

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**ANNUAL STATUS REPORT TO THE BOARD OF DIRECTORS**  
**CONCERNING ACTIVITIES OF THE BENEFITS COMMITTEE**

**December 31, 2013**

This report is provided to inform the Board of Directors of the activities of the Benefits Committee ("Committee") during the 12-month period ending December 31, 2013.

The Committee met six times during 2013. Minutes were kept of each Committee Meeting, including copies of materials reviewed by the Committee.

The Committee determined that all current benefits plans are functioning effectively and at reasonable cost for their intended purposes. Except for the underperformance of a mutual fund within the 401(k) Savings Plan, which was replaced as described herein, the Committee identified no deficiencies with respect to the operations and compliance of any of the current benefits plans.

The Committee actively performed its duties during this period, as highlighted herein:

**ERCOT 401(k) Savings Plan ("Plan")**

1. The Committee continued to retain Hewitt EnnisKnupp, Inc. ("Hewitt") to provide independent guidance on the Plan's investments and to serve as co-fiduciary with respect to the investment advice provided.
2. Hewitt provided detailed quarterly reports on the investments in the Plan, reviewing the following criteria, among others: (a) performance on a rolling and trailing return basis relative to benchmarks and the appropriate universes of actively managed investments; (b) changes in the management teams of investment managers; (c) significant issues affecting the firms within which the investment managers operate; (d) investment quality of fixed-income investments; (e) diversification of holdings; (f) the amount of risk taken; (g) changes in investment style; and (h) cost.
3. The Committee accepted Hewitt's recommendation to replace the Black Rock Small Cap Growth fund and selected the American Beacon Stephens and Artisan Small Cap Growth fund as the replacement.
4. The Committee accepted Hewitt's recommendation to replace the Heartland Select Value fund and selected the Vanguard Select Value fund as the replacement.
5. The Committee reviewed proposed changes to the investment policy statement for the Plan as proposed by Hewitt at the November 6, 2013 meeting, and accepted the changes proposed at the October 28, 2010 meeting.
6. The Committee received periodic updates on current legal and regulatory developments that could affect the Plan and the Committee's work.
7. The Committee reviewed the audit report for the Plan.

### **Employee Welfare Plans**

8. The Committee received periodic updates on the activities of the Employee Health & Wellness Committee.
9. The Committee reviewed the Company's three-year strategic plan for employee welfare plans.
10. The Committee received a report on employee welfare plan costs.
11. The Committee reviewed and approved proposed changes to the following employee medical, dental and visions plans for the 2013-2014 plan year.
12. The Committee reviewed and voted on employee appeals of denial of claims under the Medical Plan.

### **Vacation, Holidays, and other Employee Benefits**

13. The Committee approved the following changes in non-ERISA benefits:
  - a. Conversion of floating holidays to paid time off, which can be used in hourly increments, effective January 1, 2014
  - b. An annual election allowing employees to elect six additional days of paid time off in lieu of sick leave accruals, effective January 1, 2014.

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Susan M. Westbrook  
Director – Human Resources

Confirmed:

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D. Mark Manning, CFA  
Hewitt EnnisKnupp, Inc.  
Independent Investment Advisor to the Benefits Committee

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Date Signed