

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

May 11, 2004 Board Meeting

8-5

Subject

Approve amendments to Metropolitan's employee deferred compensation plans and Administrative Code

Description

Metropolitan has established two savings plans for employees under Section 401(k) of the Internal Revenue Code and a deferred compensation plan under Section 457 of the Internal Revenue Code. Both plans are set forth in the Administrative Code. Amendments to these plans are proposed to permit employees to use these funds for the purchase of additional service credit from the Public Employees Retirement System (PERS), at the option of the employee, to permit the plans to accept rollover contributions from other qualified plans and to allow employees to borrow from their 457 plan accounts. Other minor changes are made to conform to tax laws and administrative procedures.

PERS Service Credit Purchase. PERS now accepts transfers from governmental 401(k) and 457 plans for optional purchase of additional PERS service credit. The proposed amendments authorize transfers to PERS for this purpose.

Rollovers from Qualified Plans. The proposed amendments allow the plans to accept rollovers from other tax-qualified plans. This would enable employees joining Metropolitan from other employers to transfer their account balances from their former employer's 401(k), 403(b) or 457 qualified plan to a Metropolitan plan.

Presently Metropolitan's 457 plan permits rollovers only from other 457 plans. The 401(k) plans do not permit rollovers from other plans. Tax law revisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") enabled rollovers from other plans into 401(k) and 457 plans, but Metropolitan's plans were not amended at that time because of concerns about administrative and record-keeping requirements for rollover accounts. The enhanced record-keeping provided by Great-West Retirement Services, including Great-West's ability to separately track rollover balances in an employee's account, now enhances the plans' ability to accept rollovers.

457 Loans. Both 401(k) 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). The proposed changes would include similar provisions in the 457 deferred compensation plan. EGTRRA tax law changes permitted participant loans by 457 plans. Staff recommends that the 457 plan be amended to give employees this option. Currently, employees can withdraw from their 457 accounts to satisfy unanticipated heavy financial needs, but hardship withdrawals are taxed and cannot be restored to the participant's account after the financial hardship has been overcome. A loan option would give employees additional flexibility in times of need without the adverse tax consequences of a hardship withdrawal.

Text of Amendments. [Attachment 1](#), [Attachment 2](#), and [Attachment 3](#) contain the revised Administrative Code provisions for Metropolitan's Savings Plan, Savings Plan II and 1997 Deferred Compensation Plan, respectively, with the changes made by the proposed amendments shown in underline and strikeout format. [Attachment 4](#), [Attachment 5](#), and [Attachment 6](#) provide formal amendments to the respective plans.

Policy

Metropolitan will maintain the savings plans as qualified plans under Sections 401(a) and 401(k) of the Internal Revenue Code and the deferred compensation plan under Section 457 of the Internal Revenue Code.

California Environmental Quality Act (CEQA)

CEQA determination for Staff Recommendation:

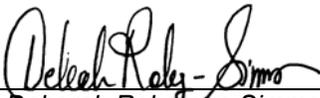
The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as personnel-related actions, general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) 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 15378(b)(4) of the State CEQA Guidelines.

Staff Recommendation

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

Fiscal Impact: None



Deborah Roberson-Simms
Human Resources Manager

4/21/2004
Date



Ronald R. Gastelum
Chief Executive Officer

4/22/2004
Date

Attachment 1 – Administrative Code §§ 6760-6772, as amended

Attachment 2 – Administrative Code §§ 6780-6792, as amended

Attachment 3 – Administrative Code §§ 6800-6831, as amended

Attachment 4 – 2004 Amendment to The Metropolitan Water District of Southern California Savings Plan

Attachment 5 – 2004 Amendment to The Metropolitan Water District of Southern California Savings Plan II

Attachment 6 – 2004 Amendment to The Metropolitan Water District of Southern California 1997 Deferred Compensation Plan

Article 5**METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA SAVINGS PLAN
(Administrative Code Sections 6760-6772)
Amended provisions only****§ 6762. Article III - Definitions.**

(j) Chief Executive Officer. ~~General Manager.~~ – Chief Executive Officer General Manager shall mean the Chief Executive Officer of the District, or the Chief Executive Officer's successor(s) or designee(s).

§ 6764. Article V - Participation in the Savings Plan.

(c) Change of Status. - If a Participant, by commencing or terminating service in a classification represented by the MWD Employees Association, ceases to be eligible to participate in the Savings Plan or Savings Plan II and becomes eligible to participate in Savings Plan II or the Savings Plan, as the case may be, the Participant's account balances ~~shall~~ may, at the election of the Participant, be transferred to the plan in which the Participant is eligible to participate. ~~and~~ In any event, the Participant's previous election regarding salary deferrals shall, until changed or revoked by the Participant, apply with respect to future contributions under the ~~transferee~~ plan in which the Participant is newly eligible.

