



- Board of Directors
Organization, Personnel and Technology Committee

5/10/2011 Board Meeting

7-5

Subject

Amend Metropolitan Water District Administrative Code to update Employee Savings Plan for compliance with Internal Revenue Code changes

Description

The Metropolitan Water District of Southern California Consolidated Savings Plan (Savings Plan) is an employee savings plan that qualifies for favorable tax treatment under Section 401(k) of the Internal Revenue Code. Amendments to the Savings Plan are required to assure that the Savings Plan continues to meet Internal Revenue Code requirements.

The Internal Revenue Service (IRS) periodically reviews employee 401(k) savings plans to determine if the plans continue to be entitled to favorable tax status. Favorable tax treatment includes exclusion of participant contributions from income until receipt of distribution from the plan and the tax free accumulation of plan earnings. A favorable determination by the IRS indicates that, in the opinion of the IRS, the terms of the plan conform to the requirements of the Internal Revenue Code for these plans, subject to the timely adoption of amendments to the plan designated in the determination letter. The required amendments incorporate all cumulative changes in qualification requirements resulting from statute changes, regulations, or other guidance published in the Internal Revenue Bulletin since the last IRS review through and including the year prior to the date of the request for the determination letter. The time period for reliance on the IRS determination is also set forth in the determination letter.

On December 22, 2008, Metropolitan requested a determination letter for the Savings Plan set forth in Division VI, Chapter 7, Article 6 of the Administrative Code (beginning with Section 6780). On February 16, 2011 the IRS issued a favorable determination letter for the Savings Plan and designated the amendments required for the Savings Plan to conform to cumulative IRS plan requirements through 2007. The letter provides that, subject to the timely adoption of these amendments, Metropolitan can rely on this IRS determination until January 31, 2014.

Metropolitan also maintains a deferred compensation plan, the Metropolitan Water District of Southern California 1997 Deferred Compensation Plan, set forth in Division VI, Chapter 7, Article 7 of the Administrative Code (beginning with Section 6800) that is a qualified plan under Section 457 of the Internal Revenue Code. This deferred compensation plan is not subject to regular review by the IRS and no amendments are required at this time.

The amendments to the Savings Plan required by the IRS are shown, with strikeovers showing deletions and underlining showing additions, in [Attachment 1](#). The changes shown in green on [Attachment 1](#) indicate existing language that has been moved to a new location in the Code. [Attachment 2](#) shows the Administrative Code 401k Plan provisions as they would now appear in the Code.

Policy

Metropolitan Water District Administrative Code Sections 6700 et seq: Employee Deferred Compensation and Savings Plans

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

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, 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.

CEQA determination for Option #2:

None required

Board Options

Option #1

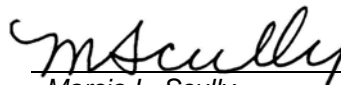
Adopt the CEQA determination and approve the amendments to The Metropolitan Water District of Southern California Consolidated Savings Plan (Administrative Code Sections 6780-6792) set forth in **Attachment 1**.

Fiscal Impact: None

Business Analysis: Changes required for continued qualification of The Metropolitan Water District of Southern California Consolidated Savings Plan under Section 401(k) of the Internal Revenue Code.

Staff Recommendation

Option #1



Marcia L. Scully
Interim General Counsel

4/18/2011
Date



Jeffrey Lightlinger
General Manager

4/25/2011
Date

Attachment 1 – The Metropolitan Water District Administrative Code, Division VI, Chapter 7, Article 6 (marked to show additions and deletions)

Attachment 2 – The Metropolitan Water District Administrative Code, Division VI, Chapter 7, Article 6 (clean version)

Attachment 1 – The Metropolitan Water District Administrative Code, Division VI, Chapter 7, Article 6
(marked to show additions and deletions)

Article 6

ARTICLES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSOLIDATED SAVINGS PLAN

Sec.

- 6780. Article I - Name
- 6781. Article II - Purpose
- 6782. Article III - Definitions
- 6783. Article IV - Administration
- 6784. Article V - Participation in Savings Plan
- 6785. Article VI - Contribution and Allocation
- 6786. Article VII - Investments
- 6787. Article VIII - Distributions and Withdrawals
- 6788. Article IX - Administration of Savings Plan and Trust Agreement
- 6789. Article X - Responsibility of the District and its Employees
- 6790. Article XI - Miscellaneous
- 6791. Article XII - Amendment, Termination or Merger
- 6792. Article XIII - Effective Date

§ 6780. Article I - Name.

The name of this Plan is The Metropolitan Water District of Southern California Consolidated Savings Plan (hereinafter referred to as "Savings Plan").

§ 6781. Article II - Purpose.

The Metropolitan Water District of Southern California (hereinafter referred to as "District") has previously established a profit-sharing plan known as "Savings Plan II" and a profit sharing plan known as "Savings Plan I," which was merged into this Plan effective as of January 1, 2006. The provisions of this Savings Plan shall apply to all assets and liabilities transferred from Savings Plan I. It is intended that the Savings Plan constitute a "profit-sharing plan" within the meaning of Internal Revenue Code Section 401(a)(27). The purpose of the Savings Plan is to attract and hold officers and employees by permitting them to enter into agreements with the District which will provide benefits on retirement, death, disability, separation from service or as otherwise permitted by law.

§ 6782. Article III - Definitions.

(a) Accounts. - Account shall mean the Tax Deferred Elective Contributions Account and Matching Contributions Account established for a Participant pursuant to Section 6786(b).

(b) Beneficiary.

(1) Beneficiary or Beneficiaries shall mean the person or persons, including a trustee or a personal representative, last designated in writing by a Participant to receive the benefits specified hereunder in the event of the Participant's death. If there is no designated Beneficiary or surviving designated Beneficiary, then the duly appointed and currently acting personal representative of the Participant's estate shall be the Beneficiary. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within 60 days after the Participant's death, the Beneficiary or Beneficiaries shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the General Manager that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provision in effect at the Participant's death in the state in which the Participant resided.

(2) In the event any amount is payable under the Savings Plan to a minor, payment shall not be made to the minor. Instead, the amount payable under the Savings Plan shall be paid to the duly appointed and currently acting guardian of the estate of the minor. If there is no such guardian duly appointed and currently acting within 60 days after the date the amount becomes payable, then the amount shall be paid to that person's then living parent(s) to act as custodian or, if no parent of that person is then living, to a custodian selected by the General Manager to hold the funds for the minor under the California Uniform Transfers to Minors Act (or similar statute in effect in the jurisdiction in which the minor resides). If no parent is living and the General Manager decides not to select another custodian to hold the funds for the minor, payment shall be deposited with the court having jurisdiction over the estate of the minor.

(3) In the event any amount is payable under the Savings Plan to a person for whom a conservator has been legally appointed, the payment shall be distributed to the duly appointed and currently acting conservator, without any duty on the part of the General Manager to supervise or inquire into the application of any funds so paid.

(c) Code. - Code shall mean the Internal Revenue Code of 1986, as amended.

(d) Compensation. - Compensation shall mean the total of all cash compensation payable by the District during the Savings Plan Year to or for the benefit of an Employee in return for services and any deemed compensation under Section 414(u)(7) of the Code. Compensation taken into account under the Savings Plan shall not exceed \$150,000 for any Savings Plan Year, beginning on or after January 1, 2002, as adjusted for the cost of living increases applicable to such Savings Plan Year in accordance with Section 401(a)(17)(B) of the Code. Effective as of January 1, 1997, Compensation shall also include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under Section 125, [132\(f\)\(4\)](#), 401(k), 402(e), 402(h) or 457 of the Code.

(e) Defined Benefit Plan Fraction. - Defined Benefit Plan Fraction shall mean a fraction, the numerator of which is the projected annual benefit (determined as of the close of the relevant year) of the Participant under all defined benefit plans maintained by the District, and the denominator of which is the lesser of (1) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for the year, or (2) the product of 1.4 multiplied by the amount which may be taken into account under Section 415(b) (5) of the Code with respect to the Participant for the year.

(f) **Defined Contribution Plan Fraction.** - Defined Contribution Plan Fraction shall mean a fraction, the numerator of which is the sum of the "annual additions" to a Participant's accounts under all defined contribution plans maintained by the District, and the denominator of which is the sum of the lesser of (1) or (2) for such year and for each prior year of service with the District where (1) is the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for the year (determined without regard to Section 415(c)(6)), and (2) is the product of 1.4 multiplied by the amount which may be taken into account under Section 415(b)(5) of the Code (or subsection (c)(7), if applicable) with respect to the Participant for the year. A Participant's "annual additions" consist of the contributions and forfeitures, if any, allocated to Participant's Accounts for the calendar year.

(g) **District.** - District shall mean The Metropolitan Water District of Southern California, a political subdivision.

(h) **Employee.** - Employee shall mean any employee of the District.

(i) **Entry Date.** - Entry date shall mean the first day of the first payroll period of each calendar quarter, unless otherwise provided by the General Manager.

(j) **General Manager.** - General Manager shall mean the General Manager of the District, or the General Manager's successor(s) or designee(s).

[k) repealed by M. I. 42902 - April 14, 1998]

(l) **Investment Manager.** - Investment Manager shall mean any person who, pursuant to the Savings Plan, has the discretion to determine which Investment Vehicle assets shall be sold, acquired or exchanged.

(m) **Investment Vehicle.** - Investment Vehicle shall mean any type of investment that the Investment Manager determines is suitable as an investment for amounts accrued in Accounts. The General Manager may establish guidelines with respect to the types of investments that the Investment Manager may select as suitable.

(n) **Matching Contributions.** - Matching Contributions shall be the amount contributed to this Savings Plan by the District pursuant to Section 6785(b).

(o) **Participant.** - Participant shall mean any Employee who has enrolled in this Savings Plan and any Employee whose benefit was transferred to this Savings Plan pursuant to a plan merger or other direct plan to plan transfer from another qualified plan whose Accounts have not yet been fully distributed.

(p) **Savings Plan Year.** - Savings Plan Year shall mean the calendar year.

(q) **Separation from Service.** - Separation from Service shall mean termination of the Participant's employment with the District.

(r) ~~“Surviving spouse”~~Spouse. - Surviving Spouse shall mean a husband or wife who was married to the Participant as of the date of the death of the Participant and who survives the death of the Participant.

(s) Tax Deferred Elective Contributions. - Tax Deferred Elective Contributions shall mean the amount of Compensation voluntarily deferred under this Savings Plan by the Participant pursuant to Section 6785(a).

(t) Trustee. - Trustee shall mean any person who is appointed by the General Manager to hold in trust and administer some or all of the assets of this Savings Plan pursuant to Section 6788.

(u) Trust Agreement. - Trust Agreement shall mean any agreement between the District and a Trustee to hold in trust and administer some or all of the assets of this Savings Plan.

(v) Trust Fund(s). - Trust Fund(s) shall mean the assets of this Savings Plan held under the Trust Agreement or Trust Agreements.

(w) Valuation Date. - Except as otherwise provided by an Investment Vehicle or Trustee, Valuation Date shall mean the last business day of each calendar quarter.

§ 6783. Article IV - Administration.

(a) This Savings Plan shall be administered by the General Manager. The General Manager shall represent the District in all matters concerning the administration of this Savings Plan.

(b) The General Manager shall have full power and authority to adopt rules and regulations for the administration of this Savings Plan, provided they are not inconsistent with the provisions of this Savings Plan, and to interpret, alter, amend, or revoke any rules and regulations so adopted. The General Manager shall have the authority to appoint such administrative agents, or persons as the General Manager deems advisable or desirable, to carry out the terms and conditions of this Savings Plan

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

(a) Eligibility. - All Employees of the District (except Employees whose customary employment is for not more than 20 hours per week and Employees whose customary employment is for not more than five months in any calendar year) may participate in this Savings Plan. Employees eligible under the preceding sentence ("Eligible Employees") may participate in this Savings Plan commencing with the Entry Date immediately following their completion of six months of employment or, if later, October 1, 1985.

(b) Enrollment in Savings Plan.

(1) An Eligible Employee may become a Participant by signing an enrollment agreement, in form satisfactory to the General Manager, before an Entry Date. Such an Employee's participation shall become effective with respect to Compensation payable for services rendered to the District commencing on the next Entry Date.

