

CERTIFICATION OF ENROLLMENT

SENATE BILL 5084

Chapter 110, Laws of 2023

68th Legislature
2023 Regular Session

SELF-INSURED PENSIONS AND ASSESSMENTS—SEPARATE FUND

EFFECTIVE DATE: July 1, 2025—Except for section 2, which takes effect July 1, 2023; and section 3, which takes effect July 1, 2024.

Passed by the Senate March 8, 2023
Yeas 47 Nays 2

DENNY HECK

President of the Senate

Passed by the House April 6, 2023
Yeas 98 Nays 0

Laurie Jinkins

**Speaker of the House of
Representatives**

Approved April 20, 2023 10:03 AM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5084** as passed by the Senate and the House of Representatives on the dates hereon set forth.

SARAH BANNISTER

Secretary

FILED

April 21, 2023

**Secretary of State
State of Washington**

SENATE BILL 5084

Passed Legislature - 2023 Regular Session

State of Washington

68th Legislature

2023 Regular Session

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

Prefiled 12/21/22. Read first time 01/09/23. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to creating a separate fund for the purposes of
2 self-insured pensions and assessments; amending RCW 43.84.092,
3 43.84.092, 51.16.120, 51.32.242, 51.44.070, 51.44.073, 51.44.080,
4 51.44.100, 51.44.115, 51.44.140, 51.44.142, and 51.44.160; adding a
5 new section to chapter 51.44 RCW; providing effective dates;
6 providing an expiration date; and declaring an emergency.

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

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 51.44
9 RCW to read as follows:

10 There shall be, in the office of the state treasurer, a fund to
11 be known and designated as the "self-insurance reserve fund."

12 **Sec. 2.** RCW 43.84.092 and 2022 c 182 s 403 are each amended to
13 read as follows:

14 (1) All earnings of investments of surplus balances in the state
15 treasury shall be deposited to the treasury income account, which
16 account is hereby established in the state treasury.

17 (2) The treasury income account shall be utilized to pay or
18 receive funds associated with federal programs as required by the
19 federal cash management improvement act of 1990. The treasury income
20 account is subject in all respects to chapter 43.88 RCW, but no

1 appropriation is required for refunds or allocations of interest
2 earnings required by the cash management improvement act. Refunds of
3 interest to the federal treasury required under the cash management
4 improvement act fall under RCW 43.88.180 and shall not require
5 appropriation. The office of financial management shall determine the
6 amounts due to or from the federal government pursuant to the cash
7 management improvement act. The office of financial management may
8 direct transfers of funds between accounts as deemed necessary to
9 implement the provisions of the cash management improvement act, and
10 this subsection. Refunds or allocations shall occur prior to the
11 distributions of earnings set forth in subsection (4) of this
12 section.

13 (3) Except for the provisions of RCW 43.84.160, the treasury
14 income account may be utilized for the payment of purchased banking
15 services on behalf of treasury funds including, but not limited to,
16 depository, safekeeping, and disbursement functions for the state
17 treasury and affected state agencies. The treasury income account is
18 subject in all respects to chapter 43.88 RCW, but no appropriation is
19 required for payments to financial institutions. Payments shall occur
20 prior to distribution of earnings set forth in subsection (4) of this
21 section.

22 (4) Monthly, the state treasurer shall distribute the earnings
23 credited to the treasury income account. The state treasurer shall
24 credit the general fund with all the earnings credited to the
25 treasury income account except:

26 (a) The following accounts and funds shall receive their
27 proportionate share of earnings based upon each account's and fund's
28 average daily balance for the period: The abandoned recreational
29 vehicle disposal account, the aeronautics account, the Alaskan Way
30 viaduct replacement project account, the ambulance transport fund,
31 the brownfield redevelopment trust fund account, the budget
32 stabilization account, the capital vessel replacement account, the
33 capitol building construction account, the Central Washington
34 University capital projects account, the charitable, educational,
35 penal and reformatory institutions account, the Chehalis basin
36 account, the Chehalis basin taxable account, the cleanup settlement
37 account, the climate active transportation account, the climate
38 transit programs account, the Columbia river basin water supply
39 development account, the Columbia river basin taxable bond water
40 supply development account, the Columbia river basin water supply