§ 6765. Article VI - Contribution and Allocation.(h) Rollover and Direct Transfer Contributions. -

(1) An Employee, regardless of whether he or she has satisfied the participation requirements of the Savings Plan, who is eligible to request a rollover of a distribution from another qualified plan as described in Section 401(a) of the Code, a tax-deferred annuity plan as described in Section 403(b) of the Code or an eligible deferred compensation plan of a governmental entity as described in Section 457(b) of the Code, may transfer the distribution to the Trust (either directly from such other plan or rollover IRA, or by depositing with the Trustee a cash distribution within 60 days after receipt) in accordance with policies and procedures adopted by the Chief Executive Officer. All expenses incurred by the Savings Plan associated with the transfer to the Trust shall be charged solely to such Participant's Account.

(2) The Chief Executive Officer shall develop such policies and procedures, and may require such information from an Employee desiring to make a rollover contribution or transfer pursuant to this Section as the Chief Executive Officer deems necessary or desirable to determine that the proposed transfer or contribution will meet the requirements of this Section and the Code. Upon approval by the Chief Executive Officer, the amount transferred or contributed shall be deposited in the Trust and shall

be credited to an account which shall be referred to as the "Rollover Contributions Account" as provided in Section 6766(b). This Account shall be 100% vested in the Employee and shall be invested as and share in income, loss and expense allocations as provided in the Savings Plan. An Employee may request and shall be entitled to receive a lump sum distribution of all or a part of his or her Rollover Contributions Account at any time, regardless of whether or not he or she otherwise is entitled to a distribution from the Savings Plan. Such in-service distributions shall be limited to one per calendar year. Upon termination of the Employee's employment with the District, the total amount of the Rollover Contributions Account shall be distributed in accordance with the provisions of the Savings Plan.

(3) Upon a transfer by an Employee who has not yet completed the participation requirements of the Plan, the Rollover Contributions Account shall represent the Employee's sole interest in the Savings Plan until he or she satisfies the participation requirements of the Savings Plan and elects to make salary deferral contributions to the Savings Plan.

§ 6766. Article VII - Investments.

(b) Accounts. - Each Participant shall have established an individual Tax Deferred Elective Contributions Account and Matching Contributions Account. In the event that a Participant rolls over funds to the Savings Plan from another plan or plans pursuant to Section 6765(h), such amounts shall be held in an individual Rollover Contributions Account. The interest of each Participant hereunder at any time shall consist of those Account balances (as determined in Section 6766(f)(1) below) as of the last preceding Valuation Date plus credits and minus debits to such Accounts since that Valuation Date.

§ 6767. Article VIII - Distributions and Withdrawals.

(k) Purchase of Service Credits. - Effective as of January 1, 2004, if a Participant participates both in this Savings Plan and a "defined benefit governmental plan" that permits both transfers from this Plan and purchases of permissive service credit (as defined in Section 415(n)(3)(A) of the Code), then at the Participant's election, up to 100% of the Participant's Accounts in the Savings Plan may be transferred in a plan-to-plan transfer from the Trustee of this Savings Plan directly to the trustee of such defined benefit governmental plan provided that: (1) the transfer is for the purchase of such permissive service credit; (2) the transferee plan meets the requirements under Section 401(k) of the Code for separate accounting of all amounts transferred; (3) all amounts transferred remain 100% vested and non-forfeitable; (4) all amounts transferred remain subject to the distribution restrictions of Section 401(k)(2)(B) of the Code; and (5) the transfer meets such other requirements as the Chief Executive Officer may require.

§ 6770. Article XI - Miscellaneous.

(m) Employee Plans Compliance Resolution System. - The Chief Executive Officer may take whatsoever action he determines in his discretion to be necessary and appropriate to correct any error in the administration of the Plan, to the extent consistent with applicable law, including, but not limited to making corrections pursuant to the Employee Plans Compliance Resolution System or any similar or successor procedures or programs.

Article 6**METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA SAVINGS PLAN II
(Administrative Code Sections 6780-6792)
Amended provisions only****§ 6782. Article III - Definitions.**

(j) Chief Executive Officer. General Manager.— Chief Executive Officer General Manager shall mean the Chief Executive Officer of the District, or the Chief Executive Officer's successor(s) or designee(s).

§ 6784. Article V - Participation in Savings Plan II.

(c) Change of Status. - If a Participant, by commencing or terminating service in a classification represented by the MWD Employees Association, ceases to be eligible to participate in the Savings Plan or Savings Plan II and becomes eligible to participate in Savings Plan II or the Savings Plan, as the case may be, the Participant's account balances shall may, at the election of the Participant, be transferred to the plan in which the Participant is eligible to participate. and In any event, the Participant's previous election regarding salary deferrals shall, until changed or revoked by the Participant, apply with respect to future contributions under the transferee plan in which the Participant is newly eligible.