(2) The General Manager may set minimum deferral amounts and minimum increments of Compensation that may be deferred (for example, \$10 multiples or one-half of one percent multiples of Compensation).

§ 6785. Article VI - Contribution and Allocation.

(a) Participant's Compensation Reduction Election:

(1) Tax Deferred Elective Contributions. - A Participant may, pursuant to the enrollment agreement, have the District contribute to the Participant's Tax Deferred Elective Contributions Account a percentage or dollar amount not in excess of 100 percent of the Participant's Compensation (or such lower percentage as the General Manager may designate from time to time.) Notwithstanding anything to the contrary in this Savings Plan, the amount contributed to this Savings Plan on behalf of any Participant shall not exceed the Participant's net earnings that, but for such contribution, would be payable after taking into account all applicable deductions and withholding/payroll taxes.

(2) Payments to Trustee. - Each Participant's Compensation shall be reduced each pay date by the authorized amount. The resulting contributions shall be transmitted by the District to the Trustee not later than 30 days after the end of the payroll period in which the reduction is made. The contributions that are made for each Participant shall be credited at least once each four weeks to the Tax Deferred Elective Contributions Account of each Participant.

(3) Changes in Tax Deferred Elective Contributions. - The percentage or dollar amounts designated by a Participant pursuant to Section 6785(a)(1) shall continue in effect, notwithstanding any changes in the Participant's Compensation. A Participant may, however, in accordance with Section 6785(a)(1), change the percentage or dollar amounts by giving prior written notice of such change to the General Manager, in a form approved by the General Manager. Such change shall be effective with respect to Compensation payable for services rendered to the District commencing with the first payroll period following the date such notice is filed, unless the General Manager establishes rules that allow the change to be effective earlier.

(4) Revocation of Tax Deferred Elective Contributions. - By giving prior written notice thereof, either the General Manager or a Participant may suspend at any time, the Tax Deferred Elective Contributions that are being made for the Participant effective with respect to Compensation payable for services rendered to the District on or after the commencement of the first payroll period following the date such notice is made. Any re-enrollment shall be in accordance with Section 6784(b).

(b) Matching Contributions:

(1) Amount of Matching Contributions.- A Matching Contribution shall be allocated to the Matching Contributions Account of each Participant in an amount equal to a specified percentage from 0 percent to 100 percent of a Participant's Tax Deferred Elective Contributions for the Savings Plan Year, but not in excess of a specified percentage of the Participant's Compensation for the Savings Plan Year, both of which percentages shall be established by the District from time to time.

(2) Payments to Trustee. - Each Matching Contribution shall be paid by the District and transmitted to the Trustee not later than 30 days after the end of the payroll period for which the Matching Contributions are made.

(c) Overall Limitations on Benefits ~~Under~~under Section 415 of the Code:

(1) Provision Pursuant to Code Section 415(c). This subpart (c) shall be effective for Limitations Years beginning on or after January 1, 2008.

(A) ~~Effective as of January 1, 1997, notwithstanding any other provisions of the Savings Plan, the “annual additions~~ Limitation. Except as provided in §6785(g), the “Annual Additions” allocated to a Participant’s Accounts under all qualified defined contribution plans of the District shall in no event exceed the lesser of ~~(i) \$30,000; or: (i) \$40,000, as adjusted for increases in the cost of living under Section 415(d) of the Code; or (ii) 25100~~ percent of the Participant’s “415 Compensation” during the ~~Savings Plan Year. For the purpose of the prior sentence, a Participant’s Compensation shall include~~ Limitation Year. The compensation limit described in subpart (ii) above shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419(f)(2) of the Code) which is otherwise treated as an Annual Addition under the Code.

(B) Definitions.

(i) “415 Compensation” shall mean Compensation as described in Section 6782(d), including: (a) any amounts otherwise excludable from income pursuant to Code SectionSections 125, 132(f)(4), 402(e)(3), 402(h) or 403(b) and the term “annual additions(b) “Post-Severance Income.”

(ii) “Annual Additions” shall mean the sum for any PlanLimitation Year of (x)a) employer contributions; (yb) employee contributions and (zc) forfeitures, but not including: rollover contributions, direct transfers from another qualified Plan, contributions; to a simplified employee pension plan, “Restorative Payments,” repayments of loans, repayments of prior contributions or contributions for medical benefits after separation from service; as described above.

(iii) “Limitation Year” shall mean the Savings Plan Year.

(iv) “Post-Severance Income” shall include the following amounts to the extent such amounts are paid by the later of 2½ months after severance from employment or by the end of the Limitation Year that includes the date of such severance from employment: (a) regular pay after severance of employment if: the payment is regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments; and the payment would have been paid to the Participant prior to a severance from employment if the Participant had continued in

employment with the District; (b) amounts representing payment for unused accrued bona fide sick, vacation, or other leave, but only if the participant would have been able to use the leave if employment had continued; (c) payments to an individual who does not currently perform services for the District by reason of qualified military service (as that term is used in Code § 414(u)(1)) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the District rather than entering qualified military service; (d) compensation paid to a Participant who is permanently and totally disabled (as defined in Code § 22(e)(3)).

(v) “Restorative Payment” shall mean a payment made to restore losses to a Plan resulting from actions by a fiduciary for which there is reasonable risk of liability for breach of a fiduciary duty, where participants who are similarly situated are treated similarly with respect to the payments

~~(B) Effective for Limitation Years beginning after December 31, 2002, except as provided in §6765(g), the District’s contributions allocated to a Participant’s Accounts shall in no event exceed the lesser of (i) \$40,000, as adjusted for increases in the cost of living under Section 415(d) of the Code; or (ii) 100 percent of the Participant’s Compensation during the Savings Plan Year. For the purpose of the prior sentence, a Participant’s Compensation shall include any Tax-Deferred Elective Contributions made on the Participant’s behalf. The Limitation Year shall be the Savings Plan Year. The compensation limit in (ii) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419(f)(2) of the Code) which is otherwise treated as an annual addition.~~

(C) Excess Annual Additions. Notwithstanding any provision of the Plan to the contrary, if the annual additions (within the meaning of Code § 415) are exceeded for any Participant, then the Plan may only correct such excess in accordance with the Employee Plans Compliance Resolution System (EPCRS) as set forth in Revenue Procedure 2008-50 or any superseding guidance, including, but not limited to, the preamble of the final §415 regulations.

~~(2) Provision Pursuant to Code Section 415(e).— Effective for the Savings Plan Years beginning before December 31, 2001, notwithstanding any other provisions of the Plan, the District’s contributions allocated to a Participant’s Accounts shall in no event exceed the lesser of (A) \$30,000, as adjusted for increases in the cost of living under Section 415(d) of the Code; or (B) if greater, one-fourth of the defined-benefit-dollar limitation set forth in Section 415(b)(1) of the Code as in effect for the Limitation Year. For the purpose of the prior sentence, a Participant’s compensation shall exclude any Tax-Deferred Elective Contributions made on the Participant’s behalf and the sum of a Participant’s Defined-Benefit Plan Fraction and the Defined-Contribution Plan Fraction shall not exceed 1.0. In the event a reduction is necessary to avoid exceeding the limitation set forth in this Section 6785(c)(2), the affected Participant’s annual additions under this Savings Plan shall be reduced to the extent necessary to avoid exceeding such limitation.~~

(2) Provision Pursuant to Code Section 415(e). - Repealed effective for Limitation Years beginning after December 31, 2000.

[(d) Repealed by M. I. 42902 - April 1998]

(e) Section 402(g) Limit. – Except as otherwise provided in §6785(g), the amount of Tax Deferred Elective Contributions made for any Participant for any taxable year shall not exceed the applicable dollar amount for such year, as shown below:

2002	\$11,000
2003	\$12,000
2004	\$13,000
2005	\$14,000
2006 or thereafter	\$15,000, as adjusted annually pursuant to Code §402(g)(5).

No Participant shall be permitted to have Tax Deferred Elective Contributions made under this Savings Plan, or any other qualified plan maintained by the District during any taxable year, in excess of the applicable dollar amount specified above for such taxable year, except to the extent permitted under (g) of this §6785 and Section 414(v) of the Code, if applicable. In the event such dollar limitation is exceeded the Participant may request, by no later than March 1 following the close of the Participant's taxable year, and the General Manager may authorize the Trustee to distribute, by no later than April 15 following the close of the Participant's taxable year, all or part of the excess and any income allocable thereto, to the Participant. In determining the excess amount distributable with respect to a Participant's taxable year, excess Tax Deferred Elective Contributions previously distributed for the Savings Plan Year beginning in such taxable year shall reduce the amount otherwise distributable under this subsection.

This Section applies to excess contributions (as defined in Code §401(k)(8)(B)) and excess aggregate contributions (as defined in Code §401(m)(6)(B)) made with respect to Plan Years beginning after December 31, 2007. The Plan administrator will not calculate and distribute allocable income for the gap period (i.e., the period after the close of the Plan Year in which the excess contribution or excess aggregate contribution occurred and prior to the distribution). With respect to 401(k) plan excess deferrals (as defined in Code §402(g)) made in taxable year 2007, the Plan administrator must calculate and distribute all allocable income for the taxable year and also for the gap period (i.e., the period after the close of the taxable year in which the excess deferral occurred and prior to the distribution).

(f) Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with §414(u) of the Internal Revenue Code. In particular, and without limiting the foregoing, in the case of a death occurring on or after January 1, 2007, if a Participant dies while performing qualified military service (as defined in Code § 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Participant had resumed and then terminated employment on account of death.

(g) All ~~Participant's~~ Participants who have attained age 50 before the close of ~~a Savings Plan Year~~ the taxable year listed below shall be eligible to make additional catch-up contributions in the following maximum amounts for each Savings Plan Year:

2002	\$1,000
2003	\$2,000
2004	\$3,000
2005	\$4,000
2006 or thereafter	\$5,000, as adjusted annually pursuant to Code §414(v)(2)(C).

Such catch-up contributions shall not be taken into account for purposes of the limitations contained in §6785(c) and (e). This Savings Plan shall not be treated as failing to satisfy the provisions of this Savings Plan implementing the requirements of Section 401(k)(3), 401(k)(11) and (12), 410(b), or 416 of the Code, as applicable, by reason of making such catch-up contributions.

(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 General Manager. 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 General Manager 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 General Manager 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 General Manager, 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.

(a) Investment of Funds.

(1) District contributions shall be allocated to the Investment Vehicles as specified under Section 6786(c) hereof. Subject to the other applicable provisions of this Savings Plan and the Trust Agreement, a Trustee shall hold, manage, administer, value, invest, reinvest, account for and otherwise deal with each Investment Vehicle separately.

(2) Dividends, interest and other distributions received in respect of each Investment Vehicle held in a Participant's Accounts shall be reinvested pursuant to the Participant's instructions.

(b) Accounts. - Each Participant shall have established an individual Tax Deferred Elective Contributions Account and a 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.

(c) Investment of Contributions. - Each Participant shall direct that the Tax Deferred Elective Contributions and Matching Contributions that are made on Participant's behalf be invested in such of the Investment Vehicles as the Participant shall, subject to any limitations established by the General Manager, select.

(d) Change of Investment Option. - A Participant may change an investment option with respect to future Tax Deferred Elective Contributions and Matching Contributions. In addition, a Participant may change an investment option with respect to Tax Deferred Elective Contributions and Matching Contributions and earnings thereon already credited to Participant's Accounts. Any such change as to amounts already credited to a Participant's Accounts will be effective as soon as practicable.

(e) Election Procedure. - Unless the General Manager otherwise permits, an investment option provided for in Section 6786(c) and an investment change provided for in Section 6786(d) may only be made on a form approved by the General Manager, signed by the Participant and filed with the General Manager.

(f) Valuation of Investment Funds.

(1) As of each Valuation Date, the Trustee shall determine the value of each Participant's Accounts; the change in value of each Investment Vehicle between the current Valuation Date and the preceding Valuation Date; the net gain or loss of such Accounts during such period resulting from expenses paid (including the fees and expenses of the Trustee and Investment Manager, which may be charged to such Account in accordance with the terms of this Savings Plan and the Trust Agreement); and realized and unrealized gains and losses of each Investment Vehicle during such period shall all be determined and taken into consideration in valuing the Participant's Accounts.

