

# SENATE BILL REPORT

## HB 2750

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As Reported by Senate Committee On:  
Government Operations & Elections, February 25, 2010

**Title:** An act relating to public utility districts and deferred compensation and supplemental savings plans.

**Brief Description:** Addressing public utility districts and deferred compensation and supplemental savings plans.

**Sponsors:** Representatives Sells, Crouse, Dunshee and Simpson.

**Brief History:** Passed House: 2/13/10, 93-0.

**Committee Activity:** Government Operations & Elections: 2/25/10 [DP].

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** Do pass.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; Roach, Ranking Minority Member; Benton, McDermott, Pridemore and Swecker.

**Staff:** Alison Mendiola (786-7483)

**Background:** Public utility districts (PUDs) are authorized to distribute and generate electricity, provide water and sewer services, and provide wholesale telecommunications services. Most PUDs operate on a countywide basis and have jurisdictional boundaries that are coextensive with the applicable county, but PUDs may encompass a smaller jurisdiction.

There are 28 operating PUDs in Washington. Twenty-three of the state's PUDs provide electrical services, while 19 provide water or wastewater services, and 13 provide wholesale broadband telecommunications services. Public utility districts are governed by a board of either three or five elected commissioners.

Statutes governing PUDs include specific provisions for employee benefits, insurance, and other employment issues. For example, a qualifying PUD whose employees or officials are not members of the state retirement system may contract for individual annuity contracts, retirement income policies, or group annuity contracts for the purpose of providing a retirement plan or paying all or part of the associated premiums.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

PUDs are granted general authority to participate in the deferred compensation plan of the Department of Retirement Services, subject to federal and state requirements.

**Summary of Bill:** PUDs engaged in the operation of electric or water utilities are granted express authority to establish, maintain, and make contributions to a deferred compensation plan or supplemental savings retirement plan for the benefit of eligible employees and officials. Contributions, for purposes of this establishment authority, includes contributions on behalf of an eligible employee equal to the amount by which the employee agrees to a reduction in salary or wages, and also includes contributions made by the PUD separate from amounts otherwise intended as salary or wages. Employees who are covered under a deferred compensation plan or a supplemental savings plan of a PUD are eligible for simultaneous membership and participation in any pension system for public employees.

Provisions governing contributions to deferred compensation and supplemental savings retirement plans are specified. For example, contributions must be deposited in designated accounts, held in trust, or remitted to an insurer. Additionally, contributions may be deposited or invested in a credit union, savings and loan association, bank, mutual savings bank, purchase life insurance, shares of an investment company, or fixed or variable annuity contracts from any insurance or investment company licensed to contract business in Washington.

To the extent a deferred compensation or supplemental savings retirement plan is an individual account plan, a term defined in the legislation, participants in the plan may be permitted to self-direct the investment of assets allocated to their account through the selection of investment options authorized under the plan. An employee, official, or commissioner of the PUD, however, is not liable for any loss or deficiency resulting from participant investments.

Intent language specifying that the bill is intended to clarify the existing authority of PUDs to provide deferred compensation and supplemental savings retirement plans for employees, commissioners, and other officials is included.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: Snohomish PUD provides services to both Snohomish County and Camano Island and is one of the largest PUDs. They offer a supplemental savings plan. PUDs rely on both federal and state law to provide authority regarding deferred compensation. The state law that PUDs rely on was created in 1941 and only allows for an annuity contract. State law that used to exist was inadvertently removed by an amendment to the statute. This bill basically fixes that and allows for deferred compensation and other types of supplemental savings plans. There is no impact on the state retirement system and no cost to the state.

**Persons Testifying:** PRO: Representative Sells, prime sponsor; Anne Spangler, Snohomish County PUD.