

## • Report on 401(k) and 457 Plans

### Summary

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This report summarizes the activities related to the 401(k) and 457 plans for the period April 1, 2004 through December 31, 2004.

### Attachments

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None.

### Detailed Report

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#### Background

Metropolitan employees may participate in both 457 and 401(k) deferred compensation plans. Metropolitan has offered the 457 plan since February 1977 and the 401(k) plan since May 1985. The board has requested semi-annual reports on the plans, including activities and status of the plan.

Pursuant to the Administrative Code, the Chief Executive Officer (CEO) is responsible for administering the plans. The CEO has delegated the Manager of the Human Resources Section as the Plan Administrator. The Treasurer serves as Trustee for the plans. In addition, a Deferred Compensation Advisory Committee provides oversight of the plans and advises the CEO on plan activities.

#### Deferred Compensation Advisory Committee

The Deferred Compensation Advisory Committee is responsible for meeting on a quarterly basis to discuss administrative issues concerning the plans, including plan regulations, recommendations and amendments to plan documents. The Committee is chaired by the Chief Financial Officer and includes:

- AFSCME Local 1902 representative
- Management and Professional Employees' Association representative
- Supervisors' Association representative
- Association of Confidential Employees representative
- General Counsel representative
- Plan Trustee (Treasurer)
- Plan Administrator (Human Resources Manager)

The Deferred Compensation Advisory Committee met five times since April 2004. The following summarizes major actions of the Deferred Compensation Advisory Committee:

- a. Approved an Investment Policy for use by Great West.
- b. Recommended expanding the ability of employees to transfer funds and allow multiple loans.
- c. Provided input to Great West and monitored Great West's education program.
- d. Recommended amending the plan documents to allow employee's to purchase Additional Retirement Services Credit with 401(k) and 457 funds, consistent with federal tax law and CalPERS requirements.
- e. Recommended discontinuing core funds with Strong and Putnam, and replaced them with funds from Pimco and American. Developed a communication strategy to convey these changes.

**Plan Changes/Amendments**

On May 11, 2004, the MWD Board of Directors approved the requested amendment to the Plan Document to allow several new benefit options. These changes include:

- Allowing employees to rollover assets from other Qualified Plans, governmental 457 Plans, Tax Deferred Annuities (403(b) Plans), or Rollover IRA's, into MWD's 401(k) and 457 Plans.
- Allowing employees to transfer 401(k) assets to purchase service credit in a Defined Benefit Governmental Plan including CalPERS.
- Allowing employees to transfer 457 assets to CalPERS to purchase Additional Retirement Service Credit (air time).
- Allowing participant loans in the 457 Plan.
- Adoption of the Employee Plans Compliance Resolution System.

In September 2004, employees participating in the 401(k) and 457 plans were provided the ability to change their payroll contributions on-line using the PeopleSoft Self-Service System. IRS maximum limits and guidelines are maintained within the system and monitored by Human Resources.

On October 12, 2004, a Board letter was submitted and the Board approved:

- Amending the Plan Document to revise the matching calculation from payroll period to plan year to conform with the current method of calculating 401(k) matching amounts.
- Amending the Plan Document changing the maximum loan amount to include outstanding balances of other plan loans, pursuant to Internal Revenue Code requirements.
- Amending the Administrative Code to conform the matching 401(k) contribution for unrepresented employees to the contribution currently given to all other employees participating in Metropolitan's 401(k) Savings Plan.

**Asset/Activity Summary**

The following summarizes investment and transfer activities in the plans.

As of December 31, 2004	401(k) Plan	457 Plan
Current Number of Participants (includes retiree accounts)	1,885	1,275
Percentage of Contributing Participants	87%	70.3%
New Enrollments since April 1, 2004	99	89 (includes mandatory Social Security alternative enrollees)
Plan Assets as of December 31, 2004	\$122,436,825	\$44,685,470
Employee Contributions from April 1, 2004 to December 31, 2004	\$8,943,866	\$4,379,734
Employer Matching Contributions from April 1, 2004 to December 31, 2004	\$4,616,474	N/A
Number of loans processed	101	11
Employee payroll loan payments from April 1, 2004 to December 31, 2004	\$936,138	\$1,315
Total disbursements from April 1, 2004 to December 31, 2004	\$8,440,898	\$4,251,864
Service Credit Transfers from Plan Disbursed amounts	94 \$5,346,296	38 \$1,418,275

