



Acceptance of Audit of California ISO Retirees Medical Plan for 2009, 2008 and 2007

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Highlights of the Plan at the end of 2009

- Total Plan assets held in trust for benefits was \$4.2M
- The actuarial accrued liability was \$12.6M
- Twenty-six employees and fourteen retirees eligible to receive benefits
- Plan expected to be fully funded in the first quarter of 2011, based on 12/31/10 actuarial report

Format of audited financials

- Financial statements prepared in accordance with Governmental Accounting Standards Board (GASB)
- The auditor's opinion is modified in accordance with the Department of Labor (DOL)
 - Limited scope audit opinion - An audit of the trustee's assets is not required if the investments are maintained at DOL approved trustees

Scope of Audit

- Audit scope included:
 - The balance sheets for the 3 years December 31, 2009, 2008 and 2007
 - The statement of changes for the 2 years ended December 31, 2009 and 2008
- Audit procedures designed to test:
 - Contributions to and distributions from the plan
 - Participant data
 - Actuarial assumptions
 - Limited investment procedures
- Audit opinion – limited scope on investments, conclude statements are in accordance with DOL and ERISA

The following auditor communications are required as part of the rules of professional responsibility:

Communication

Auditor responsibility

Significant accounting policies

Management judgments and estimates

Deficiencies in internal controls

Fraud and illegal acts

Difficulties Encountered During Audit

Disagreements with management

Consultations with other accountants

Material uncertainties

Response

To perform audit; management is responsible for the financial statements

No changes since inception of the plan

Fair value of investments, actuarial assumptions

None identified

None identified

None

None

None

None

The following auditor communications are required as part of the rules of professional responsibility:

Communication

Significant issues discussed prior to retention

Audit adjustments recorded

Independence

Audit adjustments unrecorded

Response

None

One immaterial adjustment

No issues

None