(2) On each Valuation Date the value of the Participants' interests in each Investment Vehicle determined pursuant to Subsection (f)(1) of this Section 6786 shall be allocated as of such Valuation Date to the Accounts of Participants.

§ 6787. Article VIII - Distributions and Withdrawals.

(a) Nonforfeitability. - Any amount credited to a Participant's Accounts shall be fully vested. Notwithstanding anything to the contrary, each Participant shall be fully vested upon attainment of age 59½. Further, all Participants shall be fully vested in their benefits under the Plan, to the extent funded, upon the termination of the Plan or upon a complete discontinuance of contributions to the Plan.

(b) Distributions Only as Provided. - A Participant or Beneficiary shall be paid benefits under the Savings Plan only as provided in this and the following sections of this article. A Participant or Beneficiary who is eligible to receive a distribution under the Savings Plan shall submit an application for benefits to the General Manager, furnishing such information as the General Manager or the General Manager's duly authorized agents may require.

(c) Distributions on Termination. - Benefits shall be paid in a lump sum, in cash or in kind, pursuant to the election of the Participant or Beneficiary or Beneficiaries following the first Valuation Date subsequent to Participant's Separation from Service unless it is administratively possible to distribute the Accounts at an earlier time.

(d) Withdrawal of Contributions.

(1) Upon not less than 30 days prior written notice, a Participant who is at least 59-1/2 years of age may withdraw all or part of the amounts in Participant's Accounts. The Participant may make such an election no more than once each Savings Plan Year.

(2) Upon certification by a Participant of an immediate and heavy financial need, the amount of such need (including any income taxes payable with respect to a distribution under this Section) and the current unavailability of any distributions (other than hardship distributions) or nontaxable loans under all qualified and nonqualified plans of deferred compensation maintained by the District, including a cash or deferred arrangement that is part of a cafeteria plan within the meaning of Code Section 125, but not including the mandatory employee contribution portion of a defined benefit plan or a health or welfare benefit plan (including one that is part of a cafeteria plan). A Participant may withdraw all or part of the Participant's Tax Deferred Elective Contributions and Matching Contributions in Participant's accounts (and income allocable to Tax Deferred Elective Contributions credited to the Participant's Tax Deferred Elective Contributions Account prior to January 1, 1989), to the extent not in excess of such immediate and heavy financial need. Certification may only be made on a form approved by the General Manager, signed by the Participant and filed with the General Manager. The form shall limit situations of immediate and heavy financial need to (1) medical expenses described in Code Section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income) incurred by the Participant, the Participant's spouse or dependents (as defined in Code Section 152) (and in taxable years beginning on or after January 1, 2006, without regard to section 152(b)(1), (b)(2) and (d)(1)(B)); (2) the purchase (excluding mortgage payments) of a principal residence of the Participant, (3) payment of tuition for the next semester or quarter of post-secondary education for the Participant, Participant's spouse, children or dependents, or (4) the need to prevent the eviction of the Participant from the Participant's principal residence or foreclosure on the mortgage of the Participant's principal residence, (5) except for taxable years beginning on or after January 1, 2006, payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or

dependents (as defined in Code Section 152, ~~and, without regard to section 152(d)(1)(B)), (6) effective~~ for taxable years beginning on or after January 1, 2006, ~~without regard to section 152(d)(1)(B)), (6)~~ expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income), and (7) other deemed immediate and heavy financial needs identified by the United States Department of Treasury. No portion of a hardship distribution may be paid directly to an Eligible Retirement Plan, as defined in §6787(g)(2). For distributions made on or after January 2002, if a Participant makes a withdrawal on account of an immediate and heavy financial need, the Participant's Tax Deferred Elective Contributions and Matching Contributions shall be automatically suspended under this Plan and all other qualified plans maintained by the district until reenrollment after a period of at least 6 months from the date of such withdrawal.

~~(3) Effective January 1, 2008, the Plan will also permit distributions for expenses described in section 6787(d)(2) for the needs of a primary Beneficiary under the Plan. For this purpose, a "primary Beneficiary under the Plan" is an individual who is named as a Beneficiary under the Plan and has an unconditional right to all or a portion of the Participant's Tax Deferred Elective Contributions and Matching Contributions accounts balances under the Plan upon the death of the Participant.~~

(e) Loans to Participants.

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

(2) Any loans made pursuant to the provisions hereof, shall satisfy the following conditions: (1) such loans shall be available to all Participants on a reasonably equivalent basis; (2) such loans shall not be made available to Participants who are highly compensated Employees or officers of the District in an amount which, when stated as a percentage of the balance of such Participants' Accounts, is greater than is available to other Participants; (3) such loans shall bear a reasonable rate of interest (unless the General Manager determines otherwise, such loan shall bear interest equal to one percent above the reference rate being charged by Bank of America NT&SA, or the prime rate or similar rate of a successor bank or other commercial bank designated by the General Manager, in effect at the beginning of the month in which the loan is made); (4) each such loan shall be adequately secured, with the security to consist of the portion of the Participant's Accounts equal to the loan principal and any additional security that the General Manager determines to be necessary; (5) the amount of any such loan, when added to the outstanding balance of all other loans from all qualified plans and 457(b) plans of the District to the Participant, shall not exceed either (i) \$50,000 reduced by the excess (if any) of the highest outstanding balance during the preceding 12 months of loans from the Savings Plan to the Participant over the outstanding balance of loans from the Savings Plan to the Participant on the date such loan is made or (ii) one-half the value of such Participant's Accounts, including in such balance prior loans to the Participant (for the purpose of this clause, the value of the balance of such Participant's Accounts shall be established as of the Valuation Date preceding the date upon which the loan is made); and (6) each such loan, by its terms, shall be repaid within five years (except that if the General Manager is satisfied that the

loan proceeds are being used to acquire the principal residence of a Participant, the General Manager may, in his discretion, establish a term of up to 15 years for repayment).

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

(4) Any Participant may, upon written notice delivered to the General Manager 30 working days prior to a Valuation Date, request that a loan be made to Participant from Participant's Accounts in 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 regulation promulgated by the Secretary of the Treasury or the Secretary of Labor).

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

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

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

(8) The General Manager shall have the power to establish any additional rules with respect to loans extended pursuant to this section including, but not limited to, rules relating to

nondiscriminatory minimum installments for the repayment of such loans, the requirement of a financial hardship to obtain a loan, or limitations of the amounts of loans.

(9) Any loans hereunder constitute an exception to the anti-alienation rules in Section 6780(c) of the Savings Plan.

(f) Order of Distribution. - Distributions (including withdrawals) shall be made from the applicable portion of a Participant's Accounts invested in the Investment Vehicles on a pro rata basis from each Investment Vehicle, unless a different order of distribution is directed by the Participant. Each Participant by written notice (in form acceptable to the General Manager) signed by the Participant and filed with the General Manager may direct the order in which distributions are to be made if other than on a pro rata basis.

(g) Direct Rollovers. – This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Article, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover. The following definitions shall apply to this Section:

(1) Eligible Rollover Distribution: An Eligible Rollover distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities) or any hardship distribution.

(2) Eligible Retirement Plan: An Eligible Retirement Plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, for distributions made after December 31, 2007, a Roth IRA as described in Section 408A of the Code (provided that the requirement of Section 408A(e) of the Code for a rollover to a Roth IRA have been met), an annuity plan described in Section 403(a) of the Code, and for distributions made after December 31, 2001, an annuity contract described in Section 403(b) of the Code, a qualified trust described in section 401(a) of the Code, an eligible plan under 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 and which agrees to separately account for amounts transferred into such plan from this savings plan that accepts the Distributee's Eligible Rollover distribution. This definition shall also apply in the case of an eligible rollover distribution to a Surviving Spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code.

(3) Distributee: A Distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's Surviving Spouse and the Employee's or former Employee's

Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the code, are Distributees with regard to the interest of the Spouse or former Spouse.

(4) Direct Rollover: A Direct Rollover is a payment by the Plan to the Eligible Retirement plan specified by the Distributee.

(h) Required Distributions. Effective January 1, 1987, all distributions shall be determined and made in accordance with the proposed regulations under Section 401(a)(9), including the minimum distribution incidental benefit requirement of Section 1.401(a)(9)-2 of the proposed regulations and in accordance with the following provisions:

(1) Definitions. The following definitions shall apply to this Section:

(a) Applicable Life Expectancy: The life expectancy (or joint and last survivor expectancy) calculated using the attained age of the Participant (or Designated Beneficiary) as of the Participant's (or Designated Beneficiary's) birthday in the applicable calendar year reduced by one for each calendar year which has elapsed since the date life expectancy was first calculated. If life expectancy is being recalculated, the Applicable Life Expectancy shall be the life expectancy as so recalculated. The applicable calendar year shall be the first Distribution Calendar Year, and if life expectancy is being recalculated such succeeding calendar year.

(b) Designated Beneficiary: Any individuals or legal entity designated to receive any benefit under this Plan upon the death of a Participant.

(c) 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.

(d) Participant's Benefit: 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 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. Notwithstanding the foregoing, if any portion of the minimum distribution for the first Distribution Calendar Year is made in the second Distribution Calendar Year on or before the Required Beginning Date, the amount of the minimum distribution made in the second Distribution Calendar Year shall be treated as if it had been made in the immediately preceding Distribution Calendar Year.

(e) Required Beginning Date: The Required Beginning Date of a Participant is the first day of April of the calendar year following the calendar year in which the later of retirement or attainment of age 70 ½ occurs.

(2) Required Distributions. The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's Required Beginning Date.

(3) Limits on Distribution Periods. As of the first Distribution Calendar Year, distributions, if not made in one lump-sum payment, may only be made over one of the following periods (or a combination thereof):

- (a) The life of the Participant; or
- (b) The life of the Participant and a Designated Beneficiary; or
- (c) A period certain not extending beyond the Life Expectancy of the Participant;

or

(d) A period certain not extending beyond the joint and last survivor expectancy of the participant and a Designated Beneficiary.

(4) Determination of Amount to be Distributed Each Year. If the Participant's interest is to be distributed in other than one lump-sum payment, the following minimum distribution rules shall apply on or after the Required Beginning Date:

(a) If a Participant's Benefit is to be distributed over:

(i) a period not extending beyond the Life Expectancy of the Participant or the joint life and last survivor expectancy of the Participant and the Participant's Designated Beneficiary; or

(ii) a period not extending beyond the Life Expectancy of the Designated Beneficiary, the amount required to be distributed for each calendar year, beginning with distributions for the first Distribution Calendar Year, must at least equal to the quotient obtained by dividing the Participant's Benefit by the applicable Life Expectancy.

(b) The amount to be distributed each year, beginning with distributions for the first Distribution Calendar Year shall not be less than the quotient obtained by dividing the Participant's Benefit by the lesser of:

(i) the applicable Life Expectancy; or

(ii) if the Participant's Spouse is not the Designated Beneficiary, the applicable divisor determined from the table set forth in Q&A-4 of Section 1.401(a)(9)-2 of the proposed regulations

(c) The minimum distribution required for the Participant's first Distribution Calendar Year must be made on or before the Participant's Required Beginning Date. The minimum distribution for other calendar years, including the minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, must be made on or before December 31 of that Distribution Calendar Year.

(5) Other Forms. If the Participant's Benefit is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of Section 401(a)(9) of the Code and the proposed regulations thereunder.

(6) Death Distribution Provisions

(a) Distribution beginning before death. If the Participant dies after distribution of his or her interest has begun, the remaining portion of such interest shall continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

(b) Distribution beginning after death. If the Participant dies before distribution of his or her interest begins, distribution of the Participant's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death except to the extent that an election is made to receive distributions in accordance with (1) or (2) below:

(1) If any portion of the Participant's interest is payable to a Designated Beneficiary, distributions may be made over the life or over a period certain not greater than the Life Expectancy of the Designated Beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Participant died.

(2) If the Designated Beneficiary is the Participant's Surviving Spouse, the date distributions are required to begin in accordance with (1) above shall not be earlier than the later of: (i) December 31 of the calendar year immediately following the calendar year in which the Participant died; or (ii) December 31 of the calendar year in which the Participant would have attained age 70 ½.