1 revenue recovery account, the common school construction fund, the
2 community forest trust account, the connecting Washington account,
3 the county arterial preservation account, the county criminal justice
4 assistance account, the deferred compensation administrative account,
5 the deferred compensation principal account, the department of
6 licensing services account, the department of retirement systems
7 expense account, the developmental disabilities community services
8 account, the diesel idle reduction account, the drinking water
9 assistance account, the administrative subaccount of the drinking
10 water assistance account, the early learning facilities development
11 account, the early learning facilities revolving account, the Eastern
12 Washington University capital projects account, the education
13 construction fund, the education legacy trust account, the election
14 account, the electric vehicle account, the energy freedom account,
15 the energy recovery act account, the essential rail assistance
16 account, The Evergreen State College capital projects account, the
17 fair start for kids account, the ferry bond retirement fund, the
18 fish, wildlife, and conservation account, the freight mobility
19 investment account, the freight mobility multimodal account, the
20 grade crossing protective fund, the public health services account,
21 the state higher education construction account, the higher education
22 construction account, the higher education retirement plan
23 supplemental benefit fund, the highway bond retirement fund, the
24 highway infrastructure account, the highway safety fund, the hospital
25 safety net assessment fund, the Interstate 405 and state route number
26 167 express toll lanes account, the judges' retirement account, the
27 judicial retirement administrative account, the judicial retirement
28 principal account, the limited fish and wildlife account, the local
29 leasehold excise tax account, the local real estate excise tax
30 account, the local sales and use tax account, the marine resources
31 stewardship trust account, the medical aid account, the money-
32 purchase retirement savings administrative account, the money-
33 purchase retirement savings principal account, the motor vehicle
34 fund, the motorcycle safety education account, the move ahead WA
35 account, the move ahead WA flexible account, the multimodal
36 transportation account, the multiuse roadway safety account, the
37 municipal criminal justice assistance account, the oyster reserve
38 land account, the pension funding stabilization account, the
39 perpetual surveillance and maintenance account, the pilotage account,
40 the pollution liability insurance agency underground storage tank

1 revolving account, the public employees' retirement system plan 1
2 account, the public employees' retirement system combined plan 2 and
3 plan 3 account, the public facilities construction loan revolving
4 account, the public health supplemental account, the public works
5 assistance account, the Puget Sound capital construction account, the
6 Puget Sound ferry operations account, the Puget Sound Gateway
7 facility account, the Puget Sound taxpayer accountability account,
8 the real estate appraiser commission account, the recreational
9 vehicle account, the regional mobility grant program account, the
10 resource management cost account, the rural arterial trust account,
11 the rural mobility grant program account, the rural Washington loan
12 fund, the second injury fund, the sexual assault prevention and
13 response account, the site closure account, the skilled nursing
14 facility safety net trust fund, the small city pavement and sidewalk
15 account, the special category C account, the special wildlife
16 account, the state investment board expense account, the state
17 investment board commingled trust fund accounts, the state patrol
18 highway account, the state reclamation revolving account, the state
19 route number 520 civil penalties account, the state route number 520
20 corridor account, the statewide broadband account, the statewide
21 tourism marketing account, the supplemental pension account, the
22 Tacoma Narrows toll bridge account, the teachers' retirement system
23 plan 1 account, the teachers' retirement system combined plan 2 and
24 plan 3 account, the tobacco prevention and control account, the
25 tobacco settlement account, the toll facility bond retirement
26 account, the transportation 2003 account (nickel account), the
27 transportation equipment fund, the transportation future funding
28 program account, the transportation improvement account, the
29 transportation improvement board bond retirement account, the
30 transportation infrastructure account, the transportation partnership
31 account, the traumatic brain injury account, the University of
32 Washington bond retirement fund, the University of Washington
33 building account, the voluntary cleanup account, the volunteer
34 firefighters' and reserve officers' relief and pension principal
35 fund, the volunteer firefighters' and reserve officers'
36 administrative fund, the vulnerable roadway user education account,
37 the Washington judicial retirement system account, the Washington law
38 enforcement officers' and firefighters' system plan 1 retirement
39 account, the Washington law enforcement officers' and firefighters'
40 system plan 2 retirement account, the Washington public safety

1 employees' plan 2 retirement account, the Washington school
2 employees' retirement system combined plan 2 and 3 account, the
3 Washington state patrol retirement account, the Washington State
4 University building account, the Washington State University bond
5 retirement fund, the water pollution control revolving administration
6 account, the water pollution control revolving fund, the Western
7 Washington University capital projects account, the Yakima integrated
8 plan implementation account, the Yakima integrated plan
9 implementation revenue recovery account, and the Yakima integrated
10 plan implementation taxable bond account. Earnings derived from
11 investing balances of the agricultural permanent fund, the normal
12 school permanent fund, the permanent common school fund, the
13 scientific permanent fund, and the state university permanent fund
14 shall be allocated to their respective beneficiary accounts.

