

Meeting No. 442

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

March 15, 2013

(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 Friday, March 15, 2013, at 1:00 p.m., EDT, in the Kinsey Room, Chattanooga Hotel, 1201 Broad Street, Chattanooga, Tennessee.

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The following directors were present: Leslie P. Bays, Chair; Allen E. Stokes, Vice-Chair; Peyton T. Hairston, Jr.; John M. Hoskins; Leonard J. Muzyn; 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 and Risk Management.

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442-1 Each director was notified in a memorandum dated February 14, 2013, of the regular quarterly meeting to be held on March 15, 2013. A copy of the notice from the Executive Secretary is filed as Exhibit 442-1.

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442-2 (A-6016). The Chair noted the Board's meeting with Bill Johnson, TVA's new CEO, prior to the Board meeting. The Chair also acknowledged the System staff for their hard work on the completed annual audits of the System.

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442-3 (A-6017). The Executive Secretary's report included the following:

- The Executive Secretary informed the Board that they will need to reschedule the dates for the June quarterly Board meeting.

- The Executive Secretary provided the Board with an update on progress towards fiscal year 2013 goals and objectives of the System.
- The Executive Secretary informed the Board that he would be working with them over the next few weeks to finalize assumptions to give to Mercer regarding the System's forecast study and to schedule a meeting with Mercer in July to discuss the study.

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442-4 (A-6018). The Legal Counsel's update included the following:

- On March 14, 2013, Bradley Arant Boult Cummings, outside legal counsel representing the System in the current lawsuit against TVA and the System, discussed with the Board issues regarding the lawsuit.
- Internal Legal Counsel discussed with the Board the legal representation letter that would be provided to Crowe Horwath, the System's external auditors, as a part of the annual audit and report, and updated the Board on the status of a monetary settlement to the System's benefit with the final defendant in the case that involves notes in Bruno's held through Huff Investments, a former investment manager of the System.

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442-5 (A-6019). The Board approved, with one revision, the minutes of Meeting No. 441 held December 11, 2012.

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442-6 (A-6020). The Board accepted the Treasurer's Report for the quarter ending December 31, 2012. A copy of the Treasurer's Report is filed as Exhibit 442-6. This report is available for review at the Retirement System Office.

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442-7 (A-6021). The Board accepted the Investment Performance Report prepared by Wilshire Associates Incorporated (Wilshire) for the quarter ending December 31, 2012. A copy of the Investment Performance Report is filed as Exhibit 442-7. This report is available for review at the Retirement System Office.

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442-8 (A-6022). The Board accepted the report of retirements approved for the quarter ending December 31, 2012. A copy of the report and a copy of summary demographic

information regarding retirements in the quarter are filed as Exhibit 442-8. This report contains information on individual cases and is not available for review.

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442-9 (A-6023). 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 December 31, 2012. A copy of the 401(k) Plan Investment Review is filed as Exhibit 442-9. This report is available for review at the Retirement System Office.

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442-10 (A-6024). The Investment Committee report consisted of the items reported below at A-6025, A-6026, and A-6027, 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 December 31, 2012, is filed as Exhibit 442-10(a).
- The Board was provided and took note of information regarding investment manager asset transfers during the fourth quarter of 2012. A copy of this information is filed as Exhibit 442-10(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 fourth quarter of 2012. A copy of the information is filed as Exhibit 442-10(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 442-10(d).
- The Board was provided and took note of a staff report on quarterly economic indicators. A copy of the report is filed as Exhibit 442-10(e).
- The Board was provided and took note of a report giving the status and performance of the System's asset allocation to its "Tail Risk" strategy managed by Pacific Investment Management Company (PIMCO). A copy of this report is filed as Exhibit 442-10(f).
- The Board was provided an update on the funded status of the System through February 22, 2013. A copy of the report is filed as Exhibit 442-10(g).
- In accordance with the Board's travel policy, the Board accepted the payment of expenses from Wilshire for any Board member and System staff who attend the 2013

Wilshire Consulting Client Conference from April 21-13, 2013, and any events integral to the conference. A copy of the information regarding the conference is filed as Exhibit 442-10(h)