(c) If the Participant has not elected a form of distribution by the time of his or her death, the Participant's Designated Beneficiary must elect the method of distribution no later than the earlier of: December 31 of the calendar year in which distributions would be required to begin under this Section; or December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant.

(d) If the Participant has no Designated Beneficiary, or if the Designated Beneficiary does not elect a method of distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(e) If the Surviving Spouse dies after the Participant, but before payments to such Spouse begin, the provisions of this Section shall be applied as if the Surviving Spouse were the Participant.

(i) Minimum Distributions. With respect to distributions under this Savings Plan made in calendar years beginning on or after January 1, 2002, the Savings Plan will apply the minimum distribution requirements of Section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under Section 401(a)(9) that were proposed in January 2001, notwithstanding any provision of this Savings Plan to the contrary. This paragraph (i) shall continue in effect until the end of the last

calendar year beginning before the effective date of the final regulations under Section 401(a)(9) or such other date specified in guidance published by the Internal Revenue Service.

(j) Minimum Distribution 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 amendment 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 Distributions 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 died, or by December 31 of the calendar year in which the Participant would have attained age 70 ½, 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.

(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: (i) 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; (ii) 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 Surviving Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year; and (iii) 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)-4, 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 Requires 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 the 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.

(e) Required Beginning Date. April 1st of the calendar year following the later of (i) the calendar year in which the Participant reaches age 70 ½ or (ii) the calendar year in which the Participant actually retires or otherwise terminates employment with the District.

(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 General Manager may require.

(l) Non-Spousal Rollovers. For distributions occurring on account of death on or after January 1, 2007, the beneficiary will be permitted to elect a direct rollover in accordance with the provisions of Section 402 (c)(11) of the Code, provided that the distributed amount satisfies all the requirements to be an eligible rollover distribution other than the requirement that the distribution be made to the participant or the participant's spouse. The direct rollover must be made to an individual retirement account established on behalf of the designated beneficiary that will be treated as an inherited individual retirement account pursuant to the provisions of Section 402(c)(11) of the Code.

(m) Qualified Reservist Distributions. Effective with respect to Participants who are ordered or called to active duty after September 11, 2001, and before September 12, 2007, the Participant may elect to receive a "qualified reservist distribution." A "qualified reservist distribution" is a distribution attributable to elective deferrals that is made to the Participant who, by reason of being a member of a reserve component (as defined in 37 USC §101) was ordered or called to active duty for a period in

excess of 179 days, and that is made during the period beginning on the date of such order or call to duty and ending at the close of the active duty period.

§ 6788. Article IX - Administration of Savings Plan and Trust Agreement.

(a) Responsibility for Administration. - The District is the "plan administrator" within the meaning of Section 414(g) of the Code. The District delegates all its authority to the General Manager, who shall be the Administrator under this Savings Plan. As Administrator, the General Manager shall be responsible for the administration of this Savings Plan, including but not limited to the preparation and delivery to Participants, Beneficiaries and governmental agencies of all information, descriptions and reports required by applicable law. Each other fiduciary shall have such powers, duties and authorities as shall be specified in this Savings Plan or the Trust Agreement.

(b) Authority. - The General Manager shall interpret where necessary the provisions of this Savings Plan and determine the rights and status of Participants and other persons under this Savings Plan. The General Manager also may modify any notice period required by this Savings Plan or designate any office to serve as the recipient of any form or notice that has to be filed under this Savings Plan. The General Manager, in case of disputes, may make determinations and findings of fact with respect to any matter arising in connection with the administration of this Savings Plan. Subject to the provisions of Section 6788(c), such determinations and findings shall be final and conclusive, to the extent permitted by law, as to all interested persons for all purposes of this Savings Plan. The General Manager shall instruct the Trustee as to the benefits to be paid hereunder and shall furnish the Trustee with any further information reasonably required by it for the purpose of distributing such benefits and making investments in or withdrawals from one or more of the Investment Vehicles.

(c) Revocability of Action. - Any action taken by the General Manager with respect to the rights or benefits under this Savings Plan or any Participant or Beneficiary shall be revocable by the General Manager as to payments, distributions or deliveries not theretofore made hereunder pursuant to such action. Appropriate adjustments may be made in future payments or distributions to a Participant or Beneficiary.

(d) Employment of Assistance. - The District may employ such expert communication and enrollment, legal, accounting, investment or other assistance as it deems necessary or advisable for the proper administration of this Savings Plan and the Investment Vehicles. Any expenses incurred as a result of such employment may be paid by the Trustee from the Participants' Accounts.

(e) Uniform Administration of Savings Plan. - All action taken by the General Manager under this Savings Plan shall treat all persons similarly situated in a uniform and consistent manner.

(f) Participant's Accounts. - The Participants' Accounts shall be held by the Trustee for the exclusive benefit of the Participants and their Beneficiaries and shall be invested by the Trustee upon such terms and in such property as is provided in this Savings Plan and in the Trust Agreement.

(g) No Guarantee Against Loss.

(1) The District does not guarantee the Participants' Accounts or Investment Vehicles or any part thereof against loss or depreciation. All persons having any interest in the Accounts or Investment Vehicles shall look solely to such sources for payment with respect to such interest. No action by the District shall be considered to be either an endorsement or guarantee of any investment, nor shall it be considered to attest the financial soundness or the suitability of any investment for the purpose of meeting future obligations provided for in this Savings Plan.

(2) While the District will endeavor to use reasonable care in the selection of any Trustee, Investment Manager, or Investment Vehicle for Tax Deferred Elective Contributions, neither the District nor its Directors or Employees shall be liable to any Participant or Beneficiary for disappointing results, or loss, flowing from any deficiencies in this regard, and a Participant, as a condition to participation in this Savings Plan, shall be required to execute an agreement wherein the Participant, for the Participant, and the Participant's heirs and Beneficiaries agrees to hold the District, its Directors and Employees harmless and agrees to waive any cause of action the Participant might otherwise have or obtain as a result of participation in this Savings Plan; provided, that such agreement will not apply to claims and causes of action arising from willful misconduct.

(h) Payment of Benefits. - All payments of benefits provided for by this Savings Plan (less any deductions provided for by this Savings Plan) shall be made solely out of the Participants' Accounts in accordance with instructions given to the Trustee by the General Manager, and the District shall not be otherwise liable for any benefits payable under this Savings Plan.

(i) Compensation and Expenses. - The Trustee shall be entitled to receive such reasonable compensation for its services as may be agreed upon by it and the General Manager. Such compensation, the cost of employment of expert assistance, and, upon prior approval of the General Manager, extraordinary expenses of the Trustee and other expenses or fees for the proper administration of this Savings Plan shall be paid from the Trust Fund.

§ 6789. Article X - Responsibility of the District and its Employees.

(a) Immunities.

(1) Neither the District, its Directors, nor its Employees shall be liable for any action taken or not taken with respect to this Savings Plan or the Trust Agreement except for its or their own gross negligence or willful misconduct;

(2) Neither the District, its Directors, nor its Employees shall be personally liable upon any contract, agreement or other instrument made or executed by it or them in its or their behalf in the administration of this Savings Plan or the Trust Agreement;

(3) Neither the District, its Directors, nor its Employees shall be liable for the neglect, omission or wrongdoing of any other person in connection with the administration of this Savings Plan and the Trust Agreement or the investment of the funds contained in the Investment Vehicles. Nor shall any such person be required to make inquiry into the propriety of any action by any other person in connection with the administration of this Savings Plan and the Trust Agreement or the investment of the funds contained in the Investment Vehicles;

(4) The District, its Directors, and each Employee thereof (specifically including the General Manager and other officers), and any other person to whom the District delegates (or the Savings Plan or Trust Agreement assigns) any duty with respect to this Savings Plan or the Trust Agreement, may rely and shall be fully protected in acting in good faith upon the advice of counsel, who may be counsel for the District, upon the records of the District, upon the opinion, certificate, valuation, report, recommendation, or determination of the Trustee or of the District's General Auditor, or upon any certificate, statement or other representation made by or any information furnished by an Employee, a Participant, a Beneficiary or the Trustee concerning any fact required to be determined under any of the provisions of this Savings Plan;

(5) If any responsibility of the District, its Directors, or its Employees is allocated to another person, then the District, its Directors, or its Employees shall not be responsible for any act or omission of such person in carrying out such responsibility; and

(6) No person shall have the duty to discharge any duty, function or responsibility which is assigned by the terms of this Savings Plan or the Trust Agreement or delegated pursuant to the provisions of Section 6789(b) to another person.

(b) Responsibilities. - Persons shall have only such powers, duties, responsibilities and authorities as are specified in this Savings Plan or the Trust Agreement. The District shall have the responsibility for making District contributions under this Savings Plan to the Investment Vehicles. The Board of Directors of the District shall have the authority to amend or terminate this Savings Plan. The General Manager shall have the authority to amend or terminate the Trust Agreement in whole or in part and to appoint, employ, and remove the Trustee and shall be the Savings Plan Administrator and shall have the responsibility and authority to appoint or remove any Investment Manager or any other person that is employed for purposes of this Savings Plan, and to interpret and administer this Savings Plan, subject to the provisions hereof. The Trustee shall have the responsibility and authority for the administration of the Trust Agreement.

(c) Other Immunities Not Restricted. - The provisions of this article shall not be construed to in any way restrict the privileges and immunities that the District and its employees are otherwise entitled to pursuant to Part 2, Division 3.6, Title 1 of the Government Code, and in particular Sections 818.8 and 820.2 thereof.

§ 6790. Article XI - Miscellaneous.

(a) No Enlargement of Employment Right. - A Participant by accepting benefits under this Savings Plan does not thereby agree to continue for any period in the employ of the District, and the District by adopting this Savings Plan, making contributions or taking any action with respect to this Savings Plan does not obligate itself to continue the employment of any Participant for any period.

(b) Severability Provision. - If any provision of this Savings Plan or the application thereof to any circumstance or person is invalid, the remainder of this Savings Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

(c) Alienation.

(1) Except as otherwise provided in subparagraph (3) of this Section, no benefit which shall be payable out of the Trust Fund to any person (including a Participant or Beneficiary) shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void; and no such benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any such person, nor shall it be subject to attachment or legal process for or against such person, and the same shall not be recognized by the Trustee, except to such extent as may be required by law.

(2) In the event a participant's benefits are garnished or attached by order of any court, the General Manager may bring an action for a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid by this Savings Plan. During the pendency of said action, any benefits that become payable shall be paid into the court as they become payable, to be distributed by the court to the recipient it deems proper at the close of said action. Any costs attributable to these actions may be charged to the Account of the Participant.

(3) This Section shall not apply to the creation, assignment or recognition of a right to any benefit payable pursuant to a domestic relations order, unless such order is determined to be a Qualified Domestic Relations Order by the District, as defined in Section 414(p) of the Code. The Trustee shall be entitled to make distributions to an alternate payee pursuant to a Qualified Domestic Relations Order in accordance with such an Order, without regard to the age or employment status of the Participant.

(d) Construction of Agreement. - Except to the extent federal law controls, this Savings Plan and the Trust Funds shall be construed and enforced according to the laws of the State of California. All persons accepting or claiming benefits under this Savings Plan shall be bound by and deemed to consent to its provisions.

(e) Gender and Number. - Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

(f) Legal Action. - In the event any claim, suit, or proceeding is brought regarding the Trust Fund and/or this Savings Plan established hereunder to which the General Manager may be a party, the General Manager shall be entitled to be reimbursed from the District for any and all costs, attorney's fees, and other expenses pertaining thereto incurred for which the General Manager shall have become liable.

(g) Prohibition Against Diversion of Funds. - It shall be impossible by operation of this Savings Plan or of the Trust Agreement, by termination of either, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by any other means, for any part of the corpus or income of any Trust Fund maintained pursuant to this Savings Plan or any funds contributed thereto to be used for, or diverted to, purposes other than the exclusive benefit of Participants or their Beneficiaries except as provided in this Savings Plan.

