Understanding regarding Transition to Multiple Skill Classifications in TVA's River System Operations and Environment organization; and (c) for plan years after 2001, lump-sum payments of up to 6.25 percent of regular salary or wages (excluding any overtime pay adjustments), as approved by TVA, under the TVA Winning Performance Team Incentive Plan. Notwithstanding any other provisions of this plan, the annual compensation of each participant 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 any plan year beginning after December 31, 2001, the annual compensation of each participant taken into account in determining allocations shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). The cost-of-living adjustment in effect for a calendar

year applies to annual compensation for the determination period that begins with or within such calendar year.

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435-19 (A-5864). Upon the recommendation of the Retirement Committee and the Executive Secretary, the Board approved a one-year extension of the engagement of Mercer Human Resource Consulting to perform actuarial services for the System for fiscal year 2012 and authorized the Executive Secretary to execute any necessary documents to effect this engagement. As a part of this approval, the Board discussed its desire to perform a formal procurement and search process for these actuarial services during fiscal year 2012 pursuant to the Board's Service Provider Evaluation and Interaction Policy. A copy of Mercer's Statement of Work (SOW) for ongoing actuarial services for fiscal year 2012 is filed as Exhibit 435-19.

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435-20 (A-5865). Upon the recommendation of the Retirement Committee, the Board approved amendments to the System establishing default benefit elections for vested employees who terminate their employment with TVA and do not apply for benefits with the System. The Board took the following actions:

WHEREAS, pursuant to sections 6 and 7 of the Rules and Regulations of the TVA Retirement System (System Rules), members of the System are required to file for retirement benefits with the System's Board of Directors (System Board) no later than 60 days after the member ceases to be an employee of TVA; and

WHEREAS, section 11F of the System Rules provides that the System Board may for good cause shown and in its sole discretion grant additional time within which any application, notice, or other instrument pertaining to the benefits provided under the System may be filed and the System Board has previously authorized the Executive Secretary to grant an extension of time for filing an application to any member who files a late application without a specific request for extension of time; and

WHEREAS, the System Board has determined that despite additional time given to members to file applications for retirement benefits, a number of members with a vested System benefit who leave TVA employment continue to fail to apply for their benefits following retirement or termination of employment; and

WHEREAS, the System Rules do not address how to handle and determine a retirement benefit for a vested member who fails to make an election and the System Board has determined that the lack of action on the member's part could potentially result in unintended risks to and burdens on both the member and the System;

THEREFORE, BE IT RESOLVED, the System Board hereby adopts default retirement benefit elections for members who do not apply for benefits with the System within 60

days of retirement or termination of employment pursuant to sections 6 and 7 of the System Rules as set forth below in amendments to the System Rules; and

RESOLVED FURTHER, for members who have retired or terminated employment from TVA and who have currently failed to apply for a retirement benefit with the System within the 60 day period pursuant to sections 6 and 7 of the Rules, the System Board hereby adopts the following: (i) their retirement benefit will be defaulted to a deferred retirement benefit with payments scheduled to begin at age 65; (ii) the default payment of their retirement benefit will be in the form of a single life annuity, or if they are subject to the spousal consent requirement under the System Rules, in the form of a 50% joint and survivor annuity; (iii) as currently provided for in the System Rules, they have the opportunity to elect a survivor benefit or different survivor benefit during this deferral period; and (iv) they will have the opportunity to begin payments prior to age 65 by notifying the System, in which case the effective date for payments to begin will be the date forms are received, but not before age 55;

RESOLVED FURTHER, notwithstanding the above, for deferred retirees who are currently over age 65 and for members who have retired or terminated employment from TVA, who have currently failed to apply for a retirement benefit with the System within the 60 day period pursuant to sections 6 and 7 of the Rules, and who are currently over age 65, the System Board hereby adopts the following: (i) they will be contacted by the System and asked to make an election and begin receipt of their retirement benefit immediately; (ii) if following contact by the System, they fail to make an election, then their retirement benefit will be defaulted to a deferred retirement benefit with payments scheduled to begin at age 70 1/2; (iii) the default payment of their retirement benefit will be in the form of a single life annuity, or if they are subject to the spousal consent requirement under the System Rules, in the form of a 50% joint and survivor annuity; (iv) they will have the opportunity to elect a survivor benefit or different survivor benefit during this deferral period; and (v) they will have the opportunity to begin payments prior to age 70 1/2 by notifying the System, in which case the effective date for payments to begin will be the date forms are received; and

RESOLVED FURTHER, to the extent there is a conflict, this resolution supersedes those resolutions regarding member applications for retirement benefits adopted by the System Board at its June 2, 1995, meeting (Minute Entry 336-3) and March 10, 2006, meeting (Minute Entry 401-14).

