

- **Board of Directors**  
**Budget, Finance and Investment Committee**

December 9, 2003 Board Meeting

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Revised 8-3

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**Subject**

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Approve amendments to Metropolitan's employee savings plans and Administrative Code

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**Description**

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Metropolitan has established two savings plans for employees under section 401(k) of the Internal Revenue Code. Both plans are set forth in the Administrative Code. Amendments to these plans are proposed to conform plan provisions to loan processing procedures of Great-West Life & Annuity Insurance Company ("Great-West"), Metropolitan's new provider, and to regulatory changes under provisions of the Internal Revenue Code affecting 401(k) savings plans.

**Loan Changes.** Both savings plans permit participants to borrow up to fifty percent of their account balances, repayable to the plan over five years (or, if the loan is used for purchase of a primary residence, over fifteen years). Both plans currently state that a loan application may be filed not more than once every 24 months and require a spouse's signature on the promissory note if the participant is married. These provisions were included for Metropolitan's administrative convenience, but are inconsistent with the loan processing procedures that will be in effect after Great-West becomes record keeper for the savings plans.

The proposed changes remove the requirement for spousal signatures on promissory notes and for 24 months between loan applications, and substitute a requirement that participants have no more than two loans outstanding at any time. The proposed amendments are consistent with Great-West's operational procedures for loan origination and with tax regulations, and give greater flexibility to employees in applying for loans.

**Tax Compliance.** A second amendment is required to ~~reference final tax regulations, instead of the proposed regulations that were available when this provision of the plans was adopted.~~ conform the Savings Plans to final tax regulations for minimum distribution requirements. These amendments correspond to model amendments provided by the Internal Revenue Service and must be adopted before the end of calendar year 2003.

**Text of Amendments.** **Attachments 1** and **2** contain the Administrative Code provisions for Metropolitan's Savings Plan and Savings Plan II, respectively, with the changes made by the proposed amendments shown in underline and strikeout format. **Attachments 3** and **4** provide formal amendments to the respective plans.

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**Policy**

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Metropolitan will maintain the savings plans as qualified plans under sections 401(a) and 401(k) of the Internal Revenue Code.

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**California Environmental Quality Act (CEQA)**

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CEQA determination for Staff Recommendation:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

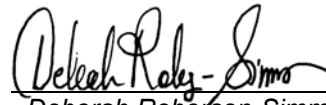
The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

**Staff Recommendation**

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Adopt the CEQA determination and approve the proposed amendments to the plans and Administrative Code.

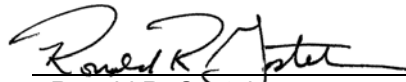
**Fiscal Impact:** None



*Deborah Roberson-Simms*  
Human Resources Manager

12/5/2003

*Date*



*Ronald R. Gastelum*  
Chief Executive Officer

12/5/2003

*Date*

**Attachment 1 – Administrative Code Section 6767, as amended**

**Attachment 2 – Administrative Code Section 6787, as amended**

**Attachment 3 – Fourth Amendment to The Metropolitan Water District of Southern California Savings Plan**

**Attachment 4 – Fourth Amendment to The Metropolitan Water District of Southern California Savings Plan II**

**§ 6767. Article VIII - Distributions and Withdrawals.**

## (e) Loans to Participants.

(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 Chief Executive Officer 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) no more than two loans to Participant from Participant's Accounts (or any lesser number of loans required in regulations promulgated by the Secretary of the Treasury) are outstanding at any one time ~~such Participant has not made a loan request within the preceding 24 months~~ and (2) the request is for a loan of at least \$1,000 (or any lesser minimum amount required in regulation promulgated by the Secretary of the Treasury or the Secretary of Labor).

(j) Minimum Distributions On or After January 1, 2003. Effective as of January 1, 2003, all distributions shall be determined and made in accordance with final Internal Revenue Service regulations under Code §401(a)(9) and in accordance with the following provisions:

1. General Rules

- (a) Effective Date. The provisions of this amendment will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
- (b) Precedence. The requirements of this amendment will take precedence over any inconsistent provisions of the Plan and any prior amendments thereto.
- (c) Requirements of Internal Revenue Service Regulations Incorporated. All distributions required under this amendment will be determined and made in accordance with the Internal Revenue Service regulations under Code §401(a)(9).