(h) Receipt and Release for Payments. - Any payment to any Participant, Participant's legal representative, Beneficiary, or to any guardian or committee appointed for such Participant or Beneficiary in accordance with the provisions of this Savings Plan, shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Trustee and the District, either of whom may require such Participant, legal representative, Beneficiary, guardian or committee, as a condition precedent to such payment, to execute a receipt and release thereof in such form as shall be determined by the Trustee or District.

(i) Headings. - The headings and subheadings of this Savings Plan have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

(j) Uniformity. - All provisions of this Savings Plan shall be interpreted and applied in a uniform, nondiscriminatory manner.

(k) District and Trustee's Protective Clause. - Neither the District nor the Trustee, nor their successors, shall be responsible for the validity of any contract in regard to an Investment Vehicle or for the failure on the part of a contractor to comply with its obligations, or for the action of any person which may delay payment or render a contract null and void or unenforceable in whole or in part.

(l) Administrative Costs. - District administrative costs may be charged to Participants or deducted from a Participant's Accounts in accordance with a nondiscriminatory procedure established by the General Manager.

(m) Employee Plans Compliance Resolution System. - The General Manager may take whatever action he determines in his discretion to be necessary and appropriate to correct any error in the administration of the Savings 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.

§ 6791. Article XII - Amendment, Termination or Merger.

(a) Right to Amend or Terminate. - The District reserves the right at any time or times, without the consent of any Participant, Beneficiary or other persons, (1) to terminate this Savings Plan, in whole or in part or as to any designated group of Employees, Participants and their Beneficiaries, or (2) to amend this Savings Plan, in whole or in part.

(b) Procedure for Termination or Amendment. - Any termination or amendment of this Savings Plan pursuant to Section 6791(a) shall be expressed in an instrument executed by the District on the order of its Board of Directors and filed with the Trustee, and shall become effective as of the date designated in such instrument or, if no date is so designated, on its execution.

(c) Distribution Upon Termination. - If this Savings Plan shall be terminated by the District, the Investment Vehicles shall be distributed as if each Participant had then retired pursuant to Section 6787(c) at the time of the termination; provided that such distribution shall only occur if then permitted by Section 401(k) of the Code.

(d) Merger. - In the case of any merger or consolidation with, or transfer of assets or liabilities to, any other plan, each Participant in this Savings Plan will receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation or transfer.

(e) Failure to Qualify Under Sections 401(a) and 401(k) of the Code. - Notwithstanding anything else contained herein, this Savings Plan shall be subject to the issuance by the Internal Revenue Service of either (1) a determination or ruling to the effect that this Savings Plan (as modified by any amendment thereto made for the purpose of securing such determination or ruling) meets the applicable requirements of Sections 401(a) and 401(k) of the Code for a qualified governmental plan containing a qualified cash or deferred arrangement, or (2) a determination or ruling with respect to this Savings Plan that is acceptable to the District. If the District does not receive such a determination or ruling within 12 months after it requests it or, if earlier, within 24 months after this Savings Plan is adopted by the District, then, notwithstanding any other provision of this Savings Plan, the District may elect to declare this Savings Plan to be retroactively void by giving written notice to the Trustee that no such Internal Revenue Service determination or ruling has been received.

§ 6792. Article XIII - Effective Date.

The effective date of this Savings Plan shall be July 1, 1985.

Attachment 2 – The Metropolitan Water District Administrative Code, Division VI, Chapter 7,
Article 6 (clean version)

Article 6

**ARTICLES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN
CALIFORNIA CONSOLIDATED SAVINGS PLAN**

Sec.

- 6780. Article I - Name
- 6781. Article II - Purpose
- 6782. Article III - Definitions
- 6783. Article IV - Administration
- 6784. Article V - Participation in Savings Plan
- 6785. Article VI - Contribution and Allocation
- 6786. Article VII - Investments
- 6787. Article VIII - Distributions and Withdrawals
- 6788. Article IX - Administration of Savings Plan and Trust Agreement
- 6789. Article X - Responsibility of the District and its Employees
- 6790. Article XI - Miscellaneous
- 6791. Article XII - Amendment, Termination or Merger
- 6792. Article XIII - Effective Date

§ 6780. Article I - Name.

The name of this Plan is The Metropolitan Water District of Southern California Consolidated Savings Plan (hereinafter referred to as "Savings Plan").

§ 6781. Article II - Purpose.

The Metropolitan Water District of Southern California (hereinafter referred to as "District") has previously established a profit-sharing plan known as "Savings Plan II" and a profit sharing plan known as "Savings Plan I," which was merged into this Plan effective as of January 1, 2006. The provisions of this Savings Plan shall apply to all assets and liabilities transferred from Savings Plan I. It is intended that the Savings Plan constitute a "profit-sharing plan" within the meaning of Internal Revenue Code Section 401(a)(27). The purpose of the Savings Plan is to attract and hold officers and employees by permitting them to enter into agreements with the District which will provide benefits on retirement, death, disability, separation from service or as otherwise permitted by law.

§ 6782. Article III - Definitions.

(a) Accounts. - Account shall mean the Tax Deferred Elective Contributions Account and Matching Contributions Account established for a Participant pursuant to Section 6786(b).

(b) Beneficiary.

(1) Beneficiary or Beneficiaries shall mean the person or persons, including a trustee or a personal representative, last designated in writing by a Participant to receive the benefits specified hereunder in the event of the Participant's death. If there is no designated Beneficiary or surviving designated Beneficiary, then the duly appointed and currently acting personal representative of the Participant's estate shall be the Beneficiary. If there is no personal representative of the Participant's estate duly appointed and acting in that capacity within 60 days after the Participant's death, the Beneficiary or Beneficiaries shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the General Manager that they are legally entitled to receive the benefits specified hereunder pursuant to the laws of intestate succession or other statutory provision in effect at the Participant's death in the state in which the Participant resided.

(2) In the event any amount is payable under the Savings Plan to a minor, payment shall not be made to the minor. Instead, the amount payable under the Savings Plan shall be paid to the duly appointed and currently acting guardian of the estate of the minor. If there is no such guardian duly appointed and currently acting within 60 days after the date the amount becomes payable, then the amount shall be paid to that person's then living parent(s) to act as custodian or, if no parent of that person is then living, to a custodian selected by the General Manager to hold the funds for the minor under the California Uniform Transfers to Minors Act (or similar statute in effect in the jurisdiction in which the minor resides). If no parent is living and the General Manager decides not to select another custodian to hold the funds for the minor, payment shall be deposited with the court having jurisdiction over the estate of the minor.

(3) In the event any amount is payable under the Savings Plan to a person for whom a conservator has been legally appointed, the payment shall be distributed to the duly appointed and currently acting conservator, without any duty on the part of the General Manager to supervise or inquire into the application of any funds so paid.

(c) Code. - Code shall mean the Internal Revenue Code of 1986, as amended.

(d) Compensation. - Compensation shall mean the total of all cash compensation payable by the District during the Savings Plan Year to or for the benefit of an Employee in return for services and any deemed compensation under Section 414(u)(7) of the Code. Compensation taken into account under the Savings Plan shall not exceed \$150,000 for any Savings Plan Year, beginning on or after January 1, 2002, as adjusted for the cost of living increases applicable to such Savings Plan Year in accordance with Section 401(a)(17)(B) of the Code. Effective as of January 1, 1997, Compensation shall also include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under Section 125, 132(f)(4), 401(k), 402(e), 402(h) or 457 of the Code.

(e) Defined Benefit Plan Fraction. - Defined Benefit Plan Fraction shall mean a fraction, the numerator of which is the projected annual benefit (determined as of the close of the relevant year) of the Participant under all defined benefit plans maintained by the District, and the

denominator of which is the lesser of (1) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for the year, or (2) the product of 1.4 multiplied by the amount which may be taken into account under Section 415(b) (5) of the Code with respect to the Participant for the year.

(f) Defined Contribution Plan Fraction. - Defined Contribution Plan Fraction shall mean a fraction, the numerator of which is the sum of the "annual additions" to a Participant's accounts under all defined contribution plans maintained by the District, and the denominator of which is the sum of the lesser of (1) or (2) for such year and for each prior year of service with the District where (1) is the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for the year (determined without regard to Section 415(c)(6)), and (2) is the product of 1.4 multiplied by the amount which may be taken into account under Section 415(b)(5) of the Code (or subsection (c)(7), if applicable) with respect to the Participant for the year. A Participant's "annual additions" consist of the contributions and forfeitures, if any, allocated to Participant's Accounts for the calendar year.

(g) District. - District shall mean The Metropolitan Water District of Southern California, a political subdivision.

(h) Employee. - Employee shall mean any employee of the District.

(i) Entry Date. - Entry date shall mean the first day of the first payroll period of each calendar quarter, unless otherwise provided by the General Manager.

(j) General Manager. - General Manager shall mean the General Manager of the District, or the General Manager's successor(s) or designee(s).

[(k) repealed by M. I. 42902 - April 14, 1998]

(l) Investment Manager. - Investment Manager shall mean any person who, pursuant to the Savings Plan, has the discretion to determine which Investment Vehicle assets shall be sold, acquired or exchanged.

(m) Investment Vehicle. - Investment Vehicle shall mean any type of investment that the Investment Manager determines is suitable as an investment for amounts accrued in Accounts. The General Manager may establish guidelines with respect to the types of investments that the Investment Manager may select as suitable.

(n) Matching Contributions. - Matching Contributions shall the amount contributed to this Savings Plan by the District pursuant to Section 6785(b).

(o) Participant. - Participant shall mean any Employee who has enrolled in this Savings Plan and any Employee whose benefit was transferred to this Savings Plan pursuant to a plan merger or other direct plan to plan transfer from another qualified plan whose Accounts have not yet been fully distributed.

(p) Savings Plan Year. - Savings Plan Year shall mean the calendar year.

(q) Separation from Service. - Separation from Service shall mean termination of the Participant's employment with the District.

(r) Surviving Spouse. - Surviving Spouse shall mean a husband or wife who was married to the Participant as of the date of the death of the Participant and who survives the death of the Participant.

(s) Tax Deferred Elective Contributions. - Tax Deferred Elective Contributions shall mean the amount of Compensation voluntarily deferred under this Savings Plan by the Participant pursuant to Section 6785(a).

(t) Trustee. - Trustee shall mean any person who is appointed by the General Manager to hold in trust and administer some or all of the assets of this Savings Plan pursuant to Section 6788.

(u) Trust Agreement. - Trust Agreement shall mean any agreement between the District and a Trustee to hold in trust and administer some or all of the assets of this Savings Plan.

(v) Trust Fund(s). - Trust Fund(s) shall mean the assets of this Savings Plan held under the Trust Agreement or Trust Agreements.

(w) Valuation Date. - Except as otherwise provided by an Investment Vehicle or Trustee, Valuation Date shall mean the last business day of each calendar quarter.

§ 6783. Article IV - Administration.

(a) This Savings Plan shall be administered by the General Manager. The General Manager shall represent the District in all matters concerning the administration of this Savings Plan.

(b) The General Manager shall have full power and authority to adopt rules and regulations for the administration of this Savings Plan, provided they are not inconsistent with the provisions of this Savings Plan, and to interpret, alter, amend, or revoke any rules and regulations so adopted. The General Manager shall have the authority to appoint such administrative agents, or persons as the General Manager deems advisable or desirable, to carry out the terms and conditions of this Savings Plan

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

(a) Eligibility. - All Employees of the District (except Employees whose customary employment is for not more than 20 hours per week and Employees whose customary employment is for not more than five months in any calendar year) may participate in this Savings Plan. Employees eligible under the preceding sentence ("Eligible Employees") may

participate in this Savings Plan commencing with the Entry Date immediately following their completion of six months of employment or, if later, October 1, 1985.

(b) Enrollment in Savings Plan.

(1) An Eligible Employee may become a Participant by signing an enrollment agreement, in form satisfactory to the General Manager, before an Entry Date. Such an Employee's participation shall become effective with respect to Compensation payable for services rendered to the District commencing on the next Entry Date.

(2) The General Manager may set minimum deferral amounts and minimum increments of Compensation that may be deferred (for example, \$10 multiples or one-half of one percent multiples of Compensation).

§ 6785. Article VI - Contribution and Allocation.

