



Date: June 8, 2010
To: Board of Directors
From: Lea Anne Porter, ERCOT Director of Compensation and Benefits
Subject: Plan-to-Plan Transfer of 401(k) Assets for Texas Regional Entity (Texas RE) Employees

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: June 15, 2010

Agenda Item No.: 14a

Issue:

Whether to authorize ERCOT to transfer all assets held in the Electric Reliability Council of Texas 401(k) Savings Plan (ERCOT Plan), including participant loans and unvested employer contributions, and all assets attributable to the accounts of participants who are currently ERCOT employees (specifically, those in ERCOT's Texas Regional Entity division) and who will become Texas Reliability Entity Inc. (TREI) employees on July 1, 2010 (Transfer Employees) to the TREI 401(k) Plan (TREI Plan).

Background/History:

On July 1, 2010, the functions performed by Texas RE, an independent division of ERCOT, will be transferred to TREI, and the Transfer Employees will become employees of TREI. Pursuant to an Assignment and Assumption Agreement between ERCOT and TREI, ERCOT will transfer to TREI all tangible and intangible assets currently used by Texas RE, and TREI will assume all liabilities of Texas RE. TREI has established employee benefit plans for the Transfer Employees, including the TREI Plan. TREI and ERCOT desire to execute a plan-to-plan transfer of assets attributable to the accounts of the Transfer Employees, including all participant loans and unvested employer contributions, from the ERCOT Plan to the TREI Plan.

Key Factors Influencing Issue:

Without a plan-to-plan transfer of such assets prior to July 1, 2010, the Transfer Employees will lose any unvested employer contributions made by ERCOT to the ERCOT Plan upon the termination of their employment at ERCOT. In addition, all 401(k) loans by the Transfer Employees will become immediately due and payable. A plan-to-plan transfer will allow such individuals to maintain their current vesting schedules with respect to the assets transferred from the ERCOT Plan and will maintain their current loan repayment schedules.

Alternatives:

- Approve the plan-to-plan transfer by July 1, 2010, as recommended; or
- Decline to authorize such transfer by July 1, 2010 or thereafter, resulting in the Transfer Employees' forfeiture of unvested ERCOT contributions to the ERCOT Plan and acceleration of their loans.



Conclusion/Recommendation:

ERCOT staff respectfully recommends that the Board authorize ERCOT to transfer all assets held in the ERCOT Plan, including participant loans and unvested employer contributions, and all assets attributable to the accounts of Transfer Employees to the TREI Plan.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to authorize ERCOT to transfer all assets held in the ERCOT 401(k) Savings Plan (ERCOT Plan), including participant loans and unvested employer contributions, and all assets attributable to the accounts of participants who are currently ERCOT employees (specifically, those in ERCOT's Texas Regional Entity (Texas RE) division) and who will become Texas Reliability Entity Inc. (TREI) employees on July 1, 2010 (Transfer Employees) to the TREI 401(k) Plan (TREI Plan); and,

WHEREAS, without a plan-to-plan transfer of such assets, upon termination of their employment by ERCOT, the Transfer Employees may suffer adverse consequences, including loss of unvested employer contributions made by ERCOT to the ERCOT Plan and acceleration of their 401(k) loan repayments; and,

WHEREAS, a plan-to-plan transfer will allow the Transfer employees to maintain their current vesting schedules with respect to the assets transferred from the ERCOT Plan and will maintain their current loan repayment schedules.

THEREFORE, BE IT RESOLVED, that:

- ERCOT is authorized and approved to transfer all assets held in the ERCOT Plan, including participant loans and unvested employer contributions, and all assets attributable to the accounts of Transfer Employees to the TREI Plan; and
- The ERCOT Plan administrator and ERCOT officers and employees are authorized to take such actions as are reasonable and necessary to effect such transfer and to satisfy this resolution.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Interim Corporate Secretary of ERCOT, do hereby certify that, at its June 15, 2010 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of June, 2010.

Bill Magness
Interim Corporate Secretary