2. Time and Manner of Distribution

- (a) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

- (b) Death of Participant Before Distribution Begin. If the Participant dies before distributions begin, his or her entire interest will be distributed, or begin to be distributed, no later than as follows:
- (1) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, then, subject to Section 6767(j)(2)(b)(5) below, distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.
  - (2) If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, then subject to Section 6767(j)(2)(b)(5) below distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
  - (3) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
  - (4) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this Section 6767(j)(2)(b), other than Section 6767(j)(2)(b)(1), will apply as if the surviving Spouse were the Participant.
  - (5) If the Participant dies before distributions begin and there is a designated Beneficiary, distribution to the designated Beneficiary is not required to begin by the date specified in Sections 6767(j)(2)(b)(2) above if the Participant's entire interest is distributed to the designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

For purposes of this Section 6767(j)(2) and Section 6767(j)(4), unless Section 6767(j)(2)(b)(4) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section 6767(j)(2)(b)(4) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section 6767(j)(2)(b)(1).

- (c) Forms of Distribution. Unless the Participant's interest is distributed in the form of a single sum on or before the Required Beginning Date, as of the first distribution calendar year, distributions will be made in accordance with Sections 6767(j)(3) and 6767(j)(4) of this amendment.

### Section 3. Required Minimum Distributions During Participant's Lifetime

- (a) Amount of Required Minimum Distribution for Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed each distribution calendar year is the lesser of (i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table in §1.401(a)(9)-9 of the IRS regulations using the Participant's age as of his or her birthday in the distribution calendar year; or (ii) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table in §1.401(a)(9)-9 of the IRS regulations using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.
- (b) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 6767(j)(3) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

### 4. Required Minimum Distributions After Participant's Death

- (a) Death On or After Date Distributions Begin
- (1) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows: (1) the Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year; (2) if the Participant's surviving Spouse is the sole designated Beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year; and (3) if the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(2) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one each subsequent year.

(b) Death Before Date Distributions Begin

(1) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, as determined in Section 6767(j)(4)(a).

(2) No Designated Beneficiary. If the Participant dies before distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the 5<sup>th</sup> anniversary of the Participant's death.

(3) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole designated Beneficiary, and the surviving Spouse dies before distributions are required to begin to the surviving Spouse under Section 6767(j)(2)(b)(1), this Section 6767(j)(4)(b) will apply as if the surviving Spouse were the Participant.

5. Definitions

(a) Designated Beneficiary. The Beneficiary designated by the Participant is the designated Beneficiary under Code §401(a)(9) and §1.401(a)(9)-1, Q&A-4 of the IRS regulations.

(b) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 6767(j)(2)(b). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar

years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

- (c) Life expectancy. Life expectancy as computed by use of the Single Life Table in §1.401(a)(9)-9 of the IRS regulations.
- (d) Participant's Account balance. For purposes of determining minimum distributions the Account balance as of the last Valuation Date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.
- (d) Required Beginning Date. April 1st of the calendar year following the later of (a) the calendar year in which the Participant reaches age 70½ or (b) the calendar year in which the Participant actually retires or otherwise terminates employment with the District.

**§ 6787. Article VIII - Distributions and Withdrawals.**

## (e) Loans to Participants.

(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 Chief Executive Officer 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) no more than two loans to Participant from Participant's Accounts (or any lesser number of loans required in regulations promulgated by the Secretary of the Treasury) are outstanding at any one time ~~such Participant has not made a loan request within the preceding 24 months~~ and (2) the request is for a loan of at least \$1,000 (or any lesser minimum amount required in regulation promulgated by the Secretary of the Treasury or the Secretary of Labor).

(j) Minimum Distributions On or After January 1, 2003. Effective as of January 1, 2003, all distributions shall be determined and made in accordance with final Internal Revenue Service regulations under Code §401(a)(9) and in accordance with the following provisions:

1. General Rules

- (a) Effective Date. The provisions of this amendment will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
  - (b) Precedence. The requirements of this amendment will take precedence over any inconsistent provisions of the Plan and any prior amendments thereto.
  - (c) Requirements of Internal Revenue Service Regulations Incorporated. All distributions required under this amendment will be determined and made in accordance with the Internal Revenue Service regulations under Code §401(a)(9).
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## 2. Time and Manner of Distribution

- (a) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.
- (b) Death of Participant Before Distribution Begin. If the Participant dies before distributions begin, his or her entire interest will be distributed, or begin to be distributed, no later than as follows:
- (1) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, then, subject to Section 6787(j)(2)(b)(5) below, distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.
  - (2) If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, then subject to Section 6787(j)(2)(b)(5) below distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
  - (3) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
  - (4) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this Section 6787(j)(2)(b), other than Section 6787(j)(2)(b)(1), will apply as if the surviving Spouse were the Participant.
  - (5) If the Participant dies before distributions begin and there is a designated Beneficiary, distribution to the designated Beneficiary is not required to begin by the date specified in Sections 6787(j)(2)(b)(2) above if the Participant's entire interest is distributed to the designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

For purposes of this Section 6787(j)(2) and Section 6787(j)(4), unless Section 6787(j)(2)(b)(4) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section 6787(j)(2)(b)(4) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section 6787(j)(2)(b)(1).