§ 6785. Article VI - Contribution and Allocation.(h) Rollover and Direct Transfer Contributions. -

(1) An Employee, regardless of whether he or she has satisfied the participation requirements of the Savings Plan, who is eligible to request a rollover of a distribution from another qualified plan as described in Section 401(a) of the Code, a tax-deferred annuity plan as described in Section 403(b) of the Code or an eligible deferred compensation plan of a governmental entity as described in Section 457(b) of the Code, may transfer the distribution to the Trust (either directly from such other plan or rollover IRA, or by depositing with the Trustee a cash distribution within 60 days after receipt) in accordance with policies and procedures adopted by the Chief Executive Officer. All expenses incurred by the Savings Plan associated with the transfer to the Trust shall be charged solely to such Participant's Account.

(2) The Chief Executive Officer shall develop such policies and procedures, and may require such information from an Employee desiring to make a rollover contribution or transfer pursuant to this Section as the Chief Executive Officer deems necessary or desirable to determine that the proposed transfer or contribution will meet the requirements of this Section and the Code. Upon approval by the Chief Executive Officer, the amount transferred or contributed shall be deposited in the Trust and shall

be credited to an account which shall be referred to as the "Rollover Contributions Account" as provided in Section 6786(b). This Account shall be 100% vested in the Employee and shall be invested as and share in income, loss and expense allocations as provided in the Savings Plan. An Employee may request and shall be entitled to receive a lump sum distribution of all or a part of his or her Rollover Contributions Account at any time, regardless of whether or not he or she otherwise is entitled to a distribution from the Savings Plan. Such in-service distributions shall be limited to one per calendar year. Upon termination of the Employee's employment with the District, the total amount of the Rollover Contributions Account shall be distributed in accordance with the provisions of the Savings Plan.

(3) Upon a transfer by an Employee who has not yet completed the participation requirements of the Plan, the Rollover Contributions Account shall represent the Employee's sole interest in the Savings Plan until he or she satisfies the participation requirements of the Savings Plan and elects to make salary deferral contributions to the Savings Plan.

§ 6786. Article VII - Investments.

(b) Accounts. - Each Participant shall have established an individual Tax Deferred Elective Contributions Account and Matching Contributions Account. In the event that a Participant rolls over funds to the Savings Plan from another plan or plans pursuant to Section 6785(h), such amounts shall be held in an individual Rollover Contributions Account. The interest of each Participant hereunder at any time shall consist of those Account balances (as determined in Section 6786(f)(1) below) as of the last preceding Valuation Date plus credits and minus debits to such Accounts since that Valuation Date.

§ 6787. Article VIII - Distributions and Withdrawals.

(k) Purchase of Service Credits. Effective as of January 1, 2004, if a Participant participates both in this Savings Plan and a "defined benefit governmental plan" that permits both transfers from this Plan and purchases of permissive service credit (as defined in Section 415(n)(3)(A) of the Code), then at the Participant's election, up to 100% of the Participant's Accounts in the Savings Plan may be transferred in a plan-to-plan transfer from the Trustee of this Savings Plan directly to the trustee of such defined benefit governmental plan provided that: (1) the transfer is for the purchase of such permissive service credit; (2) the transferee plan meets the requirements under Section 401(k) of the Code for separate accounting of all amounts transferred; (3) all amounts transferred remain 100% vested and non-forfeitable; (4) all amounts transferred remain subject to the distribution restrictions of Section 401(k)(2)(B) of the Code; and (5) the transfer meets such other requirements as the Chief Executive Officer may require.

§ 6790. Article XI - Miscellaneous.

(m) Employee Plans Compliance Resolution System. - The Chief Executive Officer may take whatsoever action he determines in his discretion to be necessary and appropriate to correct any error in the administration of the Plan, to the extent consistent with applicable law, including, but not limited to making corrections pursuant to the Employee Plans Compliance Resolution System or any similar or successor procedures or programs.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA
1997 DEFERRED COMPENSATION PLAN
(Administrative Code Sections 6800-6831)
Amended provisions only**

§ 6806. Article VII - Enrollment.

Any eligible employee of the District may enroll or re-enroll (except as provided in Paragraph (d) of Article X below) as a Participant in the 1997 Plan by filing a written election to participate with the ~~D~~istrict on a form approved by the Chief Executive Officer. The election, if consented to by the District, shall become effective with respect to compensation for services rendered to the District by the employee on the date specified in the election, but not earlier than the first day of the ~~second biweekly pay period~~month next following the date ~~of the such election is received and processed by the~~ District's ~~consent~~ and shall remain effective for a minimum of ~~one calendar month~~four weeks. The election shall thereafter continue in full force and effect unless revoked by the District or the Participant by written notice by the revoking party to the other party at least 20 days prior to commencement of the biweekly pay period for which the revocation is to be effective. The form of enrollment shall specify the amount per pay period or the percentage of compensation which is to be deferred pursuant to the 1997 Plan. If the employee is married, the District may require the consent of the employee's spouse to the terms and conditions of the participation.

