

**SUMMARY OF THE
COUNTY OF SAN DIEGO
INCENTIVE RETIREMENT
DEFERRED COMPENSATION PLAN**

This summary describes the County of San Diego
Incentive Retirement Deferred Compensation Plan
as in effect on January 1, 2002

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INTRODUCTION

This summary presents the highlights and an explanation of the County of San Diego Incentive Retirement Deferred Compensation Plan (called the “Plan” in this summary). It will help you understand your benefits and your rights under the Plan.

- If you have questions about the Plan, you may obtain information regarding the Plan from the Deferred Compensation Administrator by calling (619) 531-5840. The Deferred Compensation Administrator also has copies of the official Plan text and the trust agreement, which govern the operation of the Plan and state all of its provisions in detail.
- A copy of the official Plan text or of the trust agreement for the Plan will be furnished to you upon request. Such a request should be made in writing and addressed to the County Treasurer-Tax Collector, Deferred Compensation Administrator, County of San Diego Incentive Retirement Deferred Compensation Plan, 1600 Pacific Highway, Room 152, San Diego, CA 92101.
- Please note that this is only a summary of the more significant provisions of the Plan. To make the summary as clear and concise as possible, some rules are only described in abbreviated form, and others are not mentioned at all. For this reason, you should read the official Plan text if you need a complete statement of all provisions.

IF THERE IS ANY AMBIGUITY IN THIS SUMMARY, OR IF THERE IS ANY CONFLICT BETWEEN THIS SUMMARY AND THE OFFICIAL PLAN DOCUMENT, THEN THE OFFICIAL PLAN DOCUMENT WILL CONTROL.

HIGHLIGHTS

Providing for a financially secure retirement is, for most individuals, their most important financial priority. The County of San Diego is committed to assisting you in this effort. The Incentive Retirement Deferred Compensation Plan allows you to save money regularly in the Plan. This summary has been prepared to help you understand how you can benefit under the Incentive Retirement Deferred Compensation Plan and to help you begin now to plan for your retirement years.

The County of San Diego (called the “County” in this summary) helps you build your personal future security through the Plan. The Plan offers you a unique opportunity to save with these features:

- You may make a one time, irrevocable commitment to make contributions of 2.5%, 5%, 10%, 15%, 20% or 25% of your pay to the Plan, subject to the maximum limit imposed by law.
- The County will consider your contributions as employer contributions to the Plan (called a “pick-up” contribution). The contribution will not be subject to federal or state income taxes at the time the contribution is made. The employer contributions will be held in an account in the Plan entitled “Employer Account” for your benefit.
- You may also roll over distributions from certain other tax-qualified plans, subject to approval by the Deferred Compensation Administrator, into an account in the Plan entitled “Rollover Account” for your benefit.
- You direct the investment of all amounts contributed on your behalf among the available investment funds under the Plan.
- All amounts held on your behalf in the Plan are fully vested and held in trust at all times. This means you are entitled to the value of your Accounts if you leave the County for any reason.

ELIGIBILITY AND PARTICIPATION

Who is an Eligible Employee?

Every employee of the County of San Diego who is classified as either a permanent full-time employee or a permanent part-time employee and is on the payroll of the County is eligible to participate in the Plan except for nonresident aliens with no income from sources within the United States, leased employees, individuals who are not classified by the County as an employee, and those who have entered into a written agreement providing that they are not eligible to participate in the Plan.

When may I become a Participant?

You may become a participant on the first day of the pay period, which follows the date you make the election to participate. If you are an Eligible Employee at the time you are first employed, this election must be made within the first 90 days of your employment with the County. Otherwise, this election must be made within 90 days of the date you become an Eligible Employee.

Participation is voluntary; you may elect not to participate in this Plan.

Enrollment

To become a participant, you must complete an enrollment form. On that form you can elect to make contributions of 2.5%, 5%, 10%, 15%, 20% or 25% of your pay, whatever you select. This election is made one time and may not be changed later with respect to employment with the County. Therefore, the election remains in effect throughout your employment with the County, including periods of reemployment with the County.

On the enrollment form you will be asked to:

- Indicate the percentage of your pay, if any, you want to save;
- Authorize payroll deductions;
- Name a beneficiary; and
- Choose between the different investment options available under the Plan.

After you complete the enrollment form, return it to the Deferred Compensation Administrator.

When Contributions Stop

Under the circumstances listed below, your contributions will stop. However, the assets or funds in your Accounts will remain in the Plan, and you will continue to direct the investment of the assets or funds in your Account and share in the investment income, gains, expenses and losses of the Investment Options you select.

Your contributions under the Plan will stop and you will be considered an inactive participant for any period during which:

- You are on an authorized leave of absence without pay, or
- You receive no regular earnings for any other reason, or
- Your contributions are stopped because of an unforeseeable financial hardship, determined in accordance with the Plan and as described further below. In that case, you may not make contributions under this Plan again for a period of at least 6 months from the date contributions stopped.

What Happens If I Leave The County And Am Later Rehired?

If you were a participant, leave the County and are later rehired as an Eligible Employee, you become a Plan participant on the first day of the pay period, which coincides with or follows your reemployment date. The election you previously made will be reinstated.