- (c) Forms of Distribution. Unless the Participant's interest is distributed in the form of a single sum on or before the Required Beginning Date, as of the first distribution calendar year, distributions will be made in accordance with Sections 6787(j)(3) and 6787(j)(4) of this amendment.

### Section 3. Required Minimum Distributions During Participant's Lifetime

- (a) Amount of Required Minimum Distribution for Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed each distribution calendar year is the lesser of (i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table in §1.401(a)(9)-9 of the IRS regulations using the Participant's age as of his or her birthday in the distribution calendar year; or (ii) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table in §1.401(a)(9)-9 of the IRS regulations using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.
- (b) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 6787(j)(3) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

### 4. Required Minimum Distributions After Participant's Death

- (a) Death On or After Date Distributions Begin
- (1) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows: (1) the Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year; (2) if the Participant's surviving Spouse is the sole designated Beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year; and (3) if the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's

remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

- (2) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one each subsequent year.

(b) Death Before Date Distributions Begin

- (1) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, as determined in Section 6787(j)(4)(a).
- (2) No Designated Beneficiary. If the Participant dies before distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the 5<sup>th</sup> anniversary of the Participant's death.
- (3) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole designated Beneficiary, and the surviving Spouse dies before distributions are required to begin to the surviving Spouse under Section 6787(j)(2)(b)(1), this Section 6787(j)(4)(b) will apply as if the surviving Spouse were the Participant.

5. Definitions

- (a) Designated Beneficiary. The Beneficiary designated by the Participant is the designated Beneficiary under Code §401(a)(9) and §1.401(a)(9)-1, Q&A-4 of the IRS regulations.
- (b) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the

calendar year in which distributions are required to begin under Section 6787(j)(2)(b). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

- (c) Life expectancy. Life expectancy as computed by use of the Single Life Table in §1.401(a)(9)-9 of the IRS regulations.
- (d) Participant's Account balance. For purposes of determining minimum distributions the Account balance as of the last Valuation Date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.
- (d) Required Beginning Date. April 1st of the calendar year following the later of (a) the calendar year in which the Participant reaches age 70½ or (b) the calendar year in which the Participant actually retires or otherwise terminates employment with the District.

FOURTH AMENDMENT TO THE  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
SAVINGS PLAN, INCLUDING  
GOOD FAITH AMENDMENT  
UNDER THE FINAL 401(a)(9) REGULATIONS

The Metropolitan Water District of Southern California Savings Plan (the "Plan"), Article 5 of Chapter 7 of Division VI (commencing with Section 6760) of the Administrative Code, is hereby amended in the following respects:

1. Section 6767(e)(3) is amended by deleting the parenthetical, "(and his or her spouse if the Participant is married)".
2. Section 6767(e)(4) is amended to read as follows:

(4) Any Participant may, upon written notice delivered to the Chief Executive Officer 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) no more than two loans to Participant from Participant's Accounts (or any lesser number of loans required in regulations promulgated by the Secretary of the Treasury) are outstanding at any one time and (2) the request is for a loan of at least \$1,000 (or any lesser minimum amount required in regulations promulgated by the Secretary of the Treasury or the Secretary of Labor).

3. Section 6767 is amended by the addition of a new subsection (j) at the end thereof, to read as shown below. This amendment shall be Metropolitan's good faith amendment to the Plan under the final 401(a)(9) regulations:

(j) Minimum Distributions On or After January 1, 2003. Effective as of January 1, 2003, all distributions shall be determined and made in accordance with final Internal Revenue Service regulations under Code §401(a)(9) and in accordance with the following provisions:

1. General Rules

- (a) Effective Date. The provisions of this amendment will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
- (b) Precedence. The requirements of this amendment will take precedence over any inconsistent provisions of the Plan and any prior amendments thereto.
- (c) Requirements of Internal Revenue Service Regulations Incorporated. All distributions required under this amendment will be determined and made in accordance with the Internal Revenue Service regulations under Code §401(a)(9).