§ 6807. Article VIII - Plan Ceiling.

The maximum amount of a Participant's Includible Compensation that may be deferred for a taxable year (except for rollovers or transfers to this Plan described in §6826(b) and 6827 or as otherwise provided in Article IX) shall not exceed the lesser of:

(a) The applicable dollar amount for such year under Section 457(e)(15) of the Code, including any cost of living increases announced by the Secretary of the Treasury pursuant to Section 457(e)(15)(B) for such year, plus any amount described in Section 6808; or

(b) 100 Percent of the Participant's Includible Compensation for the taxable year.

For purposes of this article, Includible Compensation shall mean, with respect to a taxable year, the Participant's compensation, as defined in Section 415(c)(3) of the Code. The minimum amount shall be as prescribed by the Chief Executive Officer from time to time.

~~F~~for any taxable year that a Participant has a period of qualified military service as described in Section 414(u)(2)(A) of the Code, the Participant may, over the period described in Section 414(u)(2)(A) of the Code, defer the amount that he or she could have deferred during any such period of qualified military service, had the Participant performed services for the District and received Includible ~~C~~ompensation from the District during such period as described in Section 414(u)(7) of the Code.

§ 6808. Article IX - Catch-up Provisions.

For a Participant described in paragraph (a) or (b) below, the maximum compensation that may be deferred during a Participant's taxable year shall be the greater of the amount determined under either of the following rules:

(a) Last Three Years Catch-Up – for one or more of the Participant's last three taxable years ending before the Participant attains normal retirement age (as defined in § 6802(d)), the maximum compensation that may be deferred as a Last Three Years Catch-Up shall be the lesser of:

(i) twice the applicable dollar amount for such year under Section 457(e)(15) of the Code, including any cost of living increases announced by the Secretary of the Treasury pursuant to Section 457(e)(15)(B) for such year; or

(ii) the underutilized limitation determined under Section 457(b)(3)(B) of the Code and the regulations thereunder; or

(b) Age 50 Catch-Up – For Participants who have attained (or will attain) age 50 before the close of any calendar year, the amount determined in accordance with and subject to the limitations of Section 414(v) of the Code and the regulations, thereunder.

§ 6828. Article XXIX – Acceptance of Rollovers From Other Plans.

(a) The Plan will accept Participant rollover contributions and/or direct rollovers of distributions made after December 31, 2001, from any qualified plan, tax deferred annuity plan as described in section 403(b) of the Code, rollover individual retirement account as described in section 408(a) of the Code, or eligible plan of deferred compensation under Section 457(b) of the Code as described in section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, beginning on January 1, 2004-2002.

(b) All amounts rolled over to this 1997 Plan shall be credited to the Participant's account established pursuant to this 1997 Plan, shall be separately accounted for and shall be subject to all the terms and provisions of this 1997 Plan and all applicable provisions of the Internal Revenue Code; except that Participants may, at any time, request and receive a lump sum distribution of amounts rolled into this Plan, plus earnings thereon, in accordance with rules and procedures established by the Chief Executive Officer.

§ 6829. Article XXX – Participant Loans

(a) Consistent with the provisions of this Article XXX and upon application by a Participant duly made in form and content satisfactory to the Chief Executive Officer, the Chief Executive Officer may authorize the making of loans to Participants on such terms and conditions as the Chief Executive Officer may prescribe from time to time.

(b) The principal balance of a Participant loan shall not exceed the lesser of (a) Fifty Thousand Dollars (\$50,000) reduced by the excess, if any, of (1) the highest outstanding loan balance from the Plan during the one year period ending on the day before the date such loan is made, over (2) the outstanding balance of loans from the Plan on the date such loan is made, or (b) one-half of the sum of the Participant's Account balance. For purposes of applying the above limitations, all loans from all qualified and eligible deferred compensation plans maintained by the District and all loans from this Plan shall be aggregated.

(c) All Participant loans shall have a specific maturity date and bear a reasonable rate of interest in an amount to be determined by the Chief Executive Officer comparable to the rate then being charged for similar loans, but in no event exceeding the maximum rate then permitted by law. All Participant loans shall be secured by the Participant's beneficial interest in the Plan. All Participant loans shall require that substantially equal payments of principal and interest be made at least quarterly.

(d) All loans shall be required to be repaid within five (5) years (except that if the Chief Executive Officer is satisfied that the loan proceeds are being used to acquire the principal residence of a Participant, the Chief Executive Officer may, in his discretion, establish a term of up to 15 years for repayment).

(e) Should the Participant fail to repay the loan within the time prescribed by the note evidencing the loan, or default on any of the loan terms, the Chief Executive Officer may, at his option, (1) enforce the rights of the Plan against any or all real or personal property securing the loan; or (2) take such other remedies as may be available under the law.

