APPROVED
by the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held

FEB -8 1994

EXECUTIVE SECRETARY

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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

January 12, 1994

To: Board of Directors (Organization and Personnel Committee--Action)
(Legal and Claims Committee--Action)

From: General Manager

Subject: Amendments to Articles of The Metropolitan Water District of Southern California Savings Plan I and Savings Plan II

Report

The Articles of The Metropolitan Water District of Southern California Savings Plan I and Savings Plan II, contained in Articles 5 and 6 of Division VI of the Administrative Code, provide that loans may be made to participants from their respective accounts, subject to the prior approval of the General Manager.

The terms of such loans are largely dictated by federal tax law. Generally, such loans may be made for any purpose, may be in an amount up to half of the participant's account balance (not to exceed a maximum loan amount of $50,000) and must be repaid in five years. The unpaid balance of any defaulted loan must be reported as a taxable distribution to the participant.

The Deferred Compensation Advisory Committee has recommended institution of a 401(k) loan program pursuant to these provisions and the Plan Administrator has initiated procedures to implement a loan program. However, technical corrections need to be made to conform certain of the provisions to the current language of the Internal Revenue Code and regulations thereunder and correctly identify the District's current bank.

Therefore, it is proposed that the Administrative Code be amended as shown in Attachment A. The proposed revisions are shown by underscoring and strikeouts on Attachment B.

Board Committee Assignments

This letter is referred for action to:

The Organization and Personnel Committee, pursuant to its jurisdiction under Administrative Code Section 2471(c) with regard to employee benefits; and

The Legal and Claims Committee, pursuant to its jurisdiction under Administrative Code Section 2461(h) regarding the organization and contents of the Administrative Code.

Recommendation

ORGANIZATION AND PERSONNEL AND LEGAL AND CLAIMS COMMITTEES FOR ACTION.

It is recommended that Sections 6767(e) and 6787(e) be amended as shown in Attachment A.

for John R. Wodraska

SBB:gm
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Attachments

ATTACHMENT A

§ 6767. Article VIII - Distributions and Withdrawals.

(e) Loans to Participants.

(1) The General Manager may establish a loan program allowing a Participant to borrow a portion of Participant's Accounts. If the General Manager determines, in the General Manager's discretion, to institute a loan program, each Participant shall have the right, subject to the prior approval of the General Manager, to borrow from Participant's Accounts an amount not to exceed 50 percent of the balance of such Accounts valued as of the Valuation Date immediately preceding the date on which the loan is to be made.

(2) Any loans made pursuant to the provisions hereof, shall satisfy the following conditions: (1) such loans shall be available to all Participants on a reasonably equivalent basis; (2) such loans shall not be made available to Participants who are highly compensated Employees or officers of the District in an amount which, when stated as a percentage of the balance of such Participants' Accounts, is greater than is available to other Participants; (3) such loans shall bear a reasonable rate of interest (unless the General Manager determines otherwise, such loan shall bear interest equal to one percent above the reference rate being charged by Bank of America NT&SA, or the prime rate or similar rate of a successor bank or other commercial bank designated by the General Manager, in effect at the beginning of the month in which the loan is made); (4) each such loan shall be adequately secured, with the security to consist of the portion of the Participant's Accounts equal to the loan principal and any additional security that the General Manager determines to be necessary; (5) the amount of any such loan, when added to the outstanding balance of all other loans from the Savings Plan to the Participant, shall not exceed either (i) $50,000 reduced by the excess (if any) of the highest outstanding balance during the preceding 12 months of loans from the Savings Plan to the Participant over the outstanding balance of loans from the Savings Plan to the Participant on the date such loan is made or (ii) one-half the value of such Participant's Accounts, including in such balance prior loans to the Participant (for the purpose of this clause, the value of the balance of such Participant's Accounts shall be established as of the Valuation Date preceding the date upon which the loan is made); and (6) each such loan, by its terms, shall be repaid within five years (except that if the General Manager is satisfied that the loan proceeds are being used to acquire the principal residence of a Participant, the General Manager may, in his discretion, establish a term of up to 15 years for repayment).