Section 6 of the System Rules is amended to add a new subsection R as follows:

R. Default Elections

1. Members Who Fail to Make an Election

Any member who ceases to be an employee of TVA and who fails to file an application for a retirement allowance with the directors within the 60-day period

set forth under section 6 will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. The default payment of their retirement allowance will be in the form of a single life annuity, or if the member is subject to the spousal consent requirement under the Rules, in the form of a 50% joint and survivor annuity. As allowed for under the Rules, such members who are defaulted to a deferred retirement allowance may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65 but not before age 55, in which case the effective date for payments to begin will be the date the application is received.

2. Members Who Fail to Begin Payments at Age 55

Any member who elects a deferred retirement allowance within the 60-day period set forth under section 6 will be notified by the System prior to age 55 of the option to begin receiving payments beginning at age 55. If the member either elects not to begin payments at age 55 or fails to make such an election within 60 days following notification by the System, then the member will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. As allowed for under the Rules, such members who are subsequently defaulted to receive payments beginning at age 65 may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65, in which case the effective date for payments to begin will be the date the application is received.

3. Spousal Beneficiaries Who Elect to Defer Death-in-Service Benefit

Any spousal beneficiary who elects to receive a death-in-service benefit under section 6 in the form of a deferred retirement allowance will be notified by the System prior to the time the beneficiary turns age 55 of the option to begin receiving payments beginning at age 55. If the spousal beneficiary either elects not to begin payments at age 55 or fails to make such an election within 60 days following notification by the System, then the spousal beneficiary will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. As allowed for under the Rules, such spousal beneficiaries who are subsequently defaulted to receive payments beginning at age 65 may notify the System during this deferral period to begin payments prior to age 65, in which case the effective date for payments to begin will be the date the application is received.

Section 7 of the System Rules is amended to add a new subsection O as follows:

O. Default Elections

1. Cash Balance Participants Who Fail to Make an Election

Any Cash Balance Participant who ceases to be an employee of TVA and who fails to file an application for a retirement allowance with the Board within the 60-day period set forth under section 7 will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. The default payment of their retirement allowance will be in the form of a single life annuity, or if the Participant is subject to the spousal consent requirement under the Rules, in the form of a 50% joint and survivor annuity. As allowed for under the Rules, such Participants who are defaulted to a deferred retirement allowance may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65 but not before age 55, in which case the effective date for payments to begin will be the date the application is received.

2. Cash Balance Participants Who Fail to Begin Payments at Age 55

Any Cash Balance Participant who elects a deferred retirement allowance within the 60-day period set forth under section 7 will be notified by the System prior to age 55 of the option to begin receiving payments beginning at age 55. If the Participant either elects not to begin payments at age 55 or fails to make such an election within 60 days following notification by the System, then the Participant will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. As allowed for under the Rules, such Participants who are subsequently defaulted to receive payments beginning at age 65 may notify the System during this deferral period to (i) elect a survivor benefit or different survivor benefit, and/or (ii) begin payments prior to age 65, in which case the effective date for payments to begin will be the date the application is received.

3. Spousal Beneficiaries Who Elect to Defer Death-in-Service Benefit

Any spousal beneficiary who elects to receive a death-in-service benefit under section 7 in the form of a deferred retirement allowance will be notified by the System prior to the time the beneficiary turns age 55 of the option to begin receiving payments beginning at age 55. If the spousal beneficiary either elects not to begin payments at age 55 or fails to make such an election within 60 days following notification by the System, then the spousal beneficiary will be defaulted to a deferred retirement allowance with payments scheduled to begin at age 65. As allowed for under the Rules, such spousal beneficiaries who are subsequently defaulted to receive payments beginning at age 65 may notify the System during this deferral period to begin payments prior to age 65, in which case the effective date for payments to begin will be the date the application is received.

A copy of a memorandum from the Executive Secretary to the Board, dated August 25, 2011, describing the default benefit elections is filed as Exhibit 435-20.