(f) The Chief Executive Officer's determination as to whether or not any loan application shall be granted shall be final and conclusive on all parties and there shall be no appeal or dispute. The District shall exercise its discretion in a uniform and nondiscriminatory manner.

(g) The Chief Executive Officer shall treat any loan made pursuant to the provisions of this Article as an individually directed investment and shall allocate all gains and losses to the account of the borrowing Participant.

§ 6830. Article XXXI – Purchase of Service Credits

Effective as of January 1, 2004, if a Participant participates both in this Plan and a “defined benefit governmental plan” that permits both transfers from this Plan and purchases of permissive service credit (as defined in Section 415(n)(3)(A) of the Code), then, at the Participant's election, up to 100% of the Participant's Accounts in the Plan may be transferred in a plan-to-plan transfer from the Trustee of this Plan directly to the trustee of such defined benefit governmental plan, provided that: (1) the transfer is for the purchase of such permissive service credit; (2) the transferee plan separately accounts for all amounts transferred; (3) all amounts transferred remain 100% vested and non-forfeitable; (4) all amounts transferred remain subject to the distribution restrictions of Section 457(b) of the Code; and (5) the transfer meets such other requirements as the Chief Executive Officer and the transferee plan may require.

§ 6831. Article XXXII – Employee Plans Compliance Resolution System

The Chief Executive Officer may take whatsoever action he determines in his discretion to be necessary and appropriate to correct any error in the administration of the Plan, to the extent consistent with applicable law, including, but not limited to making corrections pursuant to the Employee Plans Compliance Resolution System or any similar or successor procedures or programs.

2004 AMENDMENT TO
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
SAVINGS PLAN

The Metropolitan Water District of Southern California Savings Plan (“the Plan”), which is contained in the provisions of The Metropolitan Water District of Southern California Administrative Code, is hereby amended in the following respects:

(1) Subsection (j) of Section 6762 of the Administrative Code shall be amended to read as follows:

(j) Chief Executive Officer. – Chief Executive Officer shall mean the Chief Executive Officer of the District, or the Chief Executive Officer’s successor(s) or designee(s).

(2) Subsection 6764(c) of the Administrative Code shall be amended to read as follows:

(c) Change of Status. - If a Participant, by commencing or terminating service in a classification represented by the MWD Employees Association, ceases to be eligible to participate in the Savings Plan or Savings Plan II and becomes eligible to participate in Savings Plan II or the Savings Plan, as the case may be, the Participant's account balances may, at the election of the Participant, be transferred to the plan in which the Participant is eligible to participate. In any event, the Participant’s previous election regarding salary deferrals shall, until changed or revoked by the Participant, apply with respect to future contributions under the plan in which the Participant is newly eligible.

(3) A new subsection 6765(h) shall be added to Section 6765 of the Administrative Code to read as follows:

(h) Rollover and Direct Transfer Contributions. -

(1) An Employee, regardless of whether he or she has satisfied the participation requirements of the Savings Plan, who is eligible to request a rollover of a distribution from another qualified plan as described in Section 401(a) of the Code, a tax-deferred annuity plan as described in Section 403(b) of the Code or an eligible deferred compensation plan of a governmental entity as described in Section 457(b) of the Code, may transfer the distribution to the Trust (either directly from such other plan or rollover IRA, or by depositing with the Trustee a cash distribution within 60 days after receipt) in accordance with policies and procedures adopted by the Chief Executive Officer. All expenses incurred by the Savings Plan associated with the transfer to the Trust shall be charged solely to such Participant's Account.

(2) The Chief Executive Officer shall develop such policies and procedures, and may require such information from an Employee desiring to make a rollover contribution or transfer pursuant to this Section as the Chief Executive Officer deems necessary or desirable to determine that the proposed transfer or contribution will meet the requirements of this Section and the Code. Upon approval by the Chief Executive Officer, the amount transferred or contributed shall be deposited in the Trust and shall be credited to an account which shall be referred to as the "Rollover Contributions Account" as provided in Section 6766(b). This Account shall be 100% vested in the Employee, shall be separately accounted for and shall be invested as and share in income, loss and expense allocations as provided in the Savings Plan. An Employee may request and shall be entitled to receive a lump sum distribution of all or a part his or her Rollover Contributions Account at any time, regardless of whether or not he or she otherwise is entitled to a distribution from the Savings Plan. Such in-service distributions shall be limited to one per calendar year. Upon termination of the Employee's employment with the District, the total amount of the Rollover Contributions Account shall be distributed in accordance with the provisions of the Savings Plan.

(3) Upon a transfer by an Employee who has not yet completed the participation requirements of the Plan, the Rollover Contributions Account shall represent the Employee's sole interest in the Savings Plan until he or she satisfies the participation requirements of the Savings Plan and elects to make salary deferral contributions to the Savings Plan.

