

CERTIFICATION OF ENROLLMENT

SENATE BILL 6393

Chapter 282, Laws of 2018

65th Legislature
2018 Regular Session

SELF-INSURED AND STATE FUND PENSION LIABILITIES--CALCULATION

EFFECTIVE DATE: June 7, 2018

Passed by the Senate February 12, 2018
Yeas 47 Nays 0

CYRUS HABIB

President of the Senate

Passed by the House March 2, 2018
Yeas 98 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Approved March 27, 2018 2:49 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Brad Hendrickson, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 6393** as passed by Senate and the House of Representatives on the dates hereon set forth.

BRAD HENDRICKSON

Secretary

FILED

March 29, 2018

**Secretary of State
State of Washington**

SENATE BILL 6393

Passed Legislature - 2018 Regular Session

State of Washington

65th Legislature

2018 Regular Session

By Senators Braun, Keiser, King, Mullet, Palumbo, and Conway; by request of Department of Labor & Industries

1 AN ACT Relating to allowing the department to use a different
2 assumption for annual investment returns for the reserve funds for
3 self-insured and state fund pension claims; amending RCW 51.44.070
4 and 51.44.140; and adding a new section to chapter 51.44 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 51.44.070 and 1992 c 124 s 1 are each amended to
7 read as follows:

8 ((+1)) For every case resulting in death or permanent total
9 disability the department shall transfer on its books from the
10 accident fund of the proper class and/or appropriate account to the
11 "reserve fund" a sum of money for that case equal to the estimated
12 present cash value of the monthly payments provided for it, to be
13 calculated upon the basis of an annuity covering the payments in this
14 title provided to be made for the case. Such annuity values shall be
15 based upon rates of mortality, disability, remarriage, and interest
16 as determined by the department, taking into account the experience
17 of the reserve fund in such respects.

18 ~~((Similarly, a self-insurer in these circumstances shall pay into~~
19 ~~the reserve fund a sum of money computed in the same manner, and the~~
20 ~~disbursements therefrom shall be made as in other cases.~~

1 ~~(2) As an alternative to payment procedures otherwise provided~~
2 ~~under law, in the event of death or permanent total disability to~~
3 ~~workers of self-insured employers, a self-insured employer may upon~~
4 ~~establishment of such obligation file with the department a bond, an~~
5 ~~assignment of account from a federally or state chartered commercial~~
6 ~~banking institution authorized to conduct business in the state of~~
7 ~~Washington, or purchase an annuity, in an amount deemed by the~~
8 ~~department to be reasonably sufficient to insure payment of the~~
9 ~~pension benefits provided by law. Any purchase of an annuity shall be~~
10 ~~from an institution meeting the following minimum requirements: (a)~~
11 ~~The institution must be rated no less than "A+" by A.M. Best, and no~~
12 ~~less than "AA" by Moody's and by Standard & Poor's; (b) the value of~~
13 ~~the assets of the institution must not be less than ten billion~~
14 ~~dollars; (c) not more than ten percent of the institution's assets~~
15 ~~may include bonds that are rated less than "BBB" by Moody's and~~
16 ~~Standard & Poor's; (d) not more than five percent of the assets may~~
17 ~~be held as equity in real estate; and (e) not more than twenty-five~~
18 ~~percent of the assets may be first mortgages, and not more than five~~
19 ~~percent may be second mortgages. The department shall adopt rules~~
20 ~~governing assignments of account and annuities. Such rules shall~~
21 ~~ensure that the funds are available if needed, even in the case of~~
22 ~~failure of the banking institution, the institution authorized to~~
23 ~~provide annuities, or the employer's business.~~

24 ~~The annuity value for every such case shall be determined by the~~
25 ~~department based upon the department's experience as to rates of~~
26 ~~mortality, disability, remarriage, and interest. The amount of the~~
27 ~~required bond, assignment of account, or annuity may be reviewed and~~
28 ~~adjusted periodically by the department, based upon periodic~~
29 ~~redeterminations by the department as to the outstanding annuity~~
30 ~~value for the case.~~

31 ~~Under such alternative, the department shall administer the~~
32 ~~payment of this obligation to the beneficiary or beneficiaries. The~~
33 ~~department shall be reimbursed for all such payments from the self-~~
34 ~~insured employer through periodic charges not less than quarterly in~~
35 ~~a manner to be determined by the director. The self-insured employer~~
36 ~~shall additionally pay to the department a deposit equal to the first~~
37 ~~three months' payments otherwise required under RCW 51.32.050 and~~
38 ~~51.32.060. Such deposit shall be placed in the reserve fund in~~
39 ~~accordance with RCW 51.44.140 and shall be returned to the respective~~