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442-11 (A-6025). At the last quarterly meeting, the Board was provided a sample quarterly equity, fixed income, and FX transaction cost analysis of the System's investments by Zeno Consulting Group (see Minute Entry 441-10). After reviewing the cost to perform this analysis over a one-year period, upon the recommendation of the Investment Committee, the Board approved a contract with Zeno to perform a transaction cost analysis on the System's entire investment portfolio starting with an analysis of one year of data and authorized the Executive Secretary to take any actions necessary to enter into this contract. A copy of the contract with Zeno is filed as Exhibit 442-11.

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442-12 (A-6026). Under the System's new asset allocation policy, which the Board approved at its last quarterly meeting, five percent (5%) of the System's assets will be allocated to Master Limited Partnerships (MLPs). On March 14, 2013, the Board met with two prospective MLP managers: Tortoise Capital Advisors, L.L.C. (Tortoise) and Harvest Fund Advisors LLC (Harvest). After discussion, and upon the recommendation of Wilshire and the Investment Committee, the Board approved to invest one-half of the 5% MLP allocation (or approximately \$180 million) to each of Tortoise, who will invest the assets in a portfolio of MLPs with a narrow focus on midstream energy delivery systems such as pipelines, and Harvest, who will invest the assets in a portfolio of MLPs with a primary focus on midstream energy delivery systems such as pipelines but also with investments at the beginning and end stages of delivery such as processing, refining and shipping. As a part of this action, the Board approved the following resolution:

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

WHEREAS the Investment Committee of the System, other representatives of the System, and Wilshire Associates Incorporated have reviewed the qualifications of potential investment managers who have demonstrated expertise in managing Master Limited Partnership (MLP) portfolios and have recommended that the System Board designate and select Tortoise Capital Advisors, L.L.C. (Tortoise) and Harvest Fund Advisors LLC (Harvest) as investment managers to each manage a portion of the assets of the System's Fixed Benefit Fund;

BE IT RESOLVED, That the System Board hereby designates and selects Tortoise and Harvest to each manage a portion of the assets in the System's Fixed Benefit Fund and

authorizes the Executive Secretary to negotiate and sign an investment management agreement and to negotiate other related documents between the System and each of these managers necessary to effect the investment of the assets with each of Tortoise and Harvest.

A copy of a report from Wilshire on the MLP manager search, dated February 1, 2013, is filed as Exhibit 442-12.

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442-13 (A-6027). In 2008, the Board committed \$15 million as a limited partner to the Adams Street Co-Investment Fund II, L.P. managed by Adams Street Partners (Adams Street). To date, approximately \$8.2 million of the commitment has been invested, and Adams Street has requested an amendment to the Limited Partnership Agreement extending for an additional 18 months the period for investment by the Fund. Upon the recommendation of the Investment Committee, the Board approved, and authorized the Executive Secretary to execute, this amendment to the Fund's Limited Partnership Agreement. A copy of information on Adams Street's request and the LPA amendment are filed as Exhibit 442-13.

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442-14 (A-6028). The Retirement Committee report consisted of items reported below at A-6029, A-6030 and A-6031, and of the following items:

- The Board was provided with a Quarterly Communication Update providing the communication initiatives implemented during the second quarter of fiscal year 2013. A copy of the Quarterly Communication Update is filed as Exhibit 442-14(a).
- The Board was provided with information regarding the rollout strategy of two Fidelity planning and guidance consultants dedicated to the 401(k) Plan and its participants. A copy of this information is filed as Exhibit 442-14(b).
- The Board was provided with the sample RFPs and RFP issuance plan for actuarial services and a defined contribution plan consultant. A copy of the RFPs and issuance plan are filed as Exhibit 442-14(c).
- The Board was provided an update on new in-plan Roth 401(k) conversion rules and issues.
- The Board was provided an update on the status of the long-term forecast study being performed by Mercer, the System's actuary. A copy of Mercer's scope of work for the long-term forecast study is filed as Exhibit 442-14(d).

