

- 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 July 1, 2005 through March 31, 2006

## 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 regular 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 Benefits and Employee Services Manager 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 (Benefits and Employee Services Manager)

The Deferred Compensation Advisory Committee met four times since July 1, 2005. The following summarizes major actions of the Deferred Compensation Advisory Committee:

- a. Recommended replacing Core investment option Aim Small Cap Growth Fund with Jennison Small Company Fund.
- b. Recommended consolidating MWD's 401(k) Plans, to improve administrative efficiencies.
- c. Recommended the selection of Ameritrade to replace Harrisdirect as the 401(k) self-directed brokerage account provider. Harrisdirect was purchased by E-Trade and E-trade decided not to provide brokerage services to qualified plans.
- d. Discussed possible replacement of on-line portfolio advisory service providers based on a recommendation by Great-West. Also included in this analysis was whether to provide a managed accounts service option.
- e. Reviewed plan fees to ensure appropriateness.
- f. Coordinated with Great-West to survey participants. Reviewed the results of the survey and determined education requirements based on responses.

## Board Report (Report on 401(k) and 457 Plans)

### Plan Changes/Amendments/Internal Audit

On March 14<sup>th</sup>, 2006 a Board Letter was submitted and the Board approved amendments to the Administrative Code consolidating the two 401(k) Savings Plans. The merged plan is designated "The Metropolitan Water District of Southern California Consolidated Savings Plan".

The internal audit of the 401(k) and 457 Plans' processes and controls was completed and concluded that controls were generally satisfactory. Recommendations for improvement included monitoring of plan distributions, survey participants, document procedures and review Great West's SAS 70 Report. All recommendations are being implemented.

Pursuant to a hearing officer's decision, the District reimbursed employees for loan maintenance fees incurred during 2004 (\$7,806.25) and 2005 (\$5,556.25) for loans in effect prior to transition to Great-West.

### Asset/Activity Summary

The following summarizes investment and transfer activities in the plans.

As of March 31, 2006	401(k) Plan	457 Plan
Current Number of Participants (includes retiree accounts)	1,923	1,301
Number of Eligible Employees	1,832	1,916
Eligible Employees Contributing	1,628	905
Percentage of Participating Employees	89%	47%
New Enrollments since July 1, 2005	81	56 (includes mandatory Social Security alternative enrollees)
Plan Assets as of March 31, 2006	\$141,879,861	\$49,588,600
Employee Contributions from July 1, 2005 to March 31, 2006	\$9,284,942	\$4,404,300
Employer Matching Contributions from July 1, 2005 to March 31, 2006	\$4,648,642	N/A
Number of loans initiated	96	42
Employee payroll loan payments from July 1, 2005 to March 31, 2006	\$1,024,596	\$113,268
Total disbursements from July 1, 2005 to March 31, 2006	\$8,842,869	\$3,465,774
Service Credit Transfers from Plan Disbursed amounts	81 \$4,422,032	37 \$775,210