



**To: Human Resources and Governance (HR&G) Committee**  
**From: Diane M. Williams, ERCOT Vice President of Human Resources**  
**Date: April 11, 2016**  
**Re: Item 6.2 - Annual Status Report from Benefits Committee**

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Annual Status Report from Benefits Committee

For the HR&G Committee's review and consideration, the *Electric Reliability Council of Texas, Inc. Annual Status Report to the Board of Directors Concerning Activities of the Benefits Committee*, dated as of December 31, 2015, is being provided with the Committee's meeting materials.

HR&G Committee Charter Requires Annual Review of Such Status Report

The HR&G Committee Charter, effective February 9, 2016 (Charter), includes the following Committee duty and responsibility:

Review the ERCOT Benefits Committee's annual status report and performance of the duties delegated to it by the Board, including the design, operation and maintenance of employee benefits plans.<sup>1</sup>

The Charter further provides for such review at a minimum frequency of "as needed, but no less than annually". The Charter does not require that the Committee or the Board of Directors approve or accept this Annual Status Report from the Benefits Committee.

I look forward to answering any questions you may have at the Committee meeting.

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<sup>1</sup> Section 1.b.(3) [*Human Resources Matters – Benefits Strategy*] of the Charter.



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

**As of December 31, 2015**

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, 2015.

The Committee met eight times during 2015. 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. The Committee identified no deficiencies with respect to the compliance of any of the current benefits plans.

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

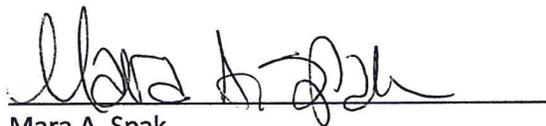
**ERCOT 401(k) Savings Plan (“Plan”)**

1. The Committee voted to terminate ERCOT’s engagement with Aon Hewitt Investment Consulting, f/k/a Hewitt EnnisKnupp, Inc. and engage Morgan Stanley Smith Barney LLC dba Graystone Consulting (Graystone) to provide independent guidance on the Plan’s investments and to serve as co-fiduciary with respect to the investment advice provided.
2. Graystone 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. In an effort to reduce the Fidelity revenue credit balance in the future, the Committee voted to reduce fees for two funds, Prudential Jennison Mid Cap Growth Fund and Oppenheimer Developing Markets Fund.
4. The Committee voted to replace the underperforming Thornburg International Value Fund with the Artisan International Fund.
5. The Committee added two additional Target Funds to the investment offering, T. Rowe Price Retirement 2055 Fund and T. Rowe Price Retirement 2060 Fund.
6. The Committee placed three funds on the watch list for underperformance.
7. The Committee voted to allow employees access to all vested account balances for loan and hardship withdrawal sources.
8. The Committee decreased the amount for Fidelity to process employee loan requests from \$125 to \$75.
9. The Committee received periodic updates on current legal and regulatory developments that could affect the Plan and the Committee’s work.

10. The audit report for the Plan was reviewed and approved.
11. The Committee reviewed Graystone's proposed changes to the Plan's Investment Policy Statement and requested additional revisions for consideration at an upcoming Committee meeting.

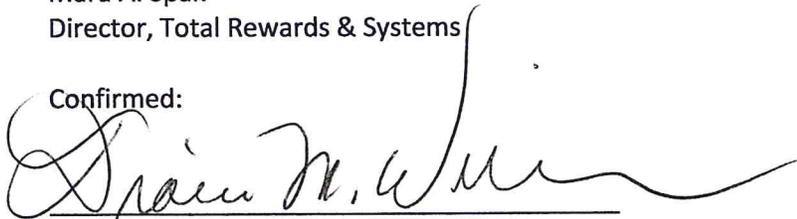
### Employee Welfare Plans

1. The Committee voted to terminate Gallagher and engage CLS Partners (CLS) to provide guidance on the welfare plans.
2. The Committee received periodic updates on the activities of the Employee Health & Wellness Committee.
3. The Committee received a report on employee welfare plan costs.
4. The Committee transitioned the healthcare plan year from July through June to January through December.
5. The Committee voted to transition medical coverage from Cigna to United Healthcare beginning 2016.
6. The Committee reviewed and approved proposed changes to the employee medical, dental and visions plans for the 2016 plan year including: front-loading Health Savings Account employer contributions at the beginning of the Plan Year, adding a spousal surcharge for employees with working spouses, the addition of a dual-option dental plan, and other deductible and co-pay modifications to align to the market.
7. The Committee authorized CLS to audit the medical plan's pharmacy benefit manager and negotiate more favorable terms and transparency for the 2016 Plan Year.
8. The Committee approved increasing the healthcare flexible spending account to \$2,550 per calendar year. The Committee also voted to add a 2 ½-month grace period to the dependent care flexible spending account program to make it consistent with the healthcare flexible spending account program.
9. The Committee approved adding a Back-Up Care child care program with Bright Horizons to assist employees with sourcing urgent child or elder care needs.



Mara A. Spak  
Director, Total Rewards & Systems

Confirmed:



Diane M. Williams  
Vice President of Human Resources