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442-15 (A-6029). Upon the recommendation of the Retirement Committee, the Board accepted the Report of Actuary on the Seventy-Third Actuarial Valuation of the TVA Retirement System prepared by Mercer as of September 30, 2012. A copy of a letter from Réal Lamarche, Partner, Mercer, to the Board, dated February 27, 2013, and a copy of the System's Actuarial Valuation, are filed as Exhibit 442-15.

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442-16 (A-6030). After discussion, and upon the recommendation of the Retirement Committee, the Board approved, and authorized the Executive Secretary to execute, a printing services contract with InfoSeal, LLC, which will allow the System to outsource its printing, mailing, and statement processing responsibilities for retirees and beneficiaries who still receive paper checks while the System continues to move toward more direct deposit arrangements. A copy of information regarding the outsourcing of these services with InfoSeal is filed as Exhibit 442-16.

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442-17 (A-6031). This report contains information on an individual case and is not available for review.

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442-18 (A-6032). The Election Committee report consisted of the following:

- The Election Committee informed the Board that Les Bays had retired from TVA in January, and under the System Rules, is eligible to serve the remaining period of his term as a Director through October 31, 2013. Given the fact that Mr. Bays is no longer a TVA employee whose TVARS-related travel and time are covered as part of his TVA position, upon the recommendation of the Election Committee, the Board approved a services agreement with Mr. Bays to compensate him for his time serving as a Director of the Board through the end of his current term under the same terms as the services agreement with Allen Stokes as the seventh-member retiree Director of the Board. Both Mr. Bays and Mr. Stokes recused themselves from the discussion and the vote.

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442-19 (A-6033). The Audit Committee report consisted of item reported below at A-6034, and of the following items:

- On March 14, 2013, the Board met with Brenda Torres, Jennifer Allen, Stephanie Pischalko, and Brian Cave of Crowe Horwath, LLP, the System's external auditor, to discuss the status of the fiscal year 2012 financial statement audit being performed by Crowe Horwath.

- On March 14, 2013, in accordance with applicable Board policies and facilitated by Hewitt EnnisKnupp, the Board's governance consultant, the Board conducted and discussed a Board self evaluation and an evaluation of the Executive Secretary for fiscal year 2012.
- The Audit Committee provided the Board with information on board of director fiduciary liability insurance proposals from Marsh and the Chubb Group. A copy of this information is filed as Exhibit 442-19.
- The Board discussed its current policies regarding transparency and open meetings. No action was taken.
- The Board was provided and took note of the System Board's travel expenses for the previous quarter.
- 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 notified by the Executive Secretary that Allen E. Stokes had filed his 2012 Confidential Financial Disclosure Report with the System. Mr. Stokes is the seventh member of the Board of Directors and is retired from TVA.
- After discussion, and upon the recommendation of the Audit Committee, the Board approved adding a new Section 12 to the end of the Board's Ethics and Code of Conduct Policy as follows:

Section 12

In the event a Director holds the position of TVA's DAEO, the Deputy DAEO in TVA's Office of the General Counsel will serve in the capacity of the DAEO for purposes of this Policy.

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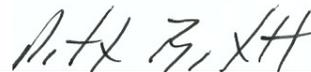
442-20 (A-6034). The Audit Committee discussed with the Board the results of the Report on Agreed Upon Procedures from E.H. Johnson & Company, P.C. E. H. Johnson performs specific agreed upon procedures to assist the Board in evaluating certain selected internal accounting control activities, and to assist the external auditors in the detailed testing for their audits of the plans. Upon the recommendation of the Audit Committee, the Board accepted the Report on Agreed Upon Procedures. A copy of the Report on Agreed Upon Procedures for the Tennessee Valley Authority Retirement System 2012 is filed as Exhibit 442-20. This report is available for review at the Retirement System Office.

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442-21. With the consent of the Board, Mr. Bays as Chair created a temporary, special committee to look at the System's governance and structure, including independence and transparency, and appointed Directors Hairston, Stokes and Troyani to serve on the committee and report back to the Board at a later meeting.

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The meeting was adjourned at 1:28 p.m., EDT.



Executive Secretary



Chair