Contributions Following Reemployment After Qualified Military Leave

If you become absent from your job due to duty in the uniformed military service and then return to employment with the County, you will be able to resume participation in the Plan upon your return from qualified military service. You will be permitted to make additional pick-up contributions. The amount of these additional contributions cannot exceed the maximum amount you would have been permitted to contribute to the Plan during the period of qualified military service had you actually been employed by the County during that period, and must also be made within a certain period of time following your reemployment. Please contact the Deferred Compensation Administrator for additional information.

When Does My Participation End?

Your participation will end when you are no longer an Eligible Employee of the County and your entire Account balances have been distributed.

Under What Circumstances Can Contributions Be Suspended?

In the event you have an unforeseeable financial emergency, you may elect to have your contributions to the Plan suspended. The suspension will remain in effect for at least 6 months from the date contributions stop. The financial emergency must be reasonably unforeseeable. Therefore, certain expenses which could be anticipated do not qualify, such as expenses incurred for a home purchase, college tuition, or related to a divorce. Please contact the Deferred Compensation Administrator for more information if you wish to suspend based on these rules.

EMPLOYEE CONTRIBUTIONS

Who May Contribute?

Once you have enrolled, you make contributions to the Plan at the percentage you elected as long as you are not considered an inactive participant.

How Much?

The amount you elect to contribute, if any, to the Plan is completely voluntary. You may contribute 2.5%, 5%, 10%, 15%, 20% or 25% of your pay. Your contributions to the Plan may be limited as described below under the section entitled “Contribution Limitations.”

What Counts as “Pay”?

The word “pay” means your “W-2” taxable pay paid to you for services rendered to the County while you are a Plan participant. Also included are contributions to this Plan which the County has “picked up,” your contributions to the San Diego County Deferred Compensation Plan, any pre-tax contributions you make under a Section 125 plan, and any qualified transportation fringe benefits provided to you by the County. Pay does not generally include compensation in excess of the annual dollar limit set by federal law (\$200,000 in 2003).

Election to Contribute

When you first become a participant, you will specify on the enrollment form what percentage you wish to contribute. The percentage you have elected will be deducted from each of your paychecks. Please note that when you elect a percentage of your pay to be withheld, the dollar amount of your contribution will adjust automatically if your pay changes.

Rollover Contributions

If you are an Eligible Employee (as defined above), you may make Rollover Contributions to the Plan. Rollover Contributions are certain distributions from a qualified 401(a) or 403(a) retirement plans that are rolled over to the Plan within 60 days of their receipt by the Eligible Employee or which are directly transferred to this Plan from a qualified 401(a) or 403(a) plan or from a traditional individual retirement account that holds only monies received from a qualified 401(a) plan. You may invest Rollover Contributions in the same investment funds that are available for investment of other Plan contributions.

What are Employer Contributions?

The County Board of Supervisors has agreed to “pick up” the amount of your contributions and consider them as “employer contributions” under certain Internal Revenue Code rules. Under those rules, all of your contributions will be considered as wages which are redirected into the Plan and are therefore employer contributions not subject to federal or state tax at the time of contribution. However, employer contributions are subject to FICA taxes (including the Old-

Age, Survivor and Disability Insurance (“OASDI”) tax and the Medicare tax), if those taxes apply to you.

The employer contributions will generally be contributed to the Plan with each payday.

Your contributions to the Plan will also reduce your “includible compensation” otherwise eligible for deferral under the San Diego County Deferred Compensation Plan.

How are Employer Contributions allocated?

Your share of the total employer contribution to the Plan for each Plan Year is that amount of your contributions which the County has picked up as an employer contribution. These amounts will be held in an Employer Account in the Plan established in your name.

THE ADVANTAGE OF THE EMPLOYER “PICKUP”

Because contributions picked up by the County come out of your pay before either federal income taxes or California state income taxes are imposed, the amount contributed is not considered part of your current income for income tax purposes. Therefore your current taxable income is lower, as are your income taxes. You do not pay income taxes on the contributions (or the earnings on such contributions) until you receive them in a distribution from the Plan which provides you more money to invest on a tax-deferred basis.

Below is a simplified example. It assumes a person is married and has the taxable income stated in the example.

Example: Suppose a participant is married and filing jointly, earns \$25,000 for the year and decides to save 10% of his or her earnings (or \$2,500) under the Plan.

	Savings Without <u>Pickup</u>	Savings With <u>Pickup</u>
Annual Salary	\$25,000	\$25,000
Pickup Savings	- 0	- 2,500
Taxable Income	\$25,000	\$22,500
Less Taxes:		
FICA ¹	- 1,913	- 1,913
Federal Income Tax ²	- 3,150	- 2,775
Net Pay	\$19,937	\$17,812
Increased Net Pay available for Savings Outside Plan (\$19,937-\$17,812)	\$2,125	\$0
Savings Within Plan	\$0	\$2,500
Net Amount Available for Investment	\$2,125	\$2,500

As you can see, contributions to the Plan with the County pickup gives this person **\$375.00 (= \$2,500-\$2,125)** more to save and invest. Also note that most states, including California, do not tax your “pick-up” contributions, so a person could defer state income taxes as well.