(4) Subsection 6766(b) of the Administrative Code shall be amended to read as follows:

(b) Accounts. - Each Participant shall have established an individual Tax Deferred Elective Contributions Account and Matching Contributions Account. In the event that a Participant rolls over funds to the Savings Plan from another plan or plans pursuant to Section 6765(h), such amounts shall be held in an individual Rollover Contributions Account. The interest of each Participant hereunder at any time shall consist of those Account balances (as determined in Section 6766(f)(1) below) as of the last preceding Valuation Date plus credits and minus debits to such Accounts since that Valuation Date.

(5) A new subsection 6767(k) shall be added to Section 6767 of the Administrative Code to read as follows:

(k) Purchase of Service Credits. - Effective as of January 1, 2004, if a Participant participates both in this Savings Plan and a "defined benefit governmental plan" that permits both transfers from this Plan and purchases of permissive service credit (as defined in Section 415(n)(3)(A) of the Code), then at the Participant's election, up to 100% of the Participant's Accounts in the Savings Plan may be transferred in a plan-to-plan transfer from the Trustee of this Savings

Plan directly to the trustee of such defined benefit governmental plan provided that: (1) the transfer is for the purchase of such permissive service credit; (2) the transferee plan meets the requirements under Section 401(k) of the Code for separate accounting of all amounts transferred; (3) all amounts transferred remain 100% vested and non-forfeitable; (4) all amounts transferred remain subject to the distribution restrictions of Section 401(k)(2)(B) of the Code; and (5) the transfer meets such other requirements as the Chief Executive Officer may require.

(6) A new subsection 6770(m) shall be added to Section 6770 of the Administrative Code to read as follows:

(m) Employee Plans Compliance Resolution System. - The Chief Executive Officer may take whatsoever action he determines in his discretion to be necessary and appropriate to correct any error in the administration of the Plan, to the extent consistent with applicable law, including, but not limited to making corrections pursuant to the Employee Plans Compliance Resolution System or any similar or successor procedures or programs.

(7) The term "General Manager" shall be amended to read "Chief Executive Officer" in each place in which it appears.

In all other respects, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this 2004 AMENDMENT TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA SAVINGS PLAN is adopted this ___ day of _____, 2004, effective as of January 1, 2004.

The Metropolitan Water District
of Southern California

By: _____
Its: Chief Executive Officer

2004 AMENDMENT TO
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
SAVINGS PLAN II

The Metropolitan Water District of Southern California Savings Plan II (“the Plan”), which is contained in the provisions of The Metropolitan Water District of Southern California Administrative Code, is hereby amended in the following respects:

(1) Subsection (j) of Section 6782 of the Administrative Code shall be amended to read as follows:

(j) Chief Executive Officer. – Chief Executive Officer shall mean the Chief Executive Officer of the District, or the Chief Executive Officer’s successor(s) or designee(s).

(2) Subsection 6784(c) of the Administrative Code shall be amended to read as follows:

(c) Change of Status. - If a Participant, by commencing or terminating service in a classification represented by the MWD Employees Association, ceases to be eligible to participate in the Savings Plan or Savings Plan II and becomes eligible to participate in Savings Plan II or the Savings Plan, as the case may be, the Participant's account balances may, at the election of the Participant, be transferred to the plan in which the Participant is eligible to participate. In any event, the Participant’s previous election regarding salary deferrals shall, until changed or revoked by the Participant, apply with respect to future contributions under the plan in which the Participant is newly eligible.

(3) A new subsection 6785(h) shall be added to Section 6785 of the Administrative Code to read as follows:

(h) Rollover and Direct Transfer Contributions. -

(1) An Employee, regardless of whether he or she has satisfied the participation requirements of the Savings Plan, who is eligible to request a rollover of a distribution from another qualified plan as described in Section 401(a) of the Code, a tax-deferred annuity plan as described in Section 403(b) of the Code or an eligible deferred compensation plan of a governmental entity as described in Section 457(b) of the Code, may transfer the distribution to the Trust (either directly from such other plan or rollover IRA, or by depositing with the Trustee a cash distribution within 60 days after receipt) in accordance with policies and procedures adopted by the Chief Executive Officer. All expenses incurred by the Savings Plan associated with the transfer to the Trust shall be charged solely to such Participant's Account.