(3) Each such loan shall be evidenced by a promissory note executed by the Participant (and his or her spouse if the Participant is married) of a fixed maturity date meeting the requirements of Section 6767(e)(2) above, but in no event later than the date that (a) the Participant dies, (b) the Plan is terminated, or (c) the Participant incurs a Separation from Service. Such promissory note shall evidence such terms as are required by this section.

(4) Any Participant may, upon written notice delivered to the General Manager 30 working days prior to a Valuation Date, request that a loan be made to Participant from Participant's Accounts in the Savings Plan, provided that (1) such Participant has not made a loan request within the preceding 24 months and (2) the request is for a loan of at least $500 (or any lesser minimum amount required in regulation promulgated by the Secretary of the Treasury or the Secretary of Labor).

(5) While the Participant is employed by the District, each such loan shall be repaid through substantially level payroll deductions from Compensation that the Participant would otherwise receive. No payments shall be required during a leave of absence without pay for up to one year; provided that the entire loan balance shall remain due and payable at the loan's original maturity date. At the end of such a leave (or the end of one year period, if earlier), a new loan repayment schedule shall be implemented to take into account payments not made during the leave; the new schedule shall not extend the loan's maturity date. If the Participant is absent from employment for more than one year and does not incur a Separation from Service, the Participant shall continue to make the payments required for each such loan directly to the Savings Plan at the times and in the amounts prescribed by the revised schedule. In addition, each such loan may be prepaid in full at any time, such prepayment to be paid directly to the Trustee in accordance with procedures adopted by the General Manager. All loan repayments shall be transmitted by the District to the Trustee as soon as practicable but not later than the end of the payroll period during which such amounts were withheld.

(6) In connection with implementing this section, a new Investment Vehicle shall be created. A Participant's request for a loan shall be treated as a request to transfer a portion of Participant's Accounts in an amount equal to the funds to be loaned to the new Investment Vehicle from the Investment Vehicle it is currently invested in. Each Participant's Accounts in the new Investment Vehicle shall be separately accounted for, and loan repayments shall be credited solely to the Participant's Accounts. A Participant shall designate the Investment Vehicle in which loan interest and principal repayments shall be invested.

(7) Notwithstanding anything to the contrary contained herein, each such loan shall be made only in accordance with the regulations and rulings of the Internal Revenue Service and other applicable state or federal law. The General Manager shall act in the General Manager's sole discretion to ascertain whether the requirements of such regulations and rulings and this section shall have been met.

(8) The General Manager shall have the power to establish any additional rules with respect to loans extended pursuant to this section including, but not limited to, rules relating to nondiscriminatory minimum installments for the repayment of such loans, the requirement of a financial hardship to obtain a loan, or limitations of the amounts of loans.

(9) Any loans hereunder constitute an exception to the anti-alienation rules in Section 6770(c) of the Savings Plan.

§ 6787. Article VIII - Distributions and Withdrawals.

(e) Loans to Participants.

(1) The General Manager may establish a loan program allowing a Participant to borrow a portion of Participant's Accounts. If the General Manager determines, in the General Manager's discretion, to institute a loan program, each Participant shall have the right, subject to the prior approval of the General Manager, to borrow from Participant's Accounts an amount not to exceed 50 percent of the balance of such Accounts valued as of the Valuation Date immediately preceding the date on which the loan is to be made.

(2) Any loans made pursuant to the provisions hereof, shall satisfy the following conditions: (1) such loans shall be available to all Participants on a reasonably equivalent basis; (2) such loans shall not be made available to Participants who are highly compensated Employees or officers of the District in an amount which, when stated as a percentage of the balance of such Participants' Accounts, is greater than is available to other Participants; (3) such loans shall bear a reasonable rate of interest (unless the General Manager determines otherwise, such loan shall bear interest equal to one percent above the reference rate being charged by Bank of America NT&SA, or the prime rate or similar rate of a successor bank or other commercial bank designated by the General Manager, in effect at the beginning of the month in which the loan is made); (4) each such loan shall be adequately secured, with the security to consist of the portion of the Participant's Accounts equal to the loan principal and any additional security that the General Manager determines to be necessary; (5) the amount of any such loan, when added to the outstanding balance of all other loans