¹ This amount reflects both the Old-Age, Survivor and Disability Insurance (“OASDI”) portion and the hospital portion (Medicare) of the FICA taxes. General Employees have both the OASDI and Medicare tax withheld (a combined 7.65%, subject to a dollar limit on OASDI). Deputy Sheriffs and Safety Employees hired after April 1, 1986 have only the Medicare tax withheld (1.45%).

² For purposes of the example, the federal income tax rate is assumed to be 10% of first \$12,000 and 15% of the amount in excess of \$12,000. This example does not consider the effect of state taxes. Actual tax rates and taxable amounts are subject to change and will vary.

HOW ACCOUNT BALANCES COULD GROW

Below is an example of how Account balances could grow. It assumes the participant's pay is \$40,000, a contribution of 10% of pay is elected, and the Account earns a 7% average annual return. For simplicity, the example also assumes no salary increases.

Assuming a \$4,000 contribution each year into the Plan ($\$40,000 \times 10\%$), this participant's Account balance would grow to \$18,722 after 5 years, \$39,370 after 10 years, \$68,330 after 15 years, \$108,948 after 20 years and \$165,918 after 25 years.

CONTRIBUTION LIMITATIONS

Limitations

The Internal Revenue Code imposes certain limitations on the total amount that may be allocated each year to an individual participant. The limit is currently the lesser of \$40,000 or 100% of the participant's annual compensation during the limitation year (i.e., the plan year which is the calendar year). All contributions allocated to you under the Plan and any other defined contribution plans maintained by the County count against the limit in their entirety. Also, if a contribution is made by mistake, contributions may be returned to the County.

YOUR ACCOUNT

When you join the Plan, the following Plan accounts will be maintained in your name:

- Employer Account
- Rollover Account (if applicable)

When the term “Account” is used in this summary, it refers to all of your accounts listed above.

INVESTMENT OPTIONS AND RISKS

All County pick-up contributions on your behalf and Rollover Contributions to the Plan are placed in an Account in a trust fund maintained for the Plan by the Trustee. The Plan permits you to direct the investment of your Account among several investment funds. A description of each investment fund is provided in separate materials including prospectuses. You should select an investment fund - or a combination of investment funds - that meets your requirements and that involves a level of risk that you find acceptable.

All Plan contributions are deposited with the investment provider you select to hold and invest the fund according to your investment instructions. The Plan is intended to satisfy the provisions of California Government Code section 53213.5, which provides that the County shall be relieved of liability for losses that arise from a Participant's investment decisions.

Investment Risks

You should appreciate that each of the investment funds is subject to a degree of investment risk and that the different funds available under the Plan are exposed to different kinds and levels of risk. In general, fixed-income investments such as bonds are subject to a risk of principal loss when interest rates rise and to possible defaults in the payment of interest or the repayment of principal, whereas equity investments in business enterprises (e.g., stock of the enterprises) depend on market perceptions of the expected profitability of the enterprises. Both are also affected by general economic and market conditions. Short-term money-market type investments historically offer a lower risk of loss of principal, but also generally provide a lower average rate of return (that may not be better than the rate of inflation). This presents the risk that your money may not grow enough to meet your needs in retirement. None of the investment funds offered under the Plan is insured by any government agency, nor does the County provide any guarantee with respect to the funds. You should recognize that any investment fund could incur losses.

Basic Investment Strategy

Please note that the following discussion is general in nature and is not intended as investment advice. Please contact an investment advisor if you want guidance on investments appropriate for your specific needs.

No matter what your age and investment aims, it is important to make sure that you choose a mix of stocks, bonds and other investments properly geared to your age, stage in life and particular circumstances. As people approach retirement, financial goals and risk tolerance gradually change. To invest successfully, your portfolio mix should reflect those changing requirements.

Generally, younger persons can afford to take on more risk by investing in stocks, because with more years to retirement, losses can be recovered. The rate of return for the Standard & Poors 500 stock index has historically provided an average return above the inflation rate. If you invest for the long term (for at least 10 years or more), stocks have historically provided the best average return of any investment. However, as you age and approach retirement, financial planners suggest you still retain stock-related investments, but put more of your funds into safer, less risky investments.

Financial planners also suggest that you avoid trying to “time the market” by switching in or out of investment funds frequently. If you switch out of a fund after it suffers a loss, you may never recover the amount that was lost, whereas you might have recovered the lost amount over a few years if you left your money in the same investment. By leaving your money in the same investment, you are trying to capture the average return on that investment over a longer period of time. As mentioned above, stocks have historically provided the greatest average return over longer periods of time, but only for those who remained invested throughout those periods. In any particular year, stocks can lose a great deal of their value.

Administrative Expenses

Most fees and expenses of the Plan, including Trustee and other administrative expenses of the Plan, will be paid from the trust fund, to the extent not paid by the County. However, the expenses of a mutual fund are charged directly to the investors in that fund. The expenses of the mutual funds offered under the Plan are described in each fund’s prospectus.

Plan Valuations

The value of your Account will be adjusted at least quarterly to reflect the current market value of the investment fund(s) in which your Account is invested.

Account Statements

At least once each quarter you will receive a statement from the Plan. This statement tells you how much your Account was worth at the last statement date, how much money was contributed on your behalf and the amount of investment earnings or losses that were allocated to your Account.