## 2. Time and Manner of Distribution

- (a) **Required Beginning Date.** The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.
- (b) **Death of Participant Before Distribution Begin.** If the Participant dies before distributions begin, his or her entire interest will be distributed, or begin to be distributed, no later than as follows:
- (1) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, then, subject to Section 6767(j)(2)(b)(5) below, distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.
  - (2) If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, then subject to Section 6767(j)(2)(b)(5) below distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
  - (3) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
  - (4) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this Section 6767(j)(2)(b), other than Section 6767(j)(2)(b)(1), will apply as if the surviving Spouse were the Participant.
  - (5) If the Participant dies before distributions begin and there is a designated Beneficiary, distribution to the designated Beneficiary is not required to begin by the date specified in Sections 6767(j)(2)(b)(2) above if the Participant's entire interest is distributed to the designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

For purposes of this Section 6767(j)(2) and Section 6767(j)(4), unless Section 6767(j)(2)(b)(4) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section 6767(j)(2)(b)(4) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section 6767(j)(2)(b)(1).

- (c) **Forms of Distribution.** Unless the Participant's interest is distributed in the form of a single sum on or before the Required Beginning Date, as of the first distribution

calendar year, distributions will be made in accordance with Sections 6767(j)(3) and 6767(j)(4) of this amendment.

### Section 3. Required Minimum Distributions During Participant's Lifetime

(a) Amount of Required Minimum Distribution for Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed each distribution calendar year is the lesser of (i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table in §1.401(a)(9)-9 of the IRS regulations using the Participant's age as of his or her birthday in the distribution calendar year; or (ii) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table in §1.401(a)(9)-9 of the IRS regulations using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.

(b) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 6767(j)(3) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

### 4. Required Minimum Distributions After Participant's Death

#### (a) Death On or After Date Distributions Begin

(1) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows: (1) the Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year; (2) if the Participant's surviving Spouse is the sole designated Beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year; and (3) if the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(2) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one each subsequent year.

(b) Death Before Date Distributions Begin

(1) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, as determined in Section 6767(j)(4)(a).

(2) No Designated Beneficiary. If the Participant dies before distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the 5th anniversary of the Participant's death.

(3) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole designated Beneficiary, and the surviving Spouse dies before distributions are required to begin to the surviving Spouse under Section 6767(j)(2)(b)(1), this Section 6767(j)(4)(b) will apply as if the surviving Spouse were the Participant.

## 5. Definitions

(a) Designated Beneficiary. The Beneficiary designated by the Participant is the designated Beneficiary under Code §401(a)(9) and §1.401(a)(9)-1, Q&A-4 of the IRS regulations.

(b) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 6767(j)(2)(b). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the



distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

(c) Life expectancy. Life expectancy as computed by use of the Single Life Table in §1.401(a)(9)-9 of the IRS regulations.

(d) Participant's Account balance. For purposes of determining minimum distributions the Account balance as of the last Valuation Date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(d) Required Beginning Date. April 1st of the calendar year following the later of (a) the calendar year in which the Participant reaches age 70½ or (b) the calendar year in which the Participant actually retires or otherwise terminates employment with the District.

The amendments set forth in Sections 1 and 2 above shall be effective as of October 1, 2003. The amendments set forth in Section 3 above shall be effective as of January 1, 2003.

The Plan as amended by this Fourth Amendment is in all respects ratified and confirmed, and nothing contained in this Fourth Amendment shall, or shall be construed to, modify, invalidate or otherwise affect any provision of the Plan.

IN WITNESS WHEREOF, this FOURTH AMENDMENT TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA SAVINGS PLAN, INCLUDING GOOD FAITH AMENDMENT UNDER THE FINAL 401(a)(9) REGULATIONS, is adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: \_\_\_\_\_  
Chief Executive Officer

FOURTH AMENDMENT TO THE  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
SAVINGS PLAN II, INCLUDING  
GOOD FAITH AMENDMENT  
UNDER THE FINAL 401(a)(9) REGULATIONS

The Metropolitan Water District of Southern California Savings Plan II (the "Plan"), Article 5 of Chapter 7 of Division VI (commencing with Section 6780) of the Administrative Code, is hereby amended in the following respects:

1. Section 6787(e)(3) is amended by deleting the parenthetical, "(and his or her spouse if the Participant is married)".
2. Section 6787(e)(4) is amended to read as follows:

(4) Any Participant may, upon written notice delivered to the Chief Executive Officer 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) no more than two loans to Participant from Participant's Accounts (or any lesser number of loans required in regulations promulgated by the Secretary of the Treasury) are outstanding at any one time and (2) the request is for a loan of at least \$1,000 (or any lesser minimum amount required in regulations promulgated by the Secretary of the Treasury or the Secretary of Labor).