from Savings Plan II to the Participant, shall not exceed either (i) $50,000 reduced by the excess (if any) of the highest outstanding balance during the preceding 12 months of loans from Savings Plan II to the Participant over the outstanding balance of loans from Savings Plan II to the Participant on the date such loan is made or (ii) one-half the value of such Participant's Accounts, including in such balance prior loans to the Participant (for the purpose of this clause, the value of the balance of such Participant's Accounts shall be established as of the Valuation Date preceding the date upon which the loan is made); and (6) each such loan, by its terms, shall be repaid within five years (except that if the General Manager is satisfied that the loan proceeds are being used to acquire the principal residence of a Participant, the General Manager may, in his discretion, establish a term of up to 15 years for repayment).

(3) Each such loan shall be evidenced by a promissory note executed by the Participant (and his or her spouse if the Participant is married) of a fixed maturity date meeting the requirements of Section 6787(e)(2) above, but in no event later than the date that (a) the Participant dies, (b) the Plan is terminated, or (c) the Participant incurs a Separation from Service. Such promissory note shall evidence such terms as are required by this section.

(4) Any Participant may, upon written notice delivered to the General Manager 30 working days prior to a Valuation Date, request that a loan be made to Participant from Participant's Accounts in Savings Plan II, provided that (1) such Participant has not made a loan request within the preceding 24 months and (2) the request is for a loan of at least $500 (or any lesser minimum amount required in regulation promulgated by the Secretary of the Treasury or the Secretary of Labor).

(5) While the Participant is employed by the District, each such loan shall be repaid through substantially level payroll deductions from Compensation that the Participant would otherwise receive. No payments shall be required during a leave of absence without pay for up to one year; provided that the entire loan balance shall remain due and payable at the loan's original maturity date. At the end of such a leave (or the end of one year period, if earlier), a new loan repayment schedule shall be implemented to take into account payments not made during the leave; the new schedule shall not extend the loan's maturity date. If the Participant is absent from employment for more than one year and does not incur a Separation from Service, the Participant shall continue to make the payments required for each such loan directly to the Savings Plan at the times and in the amounts prescribed by the revised schedule. In addition, each such loan may be prepaid in full at any time, such prepayment to be paid directly to the Trustee in accordance with procedures

adopted by the General Manager. All loan repayments shall be transmitted by the District to the Trustee as soon as practicable but not later than the end of the payroll period during which such amounts were withheld.

(6) In connection with implementing this section, a new Investment Vehicle shall be created. A Participant's request for a loan shall be treated as a request to transfer a portion of Participant's Accounts in an amount equal to the funds to be loaned to the new Investment Vehicle from the Investment Vehicle it is currently invested in. Each Participant's Accounts in the new Investment Vehicle shall be separately accounted for, and loan repayments shall be credited solely to the Participant's Accounts. A Participant shall designate the Investment Vehicle in which loan interest and principal repayments shall be invested.

(7) Notwithstanding anything to the contrary contained herein, each such loan shall be made only in accordance with the regulations and rulings of the Internal Revenue Service and other applicable state or federal law. The General Manager shall act in the General Manager's sole discretion to ascertain whether the requirements of such regulations and rulings and this section shall have been met.

(8) The General Manager shall have the power to establish any additional rules with respect to loans extended pursuant to this section including, but not limited to, rules relating to nondiscriminatory minimum installments for the repayment of such loans, the requirement of a financial hardship to obtain a loan, or limitations of the amounts of loans.

(9) Any loans hereunder constitute an exception to the anti-alienation rules in Section 6790(c) of Savings Plan II.

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ATTACHMENT B

§ 6767. Article VIII - Distributions and Withdrawals.

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(1) The General Manager may establish a loan program allowing a Participant to borrow a portion of Participant's Accounts. If the General Manager determines, in the General Manager's discretion, to institute a loan program, each Participant shall have the right, subject to the prior approval of the General Manager, to borrow from Participant's Accounts an amount not to exceed 50 percent of the balance of such Accounts valued as of the Valuation Date immediately preceding the date on which the loan is to be made.

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