15 (b) Any state agency that has independent authority over accounts
16 or funds not statutorily required to be held in the state treasury
17 that deposits funds into a fund or account in the state treasury
18 pursuant to an agreement with the office of the state treasurer shall
19 receive its proportionate share of earnings based upon each account's
20 or fund's average daily balance for the period.

21 (5) In conformance with Article II, section 37 of the state
22 Constitution, no treasury accounts or funds shall be allocated
23 earnings without the specific affirmative directive of this section.

24 **Sec. 3.** RCW 43.84.092 and 2022 c 182 s 404 are each amended to
25 read as follows:

26 (1) All earnings of investments of surplus balances in the state
27 treasury shall be deposited to the treasury income account, which
28 account is hereby established in the state treasury.

29 (2) The treasury income account shall be utilized to pay or
30 receive funds associated with federal programs as required by the
31 federal cash management improvement act of 1990. The treasury income
32 account is subject in all respects to chapter 43.88 RCW, but no
33 appropriation is required for refunds or allocations of interest
34 earnings required by the cash management improvement act. Refunds of
35 interest to the federal treasury required under the cash management
36 improvement act fall under RCW 43.88.180 and shall not require
37 appropriation. The office of financial management shall determine the
38 amounts due to or from the federal government pursuant to the cash
39 management improvement act. The office of financial management may

1 direct transfers of funds between accounts as deemed necessary to
2 implement the provisions of the cash management improvement act, and
3 this subsection. Refunds or allocations shall occur prior to the
4 distributions of earnings set forth in subsection (4) of this
5 section.

6 (3) Except for the provisions of RCW 43.84.160, the treasury
7 income account may be utilized for the payment of purchased banking
8 services on behalf of treasury funds including, but not limited to,
9 depository, safekeeping, and disbursement functions for the state
10 treasury and affected state agencies. The treasury income account is
11 subject in all respects to chapter 43.88 RCW, but no appropriation is
12 required for payments to financial institutions. Payments shall occur
13 prior to distribution of earnings set forth in subsection (4) of this
14 section.

15 (4) Monthly, the state treasurer shall distribute the earnings
16 credited to the treasury income account. The state treasurer shall
17 credit the general fund with all the earnings credited to the
18 treasury income account except:

19 (a) The following accounts and funds shall receive their
20 proportionate share of earnings based upon each account's and fund's
21 average daily balance for the period: The abandoned recreational
22 vehicle disposal account, the aeronautics account, the Alaskan Way
23 viaduct replacement project account, the brownfield redevelopment
24 trust fund account, the budget stabilization account, the capital
25 vessel replacement account, the capitol building construction
26 account, the Central Washington University capital projects account,
27 the charitable, educational, penal and reformatory institutions
28 account, the Chehalis basin account, the Chehalis basin taxable
29 account, the cleanup settlement account, the climate active
30 transportation account, the climate transit programs account, the
31 Columbia river basin water supply development account, the Columbia
32 river basin taxable bond water supply development account, the
33 Columbia river basin water supply revenue recovery account, the
34 common school construction fund, the community forest trust account,
35 the connecting Washington account, the county arterial preservation
36 account, the county criminal justice assistance account, the deferred
37 compensation administrative account, the deferred compensation
38 principal account, the department of licensing services account, the
39 department of retirement systems expense account, the developmental
40 disabilities community services account, the diesel idle reduction

1 account, the drinking water assistance account, the administrative
2 subaccount of the drinking water assistance account, the early
3 learning facilities development account, the early learning
4 facilities revolving account, the Eastern Washington University
5 capital projects account, the education construction fund, the
6 education legacy trust account, the election account, the electric
7 vehicle account, the energy freedom account, the energy recovery act
8 account, the essential rail assistance account, The Evergreen State
9 College capital projects account, the fair start for kids account,
10 the ferry bond retirement fund, the fish, wildlife, and conservation
11 account, the freight mobility investment account, the freight
12 mobility multimodal account, the grade crossing protective fund, the
13 public health services account, the state higher education
14 construction account, the higher education construction account, the
15 higher education retirement plan supplemental benefit fund, the
16 highway bond retirement fund, the highway infrastructure account, the
17 highway safety fund, the hospital safety net assessment fund, the
18 Interstate 405 and state route number 167 express toll lanes account,
19 the judges' retirement account, the judicial retirement
20 administrative account, the judicial retirement principal account,
21 the limited fish and wildlife account, the local leasehold excise tax
22 account, the local real estate excise tax account, the local sales
23 and use tax account, the marine resources stewardship trust account,
24 the medical aid account, the money-purchase retirement savings
25 administrative account, the money-purchase retirement savings
26 principal account, the motor vehicle fund, the motorcycle safety
27 education account, the move ahead WA account, the move ahead WA
28 flexible account, the multimodal transportation account, the multiuse
29 roadway safety account, the municipal criminal justice assistance
30 account, the oyster reserve land account, the pension funding
31 stabilization account, the perpetual surveillance and maintenance
32 account, the pilotage account, the pollution liability insurance
33 agency underground storage tank revolving account, the public
34 employees' retirement system plan 1 account, the public employees'
35 retirement system combined plan 2 and plan 3 account, the public
36 facilities construction loan revolving account, the public health
37 supplemental account, the public works assistance account, the Puget
38 Sound capital construction account, the Puget Sound ferry operations
39 account, the Puget Sound Gateway facility account, the Puget Sound
40 taxpayer accountability account, the real estate appraiser commission