(2) The Chief Executive Officer shall develop such policies and procedures, and may require such information from an Employee desiring to make a rollover contribution or transfer pursuant to this Section as the Chief Executive Officer deems necessary or desirable to determine that the proposed transfer or contribution will meet the requirements of this Section and the Code. Upon approval by the Chief Executive Officer, the amount transferred or contributed shall be deposited in the Trust and shall be credited to an account which shall be referred to as the "Rollover Contributions Account" as provided in Section 6786(b). This Account shall be 100% vested in the Employee, shall be separately accounted for and shall be invested as and share in income, loss and expense allocations as provided in the Savings Plan. An Employee may request and shall be entitled to receive a lump sum distribution of all or a part his or her Rollover Contributions Account at any time, regardless of whether or not he or she otherwise is entitled to a distribution from the Savings Plan. Such in-service distributions shall be limited to one per calendar year. Upon termination of the Employee's employment with the District, the total amount of the Rollover Contributions Account shall be distributed in accordance with the provisions of the Savings Plan.

(3) Upon a transfer by an Employee who has not yet completed the participation requirements of the Plan, the Rollover Contributions Account shall represent the Employee's sole interest in the Savings Plan until he or she satisfies the participation requirements of the Savings Plan and elects to make salary deferral contributions to the Savings Plan.

(4) Subsection 6786(b) of the Administrative Code shall be amended to read as follows:

(b) Accounts. - Each Participant shall have established an individual Tax Deferred Elective Contributions Account and Matching Contributions Account. In the event that a Participant rolls over funds to the Savings Plan from another plan or plans pursuant to Section 6785(h), such amounts shall be held in an individual Rollover Contributions Account. The interest of each Participant hereunder at any time shall consist of those Account balances (as determined in Section 6786(f)(1) below) as of the last preceding Valuation Date plus credits and minus debits to such Accounts since that Valuation Date.

(5) A new subsection 6787(k) shall be added to Section 6787 of the Administrative Code to read as follows:

(k) Purchase of Service Credits. - Effective as of January 1, 2004, if a Participant participates both in this Savings Plan and a "defined benefit governmental plan" that permits both transfers from this Plan and purchases of permissive service credit (as defined in Section 415(n)(3)(A) of the Code), then at the Participant's election, up to 100% of the Participant's Accounts in the Savings Plan may be transferred in a plan-to-plan transfer from the Trustee of this Savings

Plan directly to the trustee of such defined benefit governmental plan provided that: (1) the transfer is for the purchase of such permissive service credit; (2) the transferee plan meets the requirements under Section 401(k) of the Code for separate accounting of all amounts transferred; (3) all amounts transferred remain 100% vested and non-forfeitable; (4) all amounts transferred remain subject to the distribution restrictions of Section 401(k)(2)(B) of the Code; and (5) the transfer meets such other requirements as the Chief Executive Officer may require.

(6) A new subsection 6790(m) shall be added to Section 6790 of the Administrative Code to read as follows:

(m) Employee Plans Compliance Resolution System. - The Chief Executive Officer may take whatsoever action he determines in his discretion to be necessary and appropriate to correct any error in the administration of the Plan, to the extent consistent with applicable law, including, but not limited to making corrections pursuant to the Employee Plans Compliance Resolution System or any similar or successor procedures or programs.

(7) The term "General Manager" shall be amended to read "Chief Executive Officer" in each place in which it appears.

In all other respects, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this 2004 AMENDMENT TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA SAVINGS PLAN II is adopted this ___ day of _____, 2004, effective as of January 1, 2004.

The Metropolitan Water District
of Southern California

By: _____
Its: Chief Executive Officer

2004 AMENDMENT TO
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
1997 DEFERRED COMPENSATION PLAN

The Metropolitan Water District of Southern California 1997 Deferred Compensation Plan (the "Plan"), which is contained in the provisions of The Metropolitan Water District of Southern California Administrative Code, is hereby amended in the following respects:

(1) Section 6806 of the Administrative Code shall be amended to read as follows:

Any eligible employee of the District may enroll or re-enroll (except as provided in Paragraph (d) of Article X below) as a Participant in the 1997 Plan by filing a written election to participate with the District on a form approved by the Chief Executive Officer. The election, if consented to by the District, shall become effective with respect to compensation for services rendered to the District by the employee on the date specified in the election, but not earlier than the first day of the month next following the date such election is received and processed by the District and shall remain effective for a minimum of one calendar month. The election shall thereafter continue in full force and effect unless revoked by the District or the Participant by written notice by the revoking party to the other party at least 20 days prior to commencement of the biweekly pay period for which the revocation is to be effective. The form of enrollment shall specify the amount per pay period or the percentage of compensation which is to be deferred pursuant to the 1997 Plan. If the employee is married, the District may require the consent of the employee's spouse to the terms and conditions of the participation.