(a) Participant's Compensation Reduction Election:

(1) Tax Deferred Elective Contributions. - A Participant may, pursuant to the enrollment agreement, have the District contribute to the Participant's Tax Deferred Elective Contributions Account a percentage or dollar amount not in excess of 100 percent of the Participant's Compensation (or such lower percentage as the General Manager may designate from time to time.) Notwithstanding anything to the contrary in this Savings Plan, the amount contributed to this Savings Plan on behalf of any Participant shall not exceed the Participant's net earnings that, but for such contribution, would be payable after taking into account all applicable deductions and withholding/payroll taxes.

(2) Payments to Trustee. - Each Participant's Compensation shall be reduced each pay date by the authorized amount. The resulting contributions shall be transmitted by the District to the Trustee not later than 30 days after the end of the payroll period in which the reduction is made. The contributions that are made for each Participant shall be credited at least once each four weeks to the Tax Deferred Elective Contributions Account of each Participant.

(3) Changes in Tax Deferred Elective Contributions. - The percentage or dollar amounts designated by a Participant pursuant to Section 6785(a)(1) shall continue in effect, notwithstanding any changes in the Participant's Compensation. A Participant may, however, in accordance with Section 6785(a)(1), change the percentage or dollar amounts by giving prior written notice of such change to the General Manager, in a form approved by the General Manager. Such change shall be effective with respect to Compensation payable for services rendered to the District commencing with the first payroll period following the date such notice is filed, unless the General Manager establishes rules that allow the change to be effective earlier.

(4) Revocation of Tax Deferred Elective Contributions. - By giving prior written notice thereof, either the General Manager or a Participant may suspend at any time, the Tax Deferred Elective Contributions that are being made for the Participant effective with respect to

Compensation payable for services rendered to the District on or after the commencement of the first payroll period following the date such notice is made. Any re-enrollment shall be in accordance with Section 6784(b).

(b) Matching Contributions:

(1) Amount of Matching Contributions.- A Matching Contribution shall be allocated to the Matching Contributions Account of each Participant in an amount equal to a specified percentage from 0 percent to 100 percent of a Participant's Tax Deferred Elective Contributions for the Savings Plan Year, but not in excess of a specified percentage of the Participant's Compensation for the Savings Plan Year, both of which percentages shall be established by the District from time to time.

(2) Payments to Trustee. - Each Matching Contribution shall be paid by the District and transmitted to the Trustee not later than 30 days after the end of the payroll period for which the Matching Contributions are made.

(c) Overall Limitations on Benefits under Section 415 of the Code:

(1) Provision Pursuant to Code Section 415(c). This subpart (c) shall be effective for Limitations Years beginning on or after January 1, 2008.

(A) Limitation. Except as provided in §6785(g), the "Annual Additions" allocated to a Participant's Accounts under all qualified defined contribution plans of the District shall in no event exceed the lesser of: (i) \$40,000, as adjusted for increases in the cost of living under Section 415(d) of the Code; or (ii) 100 percent of the Participant's "415 Compensation" during the Limitation Year. The compensation limit described in subpart (ii) above shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419(f)(2) of the Code) which is otherwise treated as an Annual Addition under the Code.

(B) Definitions.

(i) "415 Compensation" shall mean Compensation as described in Section 6782(d), including: (a) any amounts otherwise excludable from income pursuant to Code Sections 125, 132(f)(4), 402(e)(3), 402(h) or 403(b) and (b) "Post-Severance Income."

(ii) "Annual Additions" shall mean the sum for any Limitation Year of (a) employer contributions; (b) employee contributions and (c) forfeitures, but not including: rollover contributions, direct transfers from another qualified Plan, contributions to a simplified employee pension plan, "Restorative Payments," repayments of loans, repayments of prior contributions or contributions for medical benefits after separation from service as described above.

(iii) "Limitation Year" shall mean the Savings Plan Year.

(iv) "Post-Severance Income" shall include the following amounts to the extent such amounts are paid by the later of 2½ months after severance from employment or by the end of the Limitation Year that includes the date of such severance from employment: (a) regular pay after severance of employment if: the payment is regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments; and the payment would have been paid to the Participant prior to a severance from employment if the Participant had continued in employment with the District; (b) amounts representing payment for unused accrued bona fide sick, vacation, or other leave, but only if the participant would have been able to use the leave if employment had continued; (c) payments to an individual who does not currently perform services for the District by reason of qualified military service (as that term is used in Code § 414(u)(1)) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the District rather than entering qualified military service; (d) compensation paid to a Participant who is permanently and totally disabled (as defined in Code § 22(e)(3)).

(v) "Restorative Payment" shall mean a payment made to restore losses to a Plan resulting from actions by a fiduciary for which there is reasonable risk of liability for breach of a fiduciary duty, where participants who are similarly situated are treated similarly with respect to the payments

(C) Excess Annual Additions. Notwithstanding any provision of the Plan to the contrary, if the annual additions (within the meaning of Code § 415) are exceeded for any Participant, then the Plan may only correct such excess in accordance with the Employee Plans Compliance Resolution System (EPCRS) as set forth in Revenue Procedure 2008-50 or any superseding guidance, including, but not limited to, the preamble of the final §415 regulations.

(2) Provision Pursuant to Code Section 415(e). - Repealed effective for Limitation Years beginning after December 31, 2000.

[(d) Repealed by M. I. 42902 - April 1998]

(e) Section 402(g) Limit. – Except as otherwise provided in §6785(g), the amount of Tax Deferred Elective Contributions made for any Participant for any taxable year shall not exceed the applicable dollar amount for such year, as shown below:

2002	\$11,000
2003	\$12,000
2004	\$13,000
2005	\$14,000
2006 or thereafter	\$15,000, as adjusted annually pursuant to Code §402(g)(5).

No Participant shall be permitted to have Tax Deferred Elective Contributions made under this Savings Plan, or any other qualified plan maintained by the District during any taxable year, in excess of the applicable dollar amount specified above for such taxable year, except to the extent permitted under (g) of this §6785 and Section 414(v) of the Code, if applicable. In the event such dollar limitation is exceeded the Participant may request, by no later than March 1 following the close of the Participant's taxable year, and the General Manager may authorize the Trustee to distribute, by no later than April 15 following the close of the Participant's taxable year, all or part of the excess and any income allocable thereto, to the Participant. In determining the excess amount distributable with respect to a Participant's taxable year, excess Tax Deferred Elective Contributions previously distributed for the Savings Plan Year beginning in such taxable year shall reduce the amount otherwise distributable under this subsection.

This Section applies to excess contributions (as defined in Code §401(k)(8)(B)) and excess aggregate contributions (as defined in Code §401(m)(6)(B)) made with respect to Plan Years beginning after December 31, 2007. The Plan administrator will not calculate and distribute allocable income for the gap period (i.e., the period after the close of the Plan Year in which the excess contribution or excess aggregate contribution occurred and prior to the distribution). With respect to 401(k) plan excess deferrals (as defined in Code §402(g)) made in taxable year 2007, the Plan administrator must calculate and distribute all allocable income for the taxable year and also for the gap period (i.e., the period after the close of the taxable year in which the excess deferral occurred and prior to the distribution).

(f) Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with §414(u) of the Internal Revenue Code. In particular, and without limiting the foregoing, in the case of a death occurring on or after January 1, 2007, if a Participant dies while performing qualified military service (as defined in Code § 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Participant had resumed and then terminated employment on account of death.

(g) All Participants who have attained age 50 before the close of the taxable year listed below shall be eligible to make additional catch-up contributions in the following maximum amounts for each Savings Plan Year:

2002	\$1,000
2003	\$2,000
2004	\$3,000
2005	\$4,000

2006 or thereafter \$5,000, as adjusted annually pursuant to Code §414(v)(2)(C).

Such catch-up contributions shall not be taken into account for purposes of the limitations contained in §6785(c) and (e). This Savings Plan shall not be treated as failing to satisfy the provisions of this Savings Plan implementing the requirements of Section 401(k)(3), 401(k)(11) and (12), 410(b), or 416 of the Code, as applicable, by reason of making such catch-up contributions.

(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 General Manager. 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 General Manager 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 General Manager 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 General Manager, 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.

(a) Investment of Funds.

(1) District contributions shall be allocated to the Investment Vehicles as specified under Section 6786(c) hereof. Subject to the other applicable provisions of this Savings

Plan and the Trust Agreement, a Trustee shall hold, manage, administer, value, invest, reinvest, account for and otherwise deal with each Investment Vehicle separately.

(2) Dividends, interest and other distributions received in respect of each Investment Vehicle held in a Participant's Accounts shall be reinvested pursuant to the Participant's instructions.

(b) Accounts. - Each Participant shall have established an individual Tax Deferred Elective Contributions Account and a 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.

(c) Investment of Contributions. - Each Participant shall direct that the Tax Deferred Elective Contributions and Matching Contributions that are made on Participant's behalf be invested in such of the Investment Vehicles as the Participant shall, subject to any limitations established by the General Manager, select.

(d) Change of Investment Option. - A Participant may change an investment option with respect to future Tax Deferred Elective Contributions and Matching Contributions. In addition, a Participant may change an investment option with respect to Tax Deferred Elective Contributions and Matching Contributions and earnings thereon already credited to Participant's Accounts. Any such change as to amounts already credited to a Participant's Accounts will be effective as soon as practicable.

(e) Election Procedure. - Unless the General Manager otherwise permits, an investment option provided for in Section 6786(c) and an investment change provided for in Section 6786(d) may only be made on a form approved by the General Manager, signed by the Participant and filed with the General Manager.

(f) Valuation of Investment Funds.

(1) As of each Valuation Date, the Trustee shall determine the value of each Participant's Accounts; the change in value of each Investment Vehicle between the current Valuation Date and the preceding Valuation Date; the net gain or loss of such Accounts during such period resulting from expenses paid (including the fees and expenses of the Trustee and Investment Manager, which may be charged to such Account in accordance with the terms of this Savings Plan and the Trust Agreement); and realized and unrealized gains and losses of each Investment Vehicle during such period shall all be determined and taken into consideration in valuing the Participant's Accounts.

(2) On each Valuation Date the value of the Participants' interests in each Investment Vehicle determined pursuant to Subsection (f)(1) of this Section 6786 shall be allocated as of such Valuation Date to the Accounts of Participants.

§ 6787. Article VIII - Distributions and Withdrawals.

(a) Nonforfeitability. - Any amount credited to a Participant's Accounts shall be fully vested. Notwithstanding anything to the contrary, each Participant shall be fully vested upon attainment of age 59½. Further, all Participants shall be fully vested in their benefits under the Plan, to the extent funded, upon the termination of the Plan or upon a complete discontinuance of contributions to the Plan.

(b) Distributions Only as Provided. - A Participant or Beneficiary shall be paid benefits under the Savings Plan only as provided in this and the following sections of this article. A Participant or Beneficiary who is eligible to receive a distribution under the Savings Plan shall submit an application for benefits to the General Manager, furnishing such information as the General Manager or the General Manager's duly authorized agents may require.

(c) Distributions on Termination. - Benefits shall be paid in a lump sum, in cash or in kind, pursuant to the election of the Participant or Beneficiary or Beneficiaries following the first Valuation Date subsequent to Participant's Separation from Service unless it is administratively possible to distribute the Accounts at an earlier time.

(d) Withdrawal of Contributions.

(1) Upon not less than 30 days prior written notice, a Participant who is at least 59-1/2 years of age may withdraw all or part of the amounts in Participant's Accounts. The Participant may make such an election no more than once each Savings Plan Year.