SELECTION OF INVESTMENTS

Investment Elections

You direct how the Trustee will invest your Account. You may choose to have contributions invested all in one fund, or allocated among several funds. Any earnings that accrue in an investment fund are automatically reinvested in the same fund.

How Do I Designate My Funds?

When you first enroll in the Plan, you also specify the fund(s) in which you want to invest contributions. If you neglect to indicate a choice, amounts contributed on your behalf will be placed in the fund designed to preserve your principal investment but not maximize your return.

May I Change My Investment Instructions?

Yes, you can change your investment directions as often as allowed by the investment provider you select. Investment changes can apply for future contributions only or for amounts contributed in the past as well as future contributions.

BORROWING FROM YOUR ACCOUNT

You may also be able to borrow against your Account. You can apply for a loan by contacting the Deferred Compensation Administrator for the application forms. Loans are granted to active employees on a case by case basis by the Deferred Compensation Administrator. The minimum loan amount is \$1,000; the maximum loan amount is the lesser of:

- \$50,000 or
- one half of your total Account balance.

The \$50,000 is reduced by the highest loan balance you had outstanding under an old loan during the 12 months before you applied for the new loan, if any.

You pay all fees associated with your loan. You may have only one loan outstanding at any time (so you must pay off an existing loan before you can have a new one).

The interest charged on loans is currently set at the prime rate published in The Wall Street Journal on the date your loan is approved, plus 2%.

You must repay a loan (plus interest) within five years (or up to 10 years if the loan is for the purchase of a principal residence) in periodic installments made through payroll deduction each pay period (or by check at least quarterly when payroll deduction is not possible). All loan payments are credited to your Account (so the interest you repay is paid to your Account).

After you have agreed to the terms of a loan, amounts will be liquidated from your Account in the following order of priority: your Rollover Account and your Employer Account. The funds will be withdrawn on a pro-rata basis from each fund in which your Account is invested. The cash will be transferred to a loan account for your benefit, and from there it will be disbursed to you by check. Of course, you will no longer participate in any gains, losses, and earnings on the investments that were liquidated to fund your loan. Instead, your Account will receive your loan payments.

If you go on an approved leave of absence without pay or at a rate of pay (after income and employment tax withholding) that is less than the amount of an installment payment required under the loan, then you may be able to suspend payments until the earliest of (a) one year from the date your last payment was due; (b) the end of the authorized leave of absence; or (c) the end of the loan term. A suspension will not extend the term of the loan and interest will continue to accrue during the suspension. A written request for suspension of loan repayment during a leave of absence must be submitted for approval by the Deferred Compensation Administrator.

If you go on leave in order to perform eligible service in the uniformed services, your loan payments may be suspended for the period of the military leave. Interest shall continue to accrue during the suspension. Loan repayment must resume upon completion of military service. The frequency and amount of each payment due after completion of military service may not be less than the frequency and amount of payments under the loan prior to the military leave. The loan must be repaid in full, including the interest that accrues during the period of military service, by the end of the period equal to the original term of the loan plus the period of such military

service. A written request for suspension of loan repayment during military leave must be submitted for approval to the Deferred Compensation Administrator.

If for some reason your loan payments cannot be made by payroll deduction, you are obligated to send the payments directly to the Deferred Compensation Administrator by check or money order. You will be considered in default if you fail to make the scheduled payment within 30 days of the date it was due. Once you are considered in default, loan payments will be suspended for up to 60 days or until 30 days before the end of the term of the loan, whichever occurs first (the "suspension period"). If you do not resume payments and repay the outstanding amount by the end of the suspension period, the amount of outstanding principal, and interest through the last day of the suspension period, is treated as a taxable distribution.

The amount you borrow does not constitute a taxable distribution. However, if you do not repay your loan as payments are due, the unpaid balance of principal and interest (as described above) will be deemed, for tax purposes, to be a taxable distribution from the Plan. In that case, you will generally be subject to the same tax consequences as if you received a distribution from the Plan. (See the section called "Federal Income Tax Consequences of Plan Distributions".)

If you should terminate employment, the unpaid balance will be due and payable immediately. If you still owe the Plan principal or interest at a time when you receive, or could receive, the full amount you are due from the Plan, then all unpaid loan obligations are deducted from your Plan benefit. In this fashion, your loan will be paid in full. You should recognize, however, that for tax purposes, the amount used to pay off your loan is treated as if it had been distributed to you in cash.

VESTING

Your Account under the Plan is fully vested at all times.

DISTRIBUTION OF YOUR PLAN BENEFIT

Termination of Employment Triggers Distribution

If your employment terminates for any reason, your Account becomes payable. Plan distributions are made in cash or in installments.

If the vested value of your Account is \$5,000 or less, that amount will automatically be distributed in a lump sum. You may elect on the Distribution Election Form to have the amounts paid directly to you or instead, have it paid directly to an “eligible retirement plan.” An “eligible retirement plan” means a traditional IRA, a qualified 401(a) plan, a “403(b)” plan maintained by certain tax-exempt entities, or a “457(b)” plan maintained by a governmental employer. If your Distribution Election Form is not returned to the Deferred Compensation Administrator’s Office within 90 days of your termination, a lump sum distribution will be made directly to you.