3. Section 6787 is amended by the addition of a new subsection (j) at the end thereof, to read as shown below. This amendment shall be Metropolitan's good faith amendment to the Plan under the final 401(a)(9) regulations:

(j) Minimum Distributions On or After January 1, 2003. Effective as of January 1, 2003, all distributions shall be determined and made in accordance with final Internal Revenue Service regulations under Code §401(a)(9) and in accordance with the following provisions:

1. General Rules

- (a) Effective Date. The provisions of this amendment will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
- (b) Precedence. The requirements of this amendment will take precedence over any inconsistent provisions of the Plan and any prior amendments thereto.
- (c) Requirements of Internal Revenue Service Regulations Incorporated. All distributions required under this amendment will be determined and made in accordance with the Internal Revenue Service regulations under Code §401(a)(9).

## 2. Time and Manner of Distribution

- (a) **Required Beginning Date.** The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.
- (b) **Death of Participant Before Distribution Begin.** If the Participant dies before distributions begin, his or her entire interest will be distributed, or begin to be distributed, no later than as follows:
- (1) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, then, subject to Section 6787(j)(2)(b)(5) below, distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.
  - (2) If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, then subject to Section 6787(j)(2)(b)(5) below distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
  - (3) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
  - (4) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this Section 6787(j)(2)(b), other than Section 6787(j)(2)(b)(1), will apply as if the surviving Spouse were the Participant.
  - (5) If the Participant dies before distributions begin and there is a designated Beneficiary, distribution to the designated Beneficiary is not required to begin by the date specified in Sections 6787(j)(2)(b)(2) above if the Participant's entire interest is distributed to the designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

For purposes of this Section 6787(j)(2) and Section 6787(j)(4), unless Section 6787(j)(2)(b)(4) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section 6787(j)(2)(b)(4) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section 6787(j)(2)(b)(1).

- (c) **Forms of Distribution.** Unless the Participant's interest is distributed in the form of a single sum on or before the Required Beginning Date, as of the first distribution

calendar year, distributions will be made in accordance with Sections 6787(j)(3) and 6787(j)(4) of this amendment.

### Section 3. Required Minimum Distributions During Participant's Lifetime

(a) Amount of Required Minimum Distribution for Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed each distribution calendar year is the lesser of (i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table in §1.401(a)(9)-9 of the IRS regulations using the Participant's age as of his or her birthday in the distribution calendar year; or (ii) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table in §1.401(a)(9)-9 of the IRS regulations using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.

(b) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 6787(j)(3) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

### 4. Required Minimum Distributions After Participant's Death

#### (a) Death On or After Date Distributions Begin

(1) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows: (1) the Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year; (2) if the Participant's surviving Spouse is the sole designated Beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year; and (3) if the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(2) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one each subsequent year.

(b) Death Before Date Distributions Begin

(1) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, as determined in Section 6787(j)(4)(a).

(2) No Designated Beneficiary. If the Participant dies before distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the 5th anniversary of the Participant's death.

(3) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole designated Beneficiary, and the surviving Spouse dies before distributions are required to begin to the surviving Spouse under Section 6787(j)(2)(b)(1), this Section 6787(j)(4)(b) will apply as if the surviving Spouse were the Participant.

## 5. Definitions

(a) Designated Beneficiary. The Beneficiary designated by the Participant is the designated Beneficiary under Code §401(a)(9) and §1.401(a)(9)-1, Q&A-4 of the IRS regulations.

(b) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 6787(j)(2)(b). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the

distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

(c) Life expectancy. Life expectancy as computed by use of the Single Life Table in §1.401(a)(9)-9 of the IRS regulations.

(d) Participant's Account balance. For purposes of determining minimum distributions the Account balance as of the last Valuation Date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(d) Required Beginning Date. April 1st of the calendar year following the later of (a) the calendar year in which the Participant reaches age 70½ or (b) the calendar year in which the Participant actually retires or otherwise terminates employment with the District.

The above amendments set forth in Sections 1 and 2 above shall be effective as of October 1, 2003. The amendments set forth in Section 3 above shall be effective as of January 1, 2003.

The Plan as amended by this Fourth Amendment is in all respects ratified and confirmed, and nothing contained in this Fourth Amendment shall, or shall be construed to, modify, invalidate or otherwise affect any provision of the Plan.

IN WITNESS WHEREOF, this FOURTH AMENDMENT TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA SAVINGS PLAN II, INCLUDING GOOD FAITH AMENDMENT UNDER THE FINAL 401(a)(9) REGULATIONS, is adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: \_\_\_\_\_  
Chief Executive Officer