

Memorandum

To: Audit Committee of the ISO Board of Governors
From: Ryan Seghesio, Chief Financial Officer and Treasurer
Date: July 3, 2013
Re: **Acceptance of Audit of the California ISO Retirement Savings Benefits Plan for 2012**

This memorandum requires Committee action.

EXECUTIVE SUMMARY

Moss Adams LLP was engaged to audit the financial statements and supplementary information of the *California ISO Retirement Savings Benefits Plan* (the 401(k) plan) as of December 31, 2012, and for the year then ended, for inclusion in the plan's Form 5500 filing with the Internal Revenue Service.

As permitted by 29 C.F.R. 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under Employee Retirement Income Security Act of 1974 (ERISA), the independent accountant issues a "disclaimer of opinion" for retirement plan audits, as they rely on certified financial data from the trustee of the plan. As part of this audit process, the ISO has received certification from the trustee, Charles Schwab Bank, that the information provided was complete and accurate.

The independent audit of financial statements and supplementary information is complete, and the report issued by Moss Adams LLP reflects an opinion stating that other than the financial information derived from the plan's trustee, the financial statements and supplementary information are presented in compliance with the Department of Labor's rules and regulations for reporting and disclosure under the ERISA.

Management recommends the following motion:

MOVED, that the Audit Committee of the ISO Board of Governors accepts the financial statements and supplementary information of the California ISO Retirement Savings Benefits Plan for the year ended December 31, 2012, as audited by Moss Adams LLP Certified Public Accountants and as attached to the memorandum dated July 3, 2013.

DISCUSSION AND ANALYSIS

The California Independent System Operator Corporation is the plan administrator of the *California ISO Retirement Savings Benefits Plan* (the 401(k) plan). Each year, companies that administer qualified retirement savings plans for 100 participants or more are required to hire an outside accountant to conduct an independent audit of their plan. The accountant's findings are recorded on a Form 5500 and filed with the Internal Revenue Service. One goal of the audit is to ensure that the 401(k) plan is administered equitably such that employees at all levels of a company have the same opportunity to participate. A second is to confirm that the plan is financially viable.

Most private sector pension plans are covered by ERISA. An administrator or sponsor of an employee benefit plan subject to ERISA must file information about each plan annually. Among other things, ERISA provides protections for participants and beneficiaries in employee benefit plans, including providing access to plan information. Also, companies like the ISO who administer plans have fiduciary responsibilities and must meet certain standards of conduct under their fiduciary responsibilities specified in the law.

The Form 5500, which is attached to the financial statements of the ISO Retirement Savings Benefits Plan, is an informational return that reports the financial information for the ISO's retirement plan for the year. This form does not require the payment of any taxes but must be filed annually with the Internal Revenue Service. An audit of the plan's financial statements must be completed prior to the filing of the Form 5500.

The financial statements, the filing of Form 5500, and the independent audit opinion are all requirements of the Department of Labor's rules and regulations for reporting and disclosure under ERISA.