

Memorandum

To: ISO Board of Governors

From: Ryan Seghesio, Chief Financial Officer and Treasurer

Date: July 5, 2012

Re: **Acceptance of Audit of the California ISO Retirement Savings Benefits Plan for 2011**

This memorandum requires Board action.

EXECUTIVE SUMMARY

The company's independent auditors, Mohler, Nixon and Williams CPAs, were engaged to audit the financial statements and supplemental schedule of the *California ISO Retirement Savings Benefits Plan* (the 401(k) plan), for the plan as of December 31, 2011, and for the year then ended, for inclusion in the plan's Form 5500 filing with the Internal Revenue Service.

Mohler, Nixon and Williams CPAs conducted the audit in accordance with auditing standards generally accepted in the United States to enable them to express an opinion as to whether the financial statements and supplemental schedule are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under Employee Retirement Income Security Act of 1974 (ERISA). The independent audit of those financial statements and supplemental schedule is complete and Mohler, Nixon and Williams CPAs issued a disclaimer of opinion regarding the presentation of the financial statements and supplemental schedule in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, as permitted by 29 C.F.R. sections 2520.103-8.

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 year ended December 31, 2011, as audited by Mohler, Nixon and Williams CPAs and as attached to the memorandum dated July 5, 2012.

DISCUSSION AND ANALYSIS

The California Independent System Operator Corporation is the plan administrator of the *California ISO Retirement Savings Benefits 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 company levels have the same opportunity to participate. A second is to confirm that the plan is financially viable.

For the year ended December 31, 2011, the independent accountant issued a disclaimer of opinion regarding the presentation of the plan's financial statements in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, as permitted by 29 C.F.R. sections 2520.103-8.

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 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.