



Southwest Power Pool
FINANCE COMMITTEE MEETING
December 20, 2013
Teleconference

• Summary of Action Items •

1. Approved engagement of Stephens, Inc. to manage SPP Retirement Plan assets

• Schedule of Follow-up Items •

1. Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.
2. Presentation at a future meeting which will cover the exposure calculations and credit underwriting practices of the Credit Policy.
3. Presentation from IT on hardware and software acquisition and management strategy at the April 2014 meeting.
4. Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.



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• M I N U T E S •

Administrative Items

SPP Chair Harry Skilton called the meeting to order at 1:30 p.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Kelly Harrison	Westar Energy
Jim Jacoby (proxy for Sandra Bennett)	AEP
Coleen Wells	Kansas Electric Power Coop
Mike Wise	Golden Spread Electric Coop
Tom Dunn	SPP

Others attending included:

Laura Kapustka (phone)	Lincoln Electric
Phyllis Bernard	SPP Director
Nick Brown	SPP

Minutes from December 9, 2013 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Coleen Wells and approved by unanimous voice vote.

Investment Management of SPP Pension Plan

Each member of the Committee shared their individual perspectives on the two finalists. All Committee members expressed their belief that either firm is capable of performing at a high level in managing SPP's pension assets and advising the Committee on investment issues. Comments in favor of SEI focused on their expertise in the field of pension fund management and the scale of capabilities they can apply to the management of the SPP plan. Comments in favor of Stephens focused on the level of service and focus they would apply to the account due to existing relationship with SPP, location of firm, and size of account.

Larry Altenbaumer motioned to engage Stephens, Inc. to manage SPP's pension fund assets. The motion was seconded by Mike Wise and approved by a 5 to 1 vote.

Actuary Assumptions

SPP staff reviewed the three major assumptions used by the actuary in valuing SPP's pension plan obligations, pension cost, and funded status. SPP staff follows a process endorsed by the Committee in 2008 to determine the major assumptions, as follows:

Discount rate: use third segment rate of the Corporate Bond Yield Curve prescribed by the U.S. Treasury Department.

Long-term Rate of Return: weighted average 15 year annualized return of the Russell 3000 index and the Barclay's Government/Credit Index.

Compensation Growth: Review of past and expected growth rates.

SPP staff recommends using a rate slightly higher than the third segment rate (5.50% vs 5.06%) for the discount rate. SPP staff also recommends using a higher rate for long-term rate of return (7.00% vs.

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5.64%). Both recommendations are based on a view that rates are abnormally low currently. SPP staff has discussed these recommendations with both the plan's actuary and SPP's financial auditor; both of whom concurred with the recommendations.

The Committee members appreciated the review in advance of the actuary's work and believed this review provided them with the capability to exercise input into the setting of these important assumptions.

Future Meetings

SPP staff will distribute a schedule of meetings for 2014. SPP expects to conduct a teleconference meeting around January 10, 2014, a face-to-face meeting in early March, 2014; and another face-to-face meeting on April 1, 2014.

There being no further business, Harry Skilton adjourned the meeting at 2:30 p.m.

Respectfully Submitted,

Thomas P. Dunn
Secretary



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• A G E N D A •

1:30 p.m. – 2:30 p.m.

1. Administrative Items (*5 minutes*)..... Harry Skilton
 - a. Minutes
2. Investment Management of SPP Pension Plan ****ACTION**** Tom Dunn
3. Written Reports
 - a. Actuary Assumptions
4. Adjourn Harry Skilton

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Evolutionary vs. Revolutionary • Reliability & Economics Inseparable

Subject: FW: Investment Manager

From: Sandra Bennett [<mailto:ssbennett@aep.com>]

Sent: Friday, December 20, 2013 9:42 AM

To: Tom Dunn

Subject: RE: Investment Manager

Tom, Jim Jacoby (took Kit's job) will be calling in as my proxy. Thanks!

Sandra S. Bennett

VP, Regulatory & Finance

Southwestern Electric Power Company

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