1 ~~self-insured employer when monthly payments are no longer required~~
2 ~~for such particular obligation.~~

3 ~~If a self-insurer delays or refuses to reimburse the department~~
4 ~~beyond fifteen days after the reimbursement charges become due, there~~
5 ~~shall be a penalty paid by the self-insurer upon order of the~~
6 ~~director of an additional amount equal to twenty five percent of the~~
7 ~~amount then due which shall be paid into the pension reserve fund.~~
8 ~~Such an order shall conform to the requirements of RCW 51.52.050.)~~)

9 NEW SECTION. **Sec. 2.** A new section is added to chapter 51.44
10 RCW to read as follows:

11 (1) For every case resulting in death or permanent total
12 disability, a self-insurer in these circumstances shall pay into the
13 reserve fund a sum of money for that case equal to the estimated
14 present cash value of the monthly payments provided for it, to be
15 calculated upon the basis of an annuity covering the payments in this
16 title provided to be made for the case. Such annuity values shall be
17 based upon rates of mortality, disability, remarriage, and interest
18 as determined by the department, taking into account the experience
19 of the reserve fund in such respects.

20 (2) As an alternative to payment procedures otherwise provided
21 under law, in the event of death or permanent total disability to
22 workers of self-insured employers, a self-insured employer may upon
23 establishment of such obligation file with the department a bond, an
24 assignment of account from a federally or state chartered commercial
25 banking institution authorized to conduct business in the state of
26 Washington, or purchase an annuity, in an amount deemed by the
27 department to be reasonably sufficient to insure payment of the
28 pension benefits provided by law. Any purchase of an annuity shall be
29 from an institution meeting the following minimum requirements: (a)
30 The institution must be rated no less than "A+" by A.M. Best, and no
31 less than "AA" by Moody's and by Standard & Poor's; (b) the value of
32 the assets of the institution must not be less than ten billion
33 dollars; (c) not more than ten percent of the institution's assets
34 may include bonds that are rated less than "BBB" by Moody's and
35 Standard & Poor's; (d) not more than five percent of the assets may
36 be held as equity in real estate; and (e) not more than twenty-five
37 percent of the assets may be first mortgages, and not more than five
38 percent may be second mortgages. The department shall adopt rules
39 governing assignments of account and annuities. Such rules shall

1 ensure that the funds are available if needed, even in the case of
2 failure of the banking institution, the institution authorized to
3 provide annuities, or the employer's business.

4 The annuity value for every such case shall be determined by the
5 department based upon the department's experience as to rates of
6 mortality, disability, remarriage, and interest. The amount of the
7 required bond, assignment of account, or annuity may be reviewed and
8 adjusted periodically by the department, based upon periodic
9 redeterminations by the department as to the outstanding annuity
10 value for the case.

11 Under such an alternative, the department shall administer the
12 payment of this obligation to the beneficiary or beneficiaries. The
13 department shall be reimbursed for all such payments from the self-
14 insured employer through periodic charges not less than quarterly in
15 a manner to be determined by the director. The self-insured employer
16 shall additionally pay to the department a deposit equal to the first
17 three months' payments otherwise required under RCW 51.32.050 and
18 51.32.060. Such deposit shall be placed in the reserve fund in
19 accordance with RCW 51.44.140 and shall be returned to the respective
20 self-insured employer when monthly payments are no longer required
21 for such particular obligation.

22 If a self-insurer delays or refuses to reimburse the department
23 beyond fifteen days after the reimbursement charges become due, there
24 shall be a penalty paid by the self-insurer upon order of the
25 director of an additional amount equal to twenty-five percent of the
26 amount then due which shall be paid into the pension reserve fund.
27 Such an order shall conform to the requirements of RCW 51.52.050.

28 **Sec. 3.** RCW 51.44.140 and 1972 ex.s. c 43 s 30 are each amended
29 to read as follows:

30 Each self-insurer shall make such deposits, into the reserve
31 fund, as the department shall require pursuant to ((RCW 51.44.070))
32 section 2 of this act, as are necessary to guarantee the payments of
33 the pensions established pursuant to RCW 51.32.050 and 51.32.060.

34 Each self-insurer shall have an account within the reserve fund.
35 Each such account shall be credited with its proportionate share of
36 interest or other earnings as determined in RCW 51.44.080.

37 Each such account in the reserve fund shall be expeted ((by the
38 insurance commissioner)) as required in RCW 51.44.080. Any surpluses
39 shall be forthwith returned to the respective self-insurers, and each

1 deficit shall forthwith be made good to the reserve fund by the self-
2 insurer.

Passed by the Senate February 12, 2018.

Passed by the House March 2, 2018.

Approved by the Governor March 27, 2018.

Filed in Office of Secretary of State March 29, 2018.

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