If the vested value of your Account is more than \$5,000, your written consent is required before any distribution can be made, unless you are age 65 or have died. If you do not provide written consent, your Account will be held in the Plan. Distribution of your Account will, however, be made within 60 days following the end of the Plan Year in which you attain age 65. (See “May I Delay Receiving My Account” below.)

Payment may be made either in a lump sum payment or in installment payments, at least quarterly, over a minimum period of 5 years (the period of years cannot exceed certain legal limits), or in a combination of the lump sum and installment payments. If you elect installment payments, you continue to direct the investment of the amounts in your Plan Account while it remains in the Plan. If you do not elect a form of payment by the time that payment of your Account is to be made, you will receive payment in a lump sum.

When is my Account Valued?

Your Account is typically valued daily, or at least at the end of each calendar quarter. When you terminate employment and take a distribution, the value of your Account is determined and distributed as soon as administratively possible after the next valuation date.

When Will I Receive My Benefit?

Where your Plan benefit can be paid without your consent, it will be distributed to you in a single lump sum in cash as soon as administratively possible after the valuation date which follows your termination. Where consent to the distribution is required, it will be made as soon as administratively possible after the valuation date following the date your Distribution Election Form is received. However, you should expect to wait several weeks. If you terminate service and do not consent to a distribution earlier, the value of your Account will be determined as of the last day of the Plan Year in which you attain age 65, and your Account will be distributed within 60 days following the end of that Year.

May I Delay Receiving My Account?

Yes, if you remain in employment with the County, you may delay receiving your Account until after you terminate employment with the County. If the vested value of your Account is over \$5,000 and you are not yet age 65, you may delay receiving your Account after termination of employment until you are age 65. Until you receive a distribution of your Account, you may continue to direct the investment of your Account into the same funds that are available to active participants.

If you terminate employment and decide to leave your Account in the Plan and then later change your mind, you may elect a distribution at any time. Your Account will be distributed as soon as administratively possible after the valuation date which follows the date your completed Distribution Election Form is received.

DEATH BENEFITS FROM THE PLAN

What Will My Beneficiary Receive?

If you die before everything in your Account has been paid to you, your beneficiary will receive the balance after filing a claim on the appropriate form. Death benefits are paid in a single lump sum in cash as soon as administratively possible after a participant's death and within one year of the participant's death. If you had begun to receive installment payments prior to your death, payments to your beneficiary may continue in accordance with that election. **However, if the beneficiary is your spouse, your spouse may elect to delay receipt of your Account to a date which is no later than the December 31 of the year you would have attained age 70-1/2.**

Who Is My Beneficiary?

You can designate one or more persons to be your beneficiary under the Plan - for instance, your wife or husband, or your children. The designation is made by completing and filing the proper form. You can change your beneficiary (or beneficiaries) at any time by filing a new form, but no designation is valid unless it is received by the County on a properly completed form before your death.

If you do not have on file with the Deferred Compensation Administrator an effective beneficiary designation form at the time of your death, then your Account will be paid to the following beneficiaries in the order listed:

- your surviving spouse, if any,
- if you are not survived by a spouse, then to your surviving children, if any, in equal shares, and
- if you are not survived by a spouse or any children, then to your estate.

If you are married and wish to designate someone other than your spouse as beneficiary, your spouse must consent to your designation by signing and filing the proper notarized form.

HOW TO APPLY FOR YOUR BENEFITS

Where and When Should I Apply?

The Deferred Compensation Administrator is available to assist you in applying for your benefit and exercising your other rights under the Plan. To ensure timely payment, you (or your beneficiary) should file the appropriate forms as soon as possible. The forms must be completely filled out and signed.

HOW YOU CAN LOSE YOUR BENEFITS

Your Plan benefit may be lost or substantially reduced in the following situations:

- The value of any Account may decline due to your investment selections and general market conditions (see the section above entitled “Investment Options and Risks”).
- If you fail to keep the County informed of your address, you may never receive your benefit. Therefore, you should always keep the County advised of your current address.

ASSIGNMENTS PROHIBITED

The Plan provides that your interest in your Account, or your rights to any distribution from the Plan, cannot be assigned to anyone else. This means that you cannot voluntarily or involuntarily assign your Account for the benefit of creditors, or to satisfy garnishments, attachments and similar procedures. You also cannot use your Account as collateral for a loan. However, the creation, assignment or recognition of a right to all or part of your Plan benefit pursuant to a qualified domestic relations order (in the case of divorce) is not prohibited provided the Deferred Compensation Administrator has determined that such order is acceptable under the terms of the Plan.

FEDERAL INCOME TAX CONSEQUENCES OF PLAN PARTICIPATION

The Plan is intended to meet the qualification requirements of sections 401(a) and related provisions of the Internal Revenue Code. As long as the Plan remains qualified, participants in the Plan will not have to recognize current taxable income for federal or state income tax purposes due to contributions made to the Plan.

Federal Income Tax Consequences of Distributions

In general, when a participant receives his or her Plan benefit after retirement or termination of employment, he or she will be taxed on the total value of the distribution as ordinary income. When a Plan benefit is distributed to the Participant directly in a lump sum, or in installment payments made over a period of less than 10 years, 20% of the taxable amount of the payment must be withheld for federal income tax purposes.

