

Memorandum

To: ISO Board of Governors
From: Nancy Saracino, General Counsel and Chief Administrative Officer
Date: August 24, 2011
Re: **Acceptance of Audit of the California ISO Retirement Savings Benefits Plan for 2010 and 2009**

This memorandum requires Board action.

EXECUTIVE SUMMARY

Management has prepared the financial statements and supplemental schedule for the *California ISO Retirement Savings Benefits Plan* for the years ended December 31, 2010 and 2009, in accordance with applicable reporting standards. PricewaterhouseCoopers LLP completed an independent audit of those financial statements and supplemental schedule and has issued a clean opinion.

Management recommends the following motion:

MOVED, that the ISO Board of Governors accepts the financial statements and supplemental schedule of the California ISO Retirement Savings Benefits Plan for the years ended December 31, 2010 and 2009, as audited by PricewaterhouseCoopers LLP and as attached to the memorandum dated August 24, 2011.

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 retirement savings benefit 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 company levels 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 the Employee Retirement Income Security Act, (ERISA). An administrator or sponsor of an employee benefit plan subject to ERISA must file information about each plan every year. ERISA, among other things, 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 that 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 by October 15 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 preparation of 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 the ERISA.