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## Local Government Committee

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### HB 1618

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

**Sponsors:** Representatives Sells, Crouse, Dunshee, McCoy, Liias, Kristiansen and Pearson.

#### Brief Summary of Bill

- Expressly authorizes public utility districts to provide deferred compensation and supplemental savings plans for district employees, commissioners, and other officials.

**Hearing Date:** 2/2/11

**Staff:** Miranda Leskinen (786-7291) and Ethan Moreno (786-7386).

#### Background:

Public utility districts (PUDs), a type of special purpose district, are created by and for the communities they serve. Public utility districts may provide water, electricity, conservation, and telecommunications services depending on the needs of their customers. Washington has 28 public utility districts that serve more than 2.2 million customers. Each PUD is governed by a board of three elected commissioners who serve staggered six-year terms.

A public utility district providing water or electric utilities may enter into group insurance contracts for the benefit of their employees. The PUD may pay the insurance premium in sum or part. However, if a PUD shares payment of the insurance premium with its employees and all eligible employees are offered coverage under the insurance policy, then at least 75 percent of employees may be insured.

Additionally, if a PUD employee or official is not a member of the state retirement system, the district may contract for any one or more of the following and pay the applicable premiums out of operation revenue from district properties:

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- individual annuity contracts; or
- retirement income policies or group annuity contracts, including prior service, to provide a retirement plan.

Public utility districts may continue to make these premium payments after an employee retires if the employee was employed on or after August 6, 1965, however, a retired employee must not be paid more than a current employee. This practice is known as deferred compensation. Public utility districts have general authority to participate in the state's deferred compensation plan through the Department of Retirement Services (DRS), subject to federal and state requirements.

**Summary of Bill:**

The authority of PUDs providing water or electric utilities is modified to expressly allow any deferred compensation or supplemental savings retirement plan to be established and maintained by a PUD for eligible PUD employees and officials. The term *contribution* includes contributions made:

- on behalf of an eligible employee and equal to the amount the employee agrees to in compensation reduction (the employee essentially pays for these contributions); and
- by the PUD separate from amounts otherwise intended for earnings.

Public utility district employees and officials are also eligible for membership and participation in any public employee pension system.

Contributions must be deposited in a designated account(s) or held in trust, which are considered a public retirement fund. Alternatively, contributions must be remitted to an insurer. Contributions may be deposited or invested in a banking institution, investment, or insurance company.

Public utility districts, including any employees or officials and commissioners, are not liable for activity related to individual account plans in which individual participants self-manage their retirement account.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.