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435-21 (A-5866). Following a discussion with Bradley Arant Boult Cummings, the Board's outside counsel, regarding its opinion on the issue of the System accepting discretionary contributions from TVA for fiscal years 2011 and 2012 with the condition that such contributions be credited to the System's Accumulation Account, upon the recommendation of the Retirement Committee, the Board approved an amendment to the System Rules to credit any discretionary contributions from TVA for fiscal years 2011 and 2012 to the System's Accumulation Account and not to the Excess COLA Account. The Board took the following action:

WHEREAS, at its August 20, 2010, meeting, the TVA Board of Directors, as a part of its budget approvals for fiscal year 2011, approved a delegation of authority to TVA's Chief Executive Officer to approve TVA making a discretionary contribution to the Retirement System for fiscal year 2011 up to \$270 million by adopting the following resolution:

[T]he Board of Directors authorizes the Chief Executive Officer to approve TVA making up to a \$270 million discretionary contribution to TVARS for FY 2011 upon such terms as the Chief Executive Officer may approve, subject to review by members of the Finance, Rates, and Portfolio Committee, provided such contribution is to be credited by TVARS, in the same manner as the FY 2010 contribution, to its Accumulation Account and not to its Excess COLA Account.

WHEREAS, at its August 18, 2011, meeting, the TVA Board of Directors, as a part of its budget approvals for fiscal year 2012, approved another delegation of authority to TVA's Chief Executive Officer to approve TVA making a discretionary contribution to the Retirement System for fiscal year 2012 up to \$300 million by adopting the following resolution:

[T]he Board of Directors authorizes the Chief Executive Officer to approve TVA making a discretionary contribution of up to a \$300 million to TVARS for FY 2012 upon such terms as the Chief Executive Officer may approve, subject to review by members of the Finance, Rates, and Portfolio Committee, provided such contribution is to be credited by TVARS, in the same manner as the FY 2010 contribution, to its Accumulation Account and not to its Excess COLA Account.

WHEREAS, the Retirement System Board of Directors desires to satisfy the condition set forth in the TVA Board-approved resolutions with respect to the crediting of discretionary contributions to the Retirement System for fiscal years 2011 and 2012 in order for the Retirement System to receive any such contributions from TVA;

THEREFORE, BE IT RESOLVED, that the Retirement System Board of Directors hereby adopts the following amendment stating that any discretionary contributions that TVA makes to the Retirement System for fiscal years 2011 and 2012 will be credited to the System's Accumulation Account and not its Excess COLA Account, which the Retirement System Board believes satisfies the TVA Board-requested condition attached to any such contributions:

Section 9B9 of the Rules and Regulations of the TVA Retirement System is amended to add 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. In addition, in order to satisfy the requirements of the TVA Board resolutions authorizing the discretionary contributions for fiscal years 2011 and 2012, notwithstanding section 10, any discretionary contributions made by TVA to the Retirement System for fiscal years 2011 or 2012 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.

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435-22 (A-5867). The Election Committee report consisted of the item reported below at A-5868.

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435-23 (A-5868). The Election Committee reported to the Board that no candidate running for Board director for the three-year term from November 1, 2011, through October 31, 2014, received a majority of the votes in the initial election that ended August 31, 2011. As a result, a runoff election between Mike Blair and Tony Troyani, the two candidates who received the most votes in the initial election, will be held September 19, 2011, through October 5, 2011. The Election Committee discussed the details of the runoff and runoff election schedule with the

Board as well as overall voter participation in the initial election. A copy of a memorandum on the initial election results from the Executive Secretary to the Board, dated September 1, 2011, and supporting documents, are filed as Exhibit 435-23.

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435-24 (A-5869). The Audit Committee report consisted of the items reported below at A-5870, A-5871, A-5872, A-5873, A-5874, and A-5875.

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435-25 (A-5870). The Board postponed discussion and consideration of a proposed Confidentiality Policy until a later meeting.

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435-26 (A-5871). The Board postponed discussion and consideration of a proposed Board Education Policy until a later meeting.

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435-27 (A-5872). The Board postponed discussion and consideration of a proposed Executive Secretary Evaluation Policy until a later meeting.

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435-28 (A-5873). The Board postponed discussion and consideration of a proposed Communication Policy until a later meeting.

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435-29 (A-5874). The Board postponed discussion and consideration of a proposed Election Policy until a later meeting.

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435-30 (A-5875). The Board postponed discussion and consideration of a proposed Overall Governance Policy until a later meeting.

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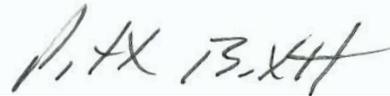
435-31 (A-5876). The Board discussed proposed Administrative Claims and Appeals Procedures for the System and the 401(k) Plan. No action was taken.

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435-32 (A-5877). Upon the recommendation of the Audit Committee, the Board approved the selection of Bradley Arant Boult Cummings as outside legal counsel to the System with matters regarding the administration, operation, and maintenance of the System, and authorized the Executive Secretary to execute any necessary documents to effect this engagement. A copy of the legal representation engagement letter with Bradley Arant is filed as Exhibit 435-32.

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The meeting was adjourned at 11:08 a.m., EDT.



Executive Secretary



Chairman