

Meeting No. 477

MINUTES OF MEETING
THE BOARD OF DIRECTORS OF
THE TENNESSEE VALLEY AUTHORITY RETIREMENT SYSTEM
July 31, 2018

A special-called meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Tuesday, July 31, 2018, at 8:30 a.m., EDT, via teleconference. The special-called meeting was opened and then adjourned until 9:30 a.m., EDT, in order for a quorum of Directors to attend.

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The following directors were present: Brian M. Child, Chair; Samuel J. DeLay; James W. Hovious; and Leonard J. Muzyn. Christopher Hinton; Allen E. Stokes; and Tammy W. Wilson were not present. Also present were Patrick D. Brackett, Executive Secretary; Sally R. Weber, Manager, Retirement Operations; and W. Colby Carter, Senior Counsel.

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477-1. Directors DeLay, Hovious and Muzyn called this special meeting of the Board pursuant to Article IV, Section 1(c) of the System Bylaws. Each director was notified in an email dated July 27, 2018, of the special-called meeting to be held on July 31, 2018. A copy of the notice from Directors DeLay, Hovious and Muzyn is filed as Exhibit 477-1.

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477-2. At its June quarterly meeting, the Board approved an amendment to Section 3(2) of the TVARS Rules and Regulations establishing a term limit for Directors (whether elected,

appointed, or selected) of no more than three full 3-year terms (see Minute Entry 476-22). The System provided notice of this amendment to TVA and System members on July 2, 2018, and the amendment will go into on August 1, 2018, if TVA does not veto the amendment by that date following the 30-day notice period. The purpose of the special-called meeting was for the Board to reconsider its previous action establishing Director term limits. Following discussion, the Chair called the special meeting to order.

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477-3. Director Muzyn made a motion to reverse the Board's previous action establishing Director term limits (Minute Entry 476-22) and delete the previously adopted amendment to Section 3(2) of the TVARS Rules and Regulations as follows:

BE IT RESOLVED, that Section 3(2) 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 3

3. Administration of the System

2. a. The board shall consist of seven members, three of whom shall be elected by and from the membership of the System, three of whom shall be appointed by TVA, and one of whom shall be a retiree selected by a majority vote of the other six. Except for the members of the initial board who were designated for staggered terms of one, two, and three years, respectively, the term of each director shall be three years. Each term shall be deemed to expire with the end of the day preceding the respective anniversary date of the establishment of the System, and all appointments and elections except those made to fill vacancies for unexpired terms shall be effective on such anniversary dates. Any vacancy on the board shall be filled by election or appointment, as the case may be, for only the unexpired portion of the predecessor's term.
- b. As the term of each of the three directors elected by the membership expires or when a vacancy among such directors occurs, a successor shall be elected from such nominees as may be put in nomination by a petition subscribed to by not less than twenty-five members. Such election shall be by a majority of votes cast and, if no nominee obtains a majority in the initial balloting, a second vote shall be taken between the two nominees receiving the greatest number of votes in the

initial balloting; provided, however, that when there are more than two nominees for a directorship, the board may in its discretion prescribe a form of ballot in which the voting members indicate the order of their preference among the various nominees and, if none of the nominees obtains a majority of first-choice votes among those cast, such order of preference shall be used in determining which of the two nominees receiving the greatest numbers of first-choice votes is elected. Ballots shall be distributed and received in such manner as the board shall determine to assure the integrity of the election. In the event only one person is duly nominated for the directorship to be filed, the board may declare such nominee elected without the necessity of formal balloting by the membership.

- ~~e. An individual is eligible to serve as a director of the board (either elected, appointed, or selected) no more than three full 3-year terms. Any partial term less than 3 years for which an individual has been elected, appointed, or selected under the provisions of this section 3(2) for the unexpired portion of a predecessor's term does not count toward this term limit of three full 3-year terms. Notwithstanding the above, any individual who has already served as a director for three full 3-year terms as of the effective date of this provision will be eligible to continue as a member of the board for the remainder of the director's current 3-year term.~~
- cd. Notwithstanding the other provisions of this section 3(2), when a director, elected by and from the membership, ceases to be a member of the System, that individual also ceases to be a director and an election shall be held immediately to replace that director for the unexpired portion of that term except that elected directors whose membership in the System ceases during the last 9 months of their elected term or during the 9 months prior to March 4, 1994, shall remain members of the Board for the remainder of that term unless they withdraw their entire retirement allowance from the System, resign from the Board, or die.
- de. Notwithstanding the other provisions of this section 3(2), the board may initiate and enforce disciplinary actions against a director for violation of written policies formally adopted by the board, and such discipline may include action up to and including removal of the director from his or her position as a director on the board. A super-majority vote of the board (5 votes) is required for the removal of a director from the board pursuant to disciplinary actions under this subsection.

The motion received a second from Director DeLay. Following lengthy discussion and statements regarding the motion, the motion failed by roll call vote for lack of receiving 4 votes. Directors DeLay, Hovious and Muzyn voted for the motion to reverse the Board's previous action, and Director Child voted against the motion.

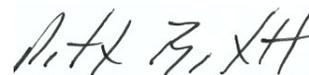
Director statements submitted regarding the vote*Statement of Director Muzyn:*

I voted to strike the term limit amendment approved a month ago because, though quite clever, I believe it was a very underhanded way to remove me from the board and obstruct employees and their elected directors in the exercise of their proper role in TVARS governance. TVARS was established in 1939 with a balance of employee and management representation and has operated for seventy-nine years without term limits. The term limit amendment will be much more of an impediment to employee-elected directors than to TVA-appointed directors. TVA-appointed directors can easily be selected by TVA for an unlimited number of partial terms, while employee-elected directors cannot. Of the current directors, I am the only one who is immediately disqualified from ever serving on the board again.

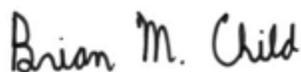
I am trusted by current and former employees, while employee surveys continue to indicate employee distrust of TVA executive management. I am trusted because I have been very honest and have communicated well with beneficiaries. I have kept members informed of developing issues which could significantly affect their retirement benefits. I introduced a funding amendment in the June 15, 2018 TVARS Board meeting to comply with the recommendations contained in the March 2017 GAO Report on addressing TVA's billions in unfunded pension liabilities. Complying with the GAO recommendations would require TVA to fund TVARS in line with best practices. My funding amendment failed by a roll call vote of 4 to 3. I am the only TVARS director possessing a depth of investment knowledge evidenced by the holding of a CFA (Chartered Financial Analyst) charter. Because I am trusted, well qualified, and have diligently performed my duties as a TVARS director, it would be very difficult to remove me without such a clever rule change.

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The meeting was adjourned at 10:30 a.m., EDT.



Executive Secretary



Chair