Rollovers and Transfers to Other Qualified Plans

A participant whose employment has terminated may elect to have all or any portion of his or her Plan benefit transferred directly to a traditional individual retirement account (IRA) or to another type of eligible retirement plan that accepts rollovers (known as a “direct rollover”). However, the amount to be rolled over must be at least \$200. In a direct rollover, rather than receiving a check made payable to you, you authorize the County to transfer your Plan benefit directly to a traditional IRA set up in your name or to your account established under another type of eligible retirement plan. An “eligible retirement plan” means a traditional IRA, a qualified 401(a) plan, a “403(b)” plan maintained by certain tax-exempt entities, or a “457(b)” plan maintained by a governmental employer. When the Plan benefit is directly transferred to a traditional IRA or other eligible retirement plan, the 20% federal income tax withholding will not apply. Alternatively, you may elect to receive a check made payable to you (with 20% of the taxable Plan benefit withheld), and then deposit this amount into a traditional IRA or another type of eligible retirement plan within 60 days after receipt of the distribution (known as a “regular rollover”). However, unless you also contribute to the IRA or other eligible retirement plan, from your own funds, an amount equal to the 20% withheld, you will have to pay tax on the 20% that was not rolled over.

Other Special Rules

- **Hardship Withdrawals.** Hardship withdrawals may not be rolled over, and therefore are not subject to the automatic 20% federal withholding. Instead these funds are subject to voluntary withholding. If you make no election, however, 10% will be taken out of the payment for federal income tax withholding.
- **Outstanding Loans.** If your employment ends and you have an outstanding loan from the Plan, the County may reduce (or “offset”) your Plan benefit by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the

amount of your loan offset to a traditional IRA or another eligible retirement plan within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. However, the amount of a defaulted Plan loan that is a taxable deemed distribution cannot be rolled over.

- Payments to Surviving Spouses and Alternate Payees. In general, the rules summarized above for payments to Plan Participants also apply to payments to surviving spouses of employees and to a spouse or former spouse who is an “alternate payee” under a qualified domestic relations order. Thus, if a distribution is a type that can be rolled over, the person may elect to receive the distribution or roll it over to a traditional IRA or eligible retirement plan that accepts rollovers.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover and must recognize the amount in income in the year received.

A surviving spouse, an alternate payee, or another beneficiary is not subject to the 10% penalty tax (discussed in the next section below), even if that person is younger than age 59½.

Penalty Tax on Early Distributions or Withdrawals

An additional 10% federal early distribution penalty tax (and, if you are subject to California income taxation, a 2½% California early distribution penalty tax) will apply to the taxable amount of withdrawals (including hardship withdrawals) or distributions made before the Participant attains age 59½. The following withdrawals or distributions, however, are exempt from the additional tax:

- Distributions rolled over into an IRA or eligible retirement plan;
- Distributions made after the Participant’s death;
- Distributions or withdrawals attributable to the Participant’s disability;
- Distributions made after the Participant has terminated employment after having attained age 55;
- Withdrawals or distributions used for payment of medical expenses, to the extent they are deductible;
- Payments to an alternate payee pursuant to a qualified domestic relations order; and
- Payments that are paid directly to the government to satisfy a federal tax levy.

CHANGES IN TAX LAWS

Congress may amend the Internal Revenue Code at any time. In addition, the Internal Revenue Service may at any time issue new regulations or rulings. Such developments could render all or any part of the tax discussion in this summary obsolete, and the County assumes no responsibility for the information provided above. Also, the discussion generally does not include a discussion of state taxes. It is essential, therefore, that participants and beneficiaries consult a qualified tax advisor to obtain current information as well as advice which is tailored to their particular circumstances.

CHANGE OR TERMINATION OF THE PLAN

This summary describes the Plan as in effect on January 1, 2002. The County of San Diego, as the Plan sponsor, reserves the right to amend the Plan at any time and for any reason. In addition, the County of San Diego has the right to terminate the Plan at any time and for any reason.

In the event the Plan is terminated, no additional contributions will be made, but the persons affected by the termination will continue to be entitled to the entire balance credited to their Account. Benefits under the Plan are not guaranteed by the Pension Benefit Guaranty Corporation (PBGC). The PBGC, a federal corporation, does not guarantee any defined contribution plans such as the Plan.

NO EMPLOYMENT RIGHTS

The Plan is not an employment contract. Nothing in the Plan or in this summary is to be interpreted as giving any person a right to remain an employee of the County, and nothing in the Plan or this summary affects the right of the County to terminate anyone's employment at any time, with or without cause.

CLAIMS PROCEDURES

How do I make a claim for benefits under the Plan?

The Deferred Compensation Administrator for the Plan is the Treasurer-Tax Collector of the County of San Diego. The Treasurer-Tax Collector's office is available to assist you in applying for your benefit and exercising your other rights under the Plan. To ensure timely payment, you (or your beneficiary) should file the appropriate forms as soon as possible. The forms must be completely filled out, signed and filed with the following office:

County Treasurer – Tax Collector
Deferred Compensation Administrator
1600 Pacific Highway, Room 152
San Diego, California 92101

The Deferred Compensation Administrator may rule on the benefits application solely on the basis of your application or the application of your beneficiary (if you die before the complete distribution of your benefits under the Plan). In the event the Deferred Compensation Administrator determines it is necessary to hold a hearing regarding any benefit determination, the Deferred Compensation Administrator may appoint either one of its agents or a member of the State Bar of California to serve as a referee. The referee shall hold such a hearing and shall transmit, in writing, to the Deferred Compensation Administrator his or her proposed findings of fact and recommended decision.