(2) Upon certification by a Participant of an immediate and heavy financial need, the amount of such need (including any income taxes payable with respect to a distribution under this Section) and the current unavailability of any distributions (other than hardship distributions) or nontaxable loans under all qualified and nonqualified plans of deferred compensation maintained by the District, including a cash or deferred arrangement that is part of a cafeteria plan within the meaning of Code Section 125, but not including the mandatory employee contribution portion of a defined benefit plan or a health or welfare benefit plan (including one that is part of a cafeteria plan). A Participant may withdraw all or part of the Participant's Tax Deferred Elective Contributions and Matching Contributions in Participant's accounts (and income allocable to Tax Deferred Elective Contributions credited to the Participant's Tax Deferred Elective Contributions Account prior to January 1, 1989), to the extent not in excess of such immediate and heavy financial need. Certification may only be made on a form approved by the General Manager, signed by the Participant and filed with the General Manager. The form shall limit situations of immediate and heavy financial need to (1) medical expenses described in Code Section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income) incurred by the Participant, the Participant's spouse or dependents (as defined in Code Section 152) (and in taxable years beginning on or after January 1, 2006, without regard to section 152(b)(1), (b)(2) and (d)(1)(B)), (2) the purchase (excluding mortgage payments) of a principal residence of the Participant, (3) payment of tuition for the next semester or quarter of post-secondary education for the Participant, Participant's

spouse, children or dependents, or (4) the need to prevent the eviction of the Participant from the Participant's principal residence or foreclosure on the mortgage of the Participant's principal residence, (5) except for taxable years beginning on or after January 1, 2006, payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Code Section 152, without regard to section 152(d)(1)(B)), (6) effective for taxable years beginning on or after January 1, 2006, expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income), and (7) other deemed immediate and heavy financial needs identified by the United States Department of Treasury. No portion of a hardship distribution may be paid directly to an Eligible Retirement Plan, as defined in §6787(g)(2). For distributions made on or after January 2002, if a Participant makes a withdrawal on account of an immediate and heavy financial need, the Participant's Tax Deferred Elective Contributions and Matching Contributions shall be automatically suspended under this Plan and all other qualified plans maintained by the district until reenrollment after a period of at least 6 months from the date of such withdrawal.

(e) Loans to Participants.

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

(2) Any loans made pursuant to the provisions hereof, shall satisfy the following conditions: (1) such loans shall be available to all Participants on a reasonably equivalent basis; (2) such loans shall not be made available to Participants who are highly compensated Employees or officers of the District in an amount which, when stated as a percentage of the balance of such Participants' Accounts, is greater than is available to other Participants; (3) such loans shall bear a reasonable rate of interest (unless the General Manager determines otherwise, such loan shall bear interest equal to one percent above the reference rate being charged by Bank of America NT&SA, or the prime rate or similar rate of a successor bank or other commercial bank designated by the General Manager, in effect at the beginning of the month in which the loan is made); (4) each such loan shall be adequately secured, with the security to consist of the portion of the Participant's Accounts equal to the loan principal and any additional security that the General Manager determines to be necessary; (5) the amount of any such loan, when added to the outstanding balance of all other loans from all qualified plans and 457(b) plans of the District to the Participant, shall not exceed either (i) \$50,000 reduced by the excess (if any) of the highest outstanding balance during the preceding 12 months of loans from the Savings Plan to the Participant over the outstanding balance of loans from the Savings Plan to the Participant on the date such loan is made or (ii) one-half the value of such Participant's Accounts, including in such balance prior loans to the Participant (for the purpose of this clause, the value of the balance of such Participant's Accounts shall be established as of the Valuation Date preceding the date upon which the loan is made); and (6) each such loan, by its terms, shall be repaid within five years (except that if the General Manager is satisfied that the loan proceeds are being

used to acquire the principal residence of a Participant, the General Manager may, in his discretion, establish a term of up to 15 years for repayment).

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

(4) Any Participant may, upon written notice delivered to the General Manager 30 working days prior to a Valuation Date, request that a loan be made to Participant from Participant's Accounts in 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 regulation promulgated by the Secretary of the Treasury or the Secretary of Labor).

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

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

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

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

(9) Any loans hereunder constitute an exception to the anti-alienation rules in Section 6780(c) of the Savings Plan.

(f) Order of Distribution. - Distributions (including withdrawals) shall be made from the applicable portion of a Participant's Accounts invested in the Investment Vehicles on a pro rata basis from each Investment Vehicle, unless a different order of distribution is directed by the Participant. Each Participant by written notice (in form acceptable to the General Manager) signed by the Participant and filed with the General Manager may direct the order in which distributions are to be made if other than on a pro rata basis.

(g) Direct Rollovers. – This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Article, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover. The following definitions shall apply to this Section:

(1) **Eligible Rollover Distribution:** An Eligible Rollover distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities) or any hardship distribution.

(2) **Eligible Retirement Plan:** An Eligible Retirement Plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, for distributions made after December 31, 2007, a Roth IRA as described in Section 408A of the Code (provided that the requirement of Section 408A(e) of the Code for a rollover to a Roth IRA have been met), an annuity plan described in Section 403(a) of the Code, and for distributions made after December 31, 2001, an annuity contract described in Section 403(b) of the Code, a qualified trust described in section 401(a) of the Code, an eligible plan under 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 and which agrees to separately account for amounts transferred into such plan from this savings plan that accepts the Distributee's Eligible Rollover distribution. This definition shall also apply in the case of an eligible rollover distribution to a Surviving Spouse, or to a spouse or

former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code.

(3) Distributee: A Distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's Surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the code, are Distributees with regard to the interest of the Spouse or former Spouse.

(4) Direct Rollover: A Direct Rollover is a payment by the Plan to the Eligible Retirement plan specified by the Distributee.

(h) Required Distributions. Effective January 1, 1987, all distributions shall be determined and made in accordance with the proposed regulations under Section 401(a)(9), including the minimum distribution incidental benefit requirement of Section 1.401(a)(9)-2 of the proposed regulations and in accordance with the following provisions:

(1) Definitions. The following definitions shall apply to this Section:

(a) Applicable Life Expectancy: The life expectancy (or joint and last survivor expectancy) calculated using the attained age of the Participant (or Designated Beneficiary) as of the Participant's (or Designated Beneficiary's) birthday in the applicable calendar year reduced by one for each calendar year which has elapsed since the date life expectancy was first calculated. If life expectancy is being recalculated, the Applicable Life Expectancy shall be the life expectancy as so recalculated. The applicable calendar year shall be the first Distribution Calendar Year, and if life expectancy is being recalculated such succeeding calendar year.

(b) Designated Beneficiary: Any individuals or legal entity designated to receive any benefit under this Plan upon the death of a Participant.

(c) 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.

(d) Participant's Benefit: 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 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. Notwithstanding the foregoing, if any portion of the minimum distribution for the first Distribution Calendar Year is made in the second Distribution Calendar Year on or before the Required Beginning Date, the amount of the minimum distribution made in the second

Distribution Calendar Year shall be treated as if it had been made in the immediately preceding Distribution Calendar Year.

(e) Required Beginning Date: The Required Beginning Date of a Participant is the first day of April of the calendar year following the calendar year in which the later of retirement or attainment of age 70 ½ occurs.

(2) Required Distributions. The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's Required Beginning Date.

(3) Limits on Distribution Periods. As of the first Distribution Calendar Year, distributions, if not made in one lump-sum payment, may only be made over one of the following periods (or a combination thereof):

(a) The life of the Participant; or

(b) The life of the Participant and a Designated Beneficiary; or

(c) A period certain not extending beyond the Life Expectancy of the Participant; or

(d) A period certain not extending beyond the joint and last survivor expectancy of the participant and a Designated Beneficiary.

(4) Determination of Amount to be Distributed Each Year. If the Participant's interest is to be distributed in other than one lump-sum payment, the following minimum distribution rules shall apply on or after the Required Beginning Date:

(a) If a Participant's Benefit is to be distributed over:

(i) a period not extending beyond the Life Expectancy of the Participant or the joint life and last survivor expectancy of the Participant and the Participant's Designated Beneficiary; or

(ii) a period not extending beyond the Life Expectancy of the Designated Beneficiary, the amount required to be distributed for each calendar year, beginning with distributions for the first Distribution Calendar Year, must at least equal to the quotient obtained by dividing the Participant's Benefit by the applicable Life Expectancy.

(b) The amount to be distributed each year, beginning with distributions for the first Distribution Calendar Year shall not be less than the quotient obtained by dividing the Participant's Benefit by the lesser of:

(i) the applicable Life Expectancy; or

(ii) if the Participant's Spouse is not the Designated Beneficiary, the applicable divisor determined from the table set forth in Q&A-4 of Section 1.401(a)(9)-2 of the proposed regulations

(c) The minimum distribution required for the Participant's first Distribution Calendar Year must be made on or before the Participant's Required Beginning Date. The minimum distribution for other calendar years, including the minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, must be made on or before December 31 of that Distribution Calendar Year.

(5) Other Forms. If the Participant's Benefit is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of Section 401(a)(9) of the Code and the proposed regulations thereunder.

(6) Death Distribution Provisions

(a) Distribution beginning before death. If the Participant dies after distribution of his or her interest has begun, the remaining portion of such interest shall continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

(b) Distribution beginning after death. If the Participant dies before distribution of his or her interest begins, distribution of the Participant's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death except to the extent that an election is made to receive distributions in accordance with (1) or (2) below:

(1) If any portion of the Participant's interest is payable to a Designated Beneficiary, distributions may be made over the life or over a period certain not greater than the Life Expectancy of the Designated Beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Participant died.

(2) If the Designated Beneficiary is the Participant's Surviving Spouse, the date distributions are required to begin in accordance with (1) above shall not be earlier than the later of: (i) December 31 of the calendar year immediately following the calendar year in which the Participant died; or (ii) December 31 of the calendar year in which the Participant would have attained age 70 ½.

(c) If the Participant has not elected a form of distribution by the time of his or her death, the Participant's Designated Beneficiary must elect the method of distribution no later than the earlier of: December 31 of the calendar year in which distributions would be required to begin under this Section; or December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant.

(d) If the Participant has no Designated Beneficiary, or if the Designated Beneficiary does not elect a method of distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(e) If the Surviving Spouse dies after the Participant, but before payments to such Spouse begin, the provisions of this Section shall be applied as if the Surviving Spouse were the Participant.

(i) **Minimum Distributions.** With respect to distributions under this Savings Plan made in calendar years beginning on or after January 1, 2002, the Savings Plan will apply the minimum distribution requirements of Section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under Section 401(a)(9) that were proposed in January 2001, notwithstanding any provision of this Savings Plan to the contrary. This paragraph (i) shall continue in effect until the end of the last calendar year beginning before the effective date of the final regulations under Section 401(a)(9) or such other date specified in guidance published by the Internal Revenue Service.

(j) **Minimum Distribution 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 amendment 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 Distributions 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 70 ½, 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.

(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: **(i)** 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; **(ii)** 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 **(iii)** 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)-4, 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 the 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.

(e) Required Beginning Date. April 1st of the calendar year following the later of (i) the calendar year in which the Participant reaches age 70 ½ or (ii) the calendar year in which the Participant actually retires or otherwise terminates employment with the District.

(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 General Manager may require.

(l) Non-Spousal Rollovers. For distributions occurring on account of death on or after January 1, 2007, the beneficiary will be permitted to elect a direct rollover in accordance with the provisions of Section 402(c)(11) of the Code, provided that the distributed amount satisfies all the requirements to be an eligible rollover distribution other than the requirement that the distribution be made to the participant or the participant's spouse. The direct rollover must be made to an individual retirement account established on behalf of the designated beneficiary that will be treated as an inherited individual retirement account pursuant to the provisions of Section 402(c)(11) of the Code.

(m) Qualified Reservist Distributions. Effective with respect to Participants who are ordered or called to active duty after September 11, 2001, and before September 12, 2007, the Participant may elect to receive a "qualified reservist distribution." A "qualified reservist distribution" is a distribution attributable to elective deferrals that is made to the Participant who, by reason of being a member of a reserve component (as defined in 37 USC §101) was ordered or called to active duty for a period in excess of 179 days, and that is made during the period beginning on the date of such order or call to duty and ending at the close of the active duty period.

§ 6788. Article IX - Administration of Savings Plan and Trust Agreement.

(a) Responsibility for Administration. - The District is the "plan administrator" within the meaning of Section 414(g) of the Code. The District delegates all its authority to the General Manager, who shall be the Administrator under this Savings Plan. As Administrator, the General Manager shall be responsible for the administration of this Savings Plan, including but not limited to the preparation and delivery to Participants, Beneficiaries and governmental agencies

of all information, descriptions and reports required by applicable law. Each other fiduciary shall have such powers, duties and authorities as shall be specified in this Savings Plan or the Trust Agreement.