(2) Subsection 6807(a) of the Administrative Code shall be amended to read as follows:

(a) The applicable dollar amount for such year under Section 457(e)(15) of the Code, including any cost of living increases announced by the Secretary of the Treasury pursuant to Section 457(e)(15)(B) for such year, plus any amount described in Section 6808; or

(3) The first paragraph of Section 6808 of the Administrative Code shall be amended to read as follows:

For a Participant described in paragraph (a) or (b) below, the maximum compensation that may be deferred during a Participant's taxable year shall be the greater of the amount determined under either of the following rules:

(4) Section 6828 of the Administrative Code shall be amended to read as follows:

(a) The Plan will accept Participant rollover contributions and/or direct rollovers of distributions made after December 31, 2001, from any qualified plan, tax

deferred annuity plan as described in section 403(b) of the Code, rollover individual retirement account as described in section 408(a) of the Code, or eligible plan of deferred compensation as described in section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, beginning on January 1, 2004.

(b) All amounts rolled over to this 1997 Plan shall be credited to the Participant's account established pursuant to this 1997 Plan, shall be separately accounted for and shall be subject to all the terms and provisions of this 1997 Plan and all applicable provisions of the Internal Revenue Code; except that Participants may, at any time, request a lump sum distribution of amounts rolled into this Plan, plus earnings thereon, in accordance with rules and procedures established by the Chief Executive Officer.

(5) A new Section 6829 shall be added to the Administrative Code to read as follows:

§ 6829. Article XXX – Participant Loans

(a) Consistent with the provisions of this Article XXX and upon application by a Participant duly made in form and content satisfactory to the Chief Executive Officer, the Chief Executive Officer may authorize the making of loans to Participants on such terms and conditions as the Chief Executive Officer may prescribe from time to time.

(b) The principal balance of a Participant loan shall not exceed the lesser of (a) Fifty Thousand Dollars (\$50,000) reduced by the excess, if any, of (1) the highest outstanding loan balance from the Plan during the one year period ending on the day before the date such loan is made, over (2) the outstanding balance of loans from the Plan on the date such loan is made, or (b) one-half of the sum of the Participant's Account balance. For purposes of applying the above limitations, all loans from all qualified and eligible deferred compensation plans maintained by the District and all loans from this Plan shall be aggregated.

(c) All Participant loans shall have a specific maturity date and bear a reasonable rate of interest in an amount to be determined by the Chief Executive Officer comparable to the rate then being charged for similar loans, but in no event exceeding the maximum rate then permitted by law. All Participant loans shall be secured by the Participant's beneficial interest in the Plan. All Participant loans shall require that substantially equal payments of principal and interest be made at least quarterly.

(d) All loans shall be required to be repaid within five (5) years (except that if the Chief Executive Officer is satisfied that the loan proceeds are being used to acquire the principal residence of a Participant, the Chief Executive Officer may, in his discretion, establish a term of up to 15 years for repayment).

(e) Should the Participant fail to repay the loan within the time prescribed by the note evidencing the loan, or default on any of the loan terms, the Chief Executive Officer may, at its option, (1) enforce the rights of the Plan against any or all real or personal

property securing the loan; or (2) take such other remedies as may be available under the law.

(f) The Chief Executive Officer's determination as to whether or not any loan application shall be granted shall be final and conclusive on all parties and there shall be no appeal or dispute. The District shall exercise its discretion in a uniform and nondiscriminatory manner.

(g) The Chief Executive Officer shall treat any loan made pursuant to the provisions of this Article as an individually directed investment and shall allocate all gains and losses to the account of the borrowing Participant.

(6) A new Section 6830 of the Administrative Code shall be added to read as follows:

§ 6830. Article XXXI – Purchase of Service Credits

Effective as of January 1, 2004, if a Participant participates both in this Plan and a "defined benefit governmental plan" that permits both transfers from this Plan and purchases of permissive service credit (as defined in Section 415(n)(3)(A) of the Code), then, at the Participant's election, up to 100% of the Participant's Accounts in the Plan may be transferred in a plan-to-plan transfer from the Trustee of this Plan directly to the trustee of such defined benefit governmental plan, provided that: (1) the transfer is for the purchase of such permissive service credit; (2) the transferee plan separately accounts for all amounts transferred; (3) all amounts transferred remain 100% vested and non-forfeitable; (4) all amounts transferred remain subject to the distribution restrictions of Section 457(b) of the Code; and (5) the transfer meets such other requirements as the Chief Executive Officer and the transferee plan may require.

(7) A new Section 6831 shall be added to the Administrative Code, to read as follows:

§ 6831. Article XXXII – Employee Plans Compliance Resolution System

The Chief Executive Officer may take whatsoever action he determines in his discretion to be necessary and appropriate to correct any error in the administration of the Plan, to the extent consistent with applicable law, including, but not limited to making corrections pursuant to the Employee Plans Compliance Resolution System or any similar or successor procedures or programs.

(8) The word "participant" shall be capitalized in each place in which it appears.

In all other respects, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this 2004 AMENDMENT TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA 1997 DEFERRED COMPENSATION PLAN is adopted this ____ day of _____, 2004, effective as of January 1, 2004.

The Metropolitan Water District
of Southern California

By: _____
Its: Chief Executive Officer