- (a) The proposed findings of fact and recommendations of the referee shall be served on the parties who shall have 10 days to submit written objections thereto which shall be incorporated in the record considered by the Deferred Compensation Administrator.
- (b) Upon receiving the proposed findings of fact and the recommendations of the referee, the Deferred Compensation Administrator may:
 - (1) Approve and adopt the proposed findings and the recommendations of the referee;
or
 - (2) Require a transcript or summary of all the testimony, plus all other evidence received by the referee.
- (c) Upon the receipt thereof the Deferred Compensation Administrator shall:
 - (1) Take such action as in its opinion is indicated by such evidence; or
 - (2) Refer the matter back with or without instructions to the referee for further proceedings; or

- (3) Set the matter for hearing before itself. At such hearing the Deferred Compensation Administrator shall hear and decide the matter as if it had not been referred to the referee.

An application shall be granted or written notice of a denial shall be given to you or your beneficiary within ninety (90) days after the Deferred Compensation Administrator receives a proper application, unless special circumstances require an extension of time for processing the application. In no event shall such an extension exceed a period of 90 days from the end of the initial 90-day period. If such an extension is required, written notice thereof shall be furnished to the applicant before the end of the initial 90-day period. Such notice shall indicate the special circumstances requiring an extension of time and the date by which the Deferred Compensation Administrator expects to render a decision. If an application is neither granted nor denied within the time period prescribed by this section, such application shall be deemed denied and the participant or beneficiary may appeal the deemed denial as provided below. The above notices may be delivered electronically to you or your beneficiary.

If my claim is denied, what further action may I take?

Any person whose application for benefits is denied in whole or in part (or such person's duly authorized representative) may appeal from the denial by submitting to the Deferred Compensation Administrator a request for an independent review of such application within six months after receiving written notice of the denial. The Deferred Compensation Administrator shall give the applicant or his or her representative an opportunity to review pertinent documents (except legally privileged materials) in preparing such request for review and to submit issues and comments in writing. The request for review shall be in writing and shall be addressed as follows:

County Treasurer-Tax Collector
Deferred Compensation Administrator
1600 Pacific Highway, Room 152
San Diego, California 92101

The request for review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters which the applicant deems pertinent. The Deferred Compensation Administrator may require the applicant to submit such additional facts, documents or other material as he or she may deem necessary or appropriate in making a review.

Any review of a denied application shall be conducted by a panel of three or more individuals who did not take part in the initial denial of such application. Such individuals shall be designated by the Deferred Compensation Administrator.

Decision on Review. The Deferred Compensation Administrator shall act upon each request for review within sixty (60) days after receipt thereof, unless special circumstances require an extension of time for processing, but in no event shall the decision on review be rendered more than 120 days after the Deferred Compensation Administrator receives a proper request for review. If such an extension is required, written notice thereof shall be furnished to the applicant before the end of the initial sixty (60) day period. The Deferred Compensation Administrator

shall give prompt, written notice of the decision to you or your beneficiary. In the event that the denial of the application for benefits is affirmed in whole or in part, such notice shall set forth, in a manner calculated to be understood by you or your beneficiary, the specific reasons for such denial and specific references to this Plan's provisions on which the decision is based. The above notices may be delivered electronically to you or your beneficiary.

Exhaustion of Administrative Remedies; Limitations. No legal or equitable action for benefits under the Plan shall be brought unless and until the participant or beneficiary ("claimant"):

- (a) has submitted a written application for benefits as specified in the Plan documents,
- (b) has been notified that the application is denied as provided in the Plan documents,
- (c) has filed a written request for an independent review of the application in accordance with the Plan documents, and
- (d) has been notified in writing that the denial of the application was affirmed as provided in the Plan documents;

provided, however, that such an action may be brought if the claim has not been acted upon within the time period prescribed by above.

OTHER INFORMATION

Employer

County of San Diego
1600 Pacific Highway
San Diego, CA 92101

Employer Identification Number

95-6000934

Plan Number

The Plan Number assigned to the Plan is 002.

Type of Plan

The Plan is a tax-qualified defined contribution plan.

Plan Administrator

The Deferred Compensation Administrator is the administrator of the Plan. The Deferred Compensation Administrator is the San Diego County Treasurer or its delegate.

The Deferred Compensation Administrator interprets the Plan, and may adopt rules and procedures to implement any Plan provisions. The Deferred Compensation Administrator also has the authority to take such other actions as it deems appropriate in administering the Plan. The decisions of the Deferred Compensation Administrator with regard to the Plan are conclusive and binding on all persons. The Deferred Compensation Administrator may delegate any of its functions under the Plan to other persons.

You may contact the Deferred Compensation Administrator as follows:

County Treasurer-Tax Collector
Deferred Compensation Administrator
County of San Diego Incentive Retirement Deferred Compensation Plan
1600 Pacific Highway, Room 152
San Diego, CA 92101

Service of Process

The Plan's agent for service of legal process is the Deferred Compensation Administrator at the address above. Legal process may also be served on the Trustee.