(b) Authority. - The General Manager shall interpret where necessary the provisions of this Savings Plan and determine the rights and status of Participants and other persons under this Savings Plan. The General Manager also may modify any notice period required by this Savings Plan or designate any office to serve as the recipient of any form or notice that has to be filed under this Savings Plan. The General Manager, in case of disputes, may make determinations and findings of fact with respect to any matter arising in connection with the administration of this Savings Plan. Subject to the provisions of Section 6788(c), such determinations and findings shall be final and conclusive, to the extent permitted by law, as to all interested persons for all purposes of this Savings Plan. The General Manager shall instruct the Trustee as to the benefits to be paid hereunder and shall furnish the Trustee with any further information reasonably required by it for the purpose of distributing such benefits and making investments in or withdrawals from one or more of the Investment Vehicles.

(c) Revocability of Action. - Any action taken by the General Manager with respect to the rights or benefits under this Savings Plan or any Participant or Beneficiary shall be revocable by the General Manager as to payments, distributions or deliveries not theretofore made hereunder pursuant to such action. Appropriate adjustments may be made in future payments or distributions to a Participant or Beneficiary.

(d) Employment of Assistance. - The District may employ such expert communication and enrollment, legal, accounting, investment or other assistance as it deems necessary or advisable for the proper administration of this Savings Plan and the Investment Vehicles. Any expenses incurred as a result of such employment may be paid by the Trustee from the Participants' Accounts.

(e) Uniform Administration of Savings Plan. - All action taken by the General Manager under this Savings Plan shall treat all persons similarly situated in a uniform and consistent manner.

(f) Participant's Accounts. - The Participants' Accounts shall be held by the Trustee for the exclusive benefit of the Participants and their Beneficiaries and shall be invested by the Trustee upon such terms and in such property as is provided in this Savings Plan and in the Trust Agreement.

(g) No Guarantee Against Loss.

(1) The District does not guarantee the Participants' Accounts or Investment Vehicles or any part thereof against loss or depreciation. All persons having any interest in the Accounts or Investment Vehicles shall look solely to such sources for payment with respect to such interest. No action by the District shall be considered to be either an endorsement or guarantee of any investment, nor shall it be considered to attest the financial soundness or the

suitability of any investment for the purpose of meeting future obligations provided for in this Savings Plan.

(2) While the District will endeavor to use reasonable care in the selection of any Trustee, Investment Manager, or Investment Vehicle for Tax Deferred Elective Contributions, neither the District nor its Directors or Employees shall be liable to any Participant or Beneficiary for disappointing results, or loss, flowing from any deficiencies in this regard, and a Participant, as a condition to participation in this Savings Plan, shall be required to execute an agreement wherein the Participant, for the Participant, and the Participant's heirs and Beneficiaries agrees to hold the District, its Directors and Employees harmless and agrees to waive any cause of action the Participant might otherwise have or obtain as a result of participation in this Savings Plan; provided, that such agreement will not apply to claims and causes of action arising from willful misconduct.

(h) Payment of Benefits. - All payments of benefits provided for by this Savings Plan (less any deductions provided for by this Savings Plan) shall be made solely out of the Participants' Accounts in accordance with instructions given to the Trustee by the General Manager, and the District shall not be otherwise liable for any benefits payable under this Savings Plan.

(i) Compensation and Expenses. - The Trustee shall be entitled to receive such reasonable compensation for its services as may be agreed upon by it and the General Manager. Such compensation, the cost of employment of expert assistance, and, upon prior approval of the General Manager, extraordinary expenses of the Trustee and other expenses or fees for the proper administration of this Savings Plan shall be paid from the Trust Fund.

§ 6789. Article X - Responsibility of the District and its Employees.

(a) Immunities.

(1) Neither the District, its Directors, nor its Employees shall be liable for any action taken or not taken with respect to this Savings Plan or the Trust Agreement except for its or their own gross negligence or willful misconduct;

(2) Neither the District, its Directors, nor its Employees shall be personally liable upon any contract, agreement or other instrument made or executed by it or them in its or their behalf in the administration of this Savings Plan or the Trust Agreement;

(3) Neither the District, its Directors, nor its Employees shall be liable for the neglect, omission or wrongdoing of any other person in connection with the administration of this Savings Plan and the Trust Agreement or the investment of the funds contained in the Investment Vehicles. Nor shall any such person be required to make inquiry into the propriety of any action by any other person in connection with the administration of this Savings Plan and the Trust Agreement or the investment of the funds contained in the Investment Vehicles;

(4) The District, its Directors, and each Employee thereof (specifically including the General Manager and other officers), and any other person to whom the District delegates (or the Savings Plan or Trust Agreement assigns) any duty with respect to this Savings Plan or the Trust Agreement, may rely and shall be fully protected in acting in good faith upon the advice of counsel, who may be counsel for the District, upon the records of the District, upon the opinion, certificate, valuation, report, recommendation, or determination of the Trustee or of the District's General Auditor, or upon any certificate, statement or other representation made by or any information furnished by an Employee, a Participant, a Beneficiary or the Trustee concerning any fact required to be determined under any of the provisions of this Savings Plan;

(5) If any responsibility of the District, its Directors, or its Employees is allocated to another person, then the District, its Directors, or its Employees shall not be responsible for any act or omission of such person in carrying out such responsibility; and

(6) No person shall have the duty to discharge any duty, function or responsibility which is assigned by the terms of this Savings Plan or the Trust Agreement or delegated pursuant to the provisions of Section 6789(b) to another person.

(b) Responsibilities. - Persons shall have only such powers, duties, responsibilities and authorities as are specified in this Savings Plan or the Trust Agreement. The District shall have the responsibility for making District contributions under this Savings Plan to the Investment Vehicles. The Board of Directors of the District shall have the authority to amend or terminate this Savings Plan. The General Manager shall have the authority to amend or terminate the Trust Agreement in whole or in part and to appoint, employ, and remove the Trustee and shall be the Savings Plan Administrator and shall have the responsibility and authority to appoint or remove any Investment Manager or any other person that is employed for purposes of this Savings Plan, and to interpret and administer this Savings Plan, subject to the provisions hereof. The Trustee shall have the responsibility and authority for the administration of the Trust Agreement.

(c) Other Immunities Not Restricted. - The provisions of this article shall not be construed to in any way restrict the privileges and immunities that the District and its employees are otherwise entitled to pursuant to Part 2, Division 3.6, Title 1 of the Government Code, and in particular Sections 818.8 and 820.2 thereof.

§ 6790. Article XI - Miscellaneous.

(a) No Enlargement of Employment Right. - A Participant by accepting benefits under this Savings Plan does not thereby agree to continue for any period in the employ of the District, and the District by adopting this Savings Plan, making contributions or taking any action with respect to this Savings Plan does not obligate itself to continue the employment of any Participant for any period.

(b) Severability Provision. - If any provision of this Savings Plan or the application thereof to any circumstance or person is invalid, the remainder of this Savings Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

(c) Alienation.

(1) Except as otherwise provided in subparagraph (3) of this Section, no benefit which shall be payable out of the Trust Fund to any person (including a Participant or Beneficiary) shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void; and no such benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any such person, nor shall it be subject to attachment or legal process for or against such person, and the same shall not be recognized by the Trustee, except to such extent as may be required by law.

(2) In the event a participant's benefits are garnished or attached by order of any court, the General Manager may bring an action for a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid by this Savings Plan. During the pendency of said action, any benefits that become payable shall be paid into the court as they become payable, to be distributed by the court to the recipient it deems proper at the close of said action. Any costs attributable to these actions may be charged to the Account of the Participant.

(3) This Section shall not apply to the creation, assignment or recognition of a right to any benefit payable pursuant to a domestic relations order, unless such order is determined to be a Qualified Domestic Relations Order by the District, as defined in Section 414(p) of the Code. The Trustee shall be entitled to make distributions to an alternate payee pursuant to a Qualified Domestic Relations Order in accordance with such an Order, without regard to the age or employment status of the Participant.

(d) Construction of Agreement. - Except to the extent federal law controls, this Savings Plan and the Trust Funds shall be construed and enforced according to the laws of the State of California. All persons accepting or claiming benefits under this Savings Plan shall be bound by and deemed to consent to its provisions.

(e) Gender and Number. - Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

(f) Legal Action. - In the event any claim, suit, or proceeding is brought regarding the Trust Fund and/or this Savings Plan established hereunder to which the General Manager may be a party, the General Manager shall be entitled to be reimbursed from the District for any and all costs, attorney's fees, and other expenses pertaining thereto incurred for which the General Manager shall have become liable.

(g) Prohibition Against Diversion of Funds. - It shall be impossible by operation of this Savings Plan or of the Trust Agreement, by termination of either, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by any other

means, for any part of the corpus or income of any Trust Fund maintained pursuant to this Savings Plan or any funds contributed thereto to be used for, or diverted to, purposes other than the exclusive benefit of Participants or their Beneficiaries except as provided in this Savings Plan.

(h) Receipt and Release for Payments. - Any payment to any Participant, Participant's legal representative, Beneficiary, or to any guardian or committee appointed for such Participant or Beneficiary in accordance with the provisions of this Savings Plan, shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Trustee and the District, either of whom may require such Participant, legal representative, Beneficiary, guardian or committee, as a condition precedent to such payment, to execute a receipt and release thereof in such form as shall be determined by the Trustee or District.

(i) Headings. - The headings and subheadings of this Savings Plan have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

(j) Uniformity. - All provisions of this Savings Plan shall be interpreted and applied in a uniform, nondiscriminatory manner.

(k) District and Trustee's Protective Clause. - Neither the District nor the Trustee, nor their successors, shall be responsible for the validity of any contract in regard to an Investment Vehicle or for the failure on the part of a contractor to comply with its obligations, or for the action of any person which may delay payment or render a contract null and void or unenforceable in whole or in part.

(l) Administrative Costs. - District administrative costs may be charged to Participants or deducted from a Participant's Accounts in accordance with a nondiscriminatory procedure established by the General Manager.

(m) Employee Plans Compliance Resolution System. - The General Manager may take whatever action he determines in his discretion to be necessary and appropriate to correct any error in the administration of the Savings 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.

§ 6791. Article XII - Amendment, Termination or Merger.

(a) Right to Amend or Terminate. - The District reserves the right at any time or times, without the consent of any Participant, Beneficiary or other persons, (1) to terminate this Savings Plan, in whole or in part or as to any designated group of Employees, Participants and their Beneficiaries, or (2) to amend this Savings Plan, in whole or in part.

(b) Procedure for Termination or Amendment. - Any termination or amendment of this Savings Plan pursuant to Section 6791(a) shall be expressed in an instrument executed by the District on the order of its Board of Directors and filed with the Trustee, and shall become

effective as of the date designated in such instrument or, if no date is so designated, on its execution.

(c) Distribution Upon Termination. - If this Savings Plan shall be terminated by the District, the Investment Vehicles shall be distributed as if each Participant had then retired pursuant to Section 6787(c) at the time of the termination; provided that such distribution shall only occur if then permitted by Section 401(k) of the Code.

(d) Merger. - In the case of any merger or consolidation with, or transfer of assets or liabilities to, any other plan, each Participant in this Savings Plan will receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation or transfer.

(e) Failure to Qualify Under Sections 401(a) and 401(k) of the Code. - Notwithstanding anything else contained herein, this Savings Plan shall be subject to the issuance by the Internal Revenue Service of either (1) a determination or ruling to the effect that this Savings Plan (as modified by any amendment thereto made for the purpose of securing such determination or ruling) meets the applicable requirements of Sections 401(a) and 401(k) of the Code for a qualified governmental plan containing a qualified cash or deferred arrangement, or (2) a determination or ruling with respect to this Savings Plan that is acceptable to the District. If the District does not receive such a determination or ruling within 12 months after it requests it or, if earlier, within 24 months after this Savings Plan is adopted by the District, then, notwithstanding any other provision of this Savings Plan, the District may elect to declare this Savings Plan to be retroactively void by giving written notice to the Trustee that no such Internal Revenue Service determination or ruling has been received.

§ 6792. Article XIII - Effective Date.

The effective date of this Savings Plan shall be July 1, 1985.