Trustee

The Trustee for the Plan is the County Treasurer. The Trustee holds the assets of the Plan in a trust fund and makes distributions at the County's direction.

Plan Year

The Plan Year is the calendar year.

SUMMARY OF MATERIAL MODIFICATIONS
to the
County of San Diego Incentive Retirement Deferred Compensation Plan

The changes described in this document affect benefits described in the County of San Diego Incentive Retirement Deferred Compensation Plan (the "Plan Summary") which summarizes the benefits available to you under the County of San Diego Incentive Retirement Deferred Compensation Plan (the "Plan"). Please retain this document for your reference because it amends your Plan Summary and should be kept with your Plan Summary for the most up to date benefits information.

Effective November 1, 2004, the Plan Summary is amended as follows:

1. A new section entitled "**Restrictions On Investment Election Changes**" is added at the end of "**BASIC INVESTMENT STRATEGY**" on page 12 of the Plan Summary as follows:

Recently there has been much scrutiny surrounding mutual fund investments, including the issues of market timing, sometimes referred to as short-term trading or disruptive trading, and late trading. Market timing is a type of excessive trading which occurs when the same individual repeatedly buys and sells fund shares quickly to take advantage of price changes over short periods of time. Late trading occurs when shares are traded based on news released after the market closes or on the direction the futures markets indicate the next day's open will take.

To help protect the interests of all investors, a mutual fund may establish certain rules around transfer privileges that are allowed for that fund. Expenses of each mutual fund, including costs associated with transfers, are borne by all investors in that mutual fund regardless of their individual trading activity. Excessive or disruptive trading increases the expenses of the mutual fund and reduces the mutual fund earnings for all mutual fund shareholders. Late trading reduces the mutual fund earnings for all mutual fund shareholders.

It is your responsibility as an investor in a mutual fund to understand and abide by the rules of that mutual fund, as described in its prospectus. As an investor, you have the privilege of transferring the existing balances in your Accounts among the mutual funds within a carrier and between carriers. However, certain mutual funds may include policies and procedures that restrict the ability of fund investors to engage in frequent transfers of funds, late trading and other investment activities that may increase the expenses of the fund or reduce the fund earnings for all fund shareholders. Those mutual funds may temporarily or permanently terminate the transfer privilege or impose other sanctions if your trading activity violates the restrictions imposed by a mutual fund.

The particular rules associated with a mutual fund are set forth in its prospectus. Most mutual funds prohibit disruptive trading. To obtain copies of the prospectuses for the mutual funds, contact the applicable Investment Provider or the Office of the Treasurer-Tax Collector.

Additionally, the Deferred Compensation Administrator may, in its sole discretion, impose restrictions on the ability of participants to engage in frequent transfers of funds, late trading, and other investment activities that may increase the expenses of the mutual fund or reduce the fund earnings of other participants that are mutual fund shareholders. However, you will be notified in advance if such restrictions are imposed.

**AMENDMENT NUMBER TWO
TO THE
COUNTY OF SAN DIEGO
INCENTIVE RETIREMENT
DEFERRED COMPENSATION PLAN
(As Amended and Restated Effective January 1, 2002)**

Except as otherwise provided herein, effective November 1, 2004, the San Diego County Incentive Retirement Deferred Compensation Plan, as amended and restated effective January 1, 2002, hereinafter referred to as the "Plan", is amended in the following respects:

1. A new section 13(f) entitled "Restrictions on Transfers of Investments" is added at the end of Article 13 to read in full as follows:

13(f) Restrictions on Transfers of Investments. Notwithstanding any other provision of the Plan to the contrary, the Deferred Compensation Administrator may take any action and adopt such rules and procedures as it deems necessary or appropriate to govern all Participant investment elections and directions in order to protect the interests of all Participants investing in mutual funds offered through the Plan and the integrity of the Plan including, but not limited to, imposing restrictions on transfers between mutual funds or other Plan investments, rejecting requests for transfers into or out of a mutual fund, establishing limitations on the number of transfers that may be made into or out of a mutual fund and imposing fees or penalties on transfers into or out of a mutual fund which the Deferred Compensation Administrator or mutual fund provider determines to be excessive. Such action may be taken by the Deferred Compensation Administrator or by the mutual fund provider as set forth in the prospectus for the fund or other information.

2. Section 6(b) entitled "Investment of Contributions" is amended in its entirety to read as follows:

SECTION 6. INVESTMENTS AND INVESTMENT DIRECTIONS.

(b) Investment of Contributions. A Participant may, subject to Section 13(f), elect to have the contributions to his or her Employer Account, Employee Account and Rollover Account invested in one or more Investment Options designated by the Deferred Compensation Administrator. A Participant shall direct the investment of such contributions among such Investment Options in accordance with procedures established by the Deferred Compensation Administrator. A Participant's initial investment directions shall be filed with or as part of the Participant's enrollment form. A Participant may direct the reinvestment of existing balances credited to his or her Accounts, as well as change the Investment Options applicable to future contributions, in accordance with procedures established by the Deferred Compensation Administrator.

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