1 account, the recreational vehicle account, the regional mobility
2 grant program account, the resource management cost account, the
3 rural arterial trust account, the rural mobility grant program
4 account, the rural Washington loan fund, the second injury fund, the
5 sexual assault prevention and response account, the site closure
6 account, the skilled nursing facility safety net trust fund, the
7 small city pavement and sidewalk account, the special category C
8 account, the special wildlife account, the state investment board
9 expense account, the state investment board commingled trust fund
10 accounts, the state patrol highway account, the state reclamation
11 revolving account, the state route number 520 civil penalties
12 account, the state route number 520 corridor account, the statewide
13 broadband account, the statewide tourism marketing account, the
14 supplemental pension account, the Tacoma Narrows toll bridge account,
15 the teachers' retirement system plan 1 account, the teachers'
16 retirement system combined plan 2 and plan 3 account, the tobacco
17 prevention and control account, the tobacco settlement account, the
18 toll facility bond retirement account, the transportation 2003
19 account (nickel account), the transportation equipment fund, the
20 transportation future funding program account, the transportation
21 improvement account, the transportation improvement board bond
22 retirement account, the transportation infrastructure account, the
23 transportation partnership account, the traumatic brain injury
24 account, the University of Washington bond retirement fund, the
25 University of Washington building account, the voluntary cleanup
26 account, the volunteer firefighters' and reserve officers' relief and
27 pension principal fund, the volunteer firefighters' and reserve
28 officers' administrative fund, the vulnerable roadway user education
29 account, the Washington judicial retirement system account, the
30 Washington law enforcement officers' and firefighters' system plan 1
31 retirement account, the Washington law enforcement officers' and
32 firefighters' system plan 2 retirement account, the Washington public
33 safety employees' plan 2 retirement account, the Washington school
34 employees' retirement system combined plan 2 and 3 account, the
35 Washington state patrol retirement account, the Washington State
36 University building account, the Washington State University bond
37 retirement fund, the water pollution control revolving administration
38 account, the water pollution control revolving fund, the Western
39 Washington University capital projects account, the Yakima integrated
40 plan implementation account, the Yakima integrated plan

1 implementation revenue recovery account, and the Yakima integrated
2 plan implementation taxable bond account. Earnings derived from
3 investing balances of the agricultural permanent fund, the normal
4 school permanent fund, the permanent common school fund, the
5 scientific permanent fund, and the state university permanent fund
6 shall be allocated to their respective beneficiary accounts.

7 (b) Any state agency that has independent authority over accounts
8 or funds not statutorily required to be held in the state treasury
9 that deposits funds into a fund or account in the state treasury
10 pursuant to an agreement with the office of the state treasurer shall
11 receive its proportionate share of earnings based upon each account's
12 or fund's average daily balance for the period.

13 (5) In conformance with Article II, section 37 of the state
14 Constitution, no treasury accounts or funds shall be allocated
15 earnings without the specific affirmative directive of this section.

16 **Sec. 4.** RCW 51.16.120 and 2015 c 137 s 1 are each amended to
17 read as follows:

18 (1) Whenever a worker has a previous bodily disability from any
19 previous injury or disease, whether known or unknown to the employer,
20 and suffers a further disability from injury or occupational disease
21 in employment covered by this title and becomes totally and
22 permanently disabled from the combined effects thereof or dies when
23 death was substantially accelerated by the combined effects thereof,
24 then the experience record of an employer insured with the state fund
25 at the time of the further injury or disease must be charged and a
26 self-insured employer must pay directly into the self-insurance
27 reserve fund only the accident cost which would have resulted solely
28 from the further injury or disease, had there been no preexisting
29 disability, and which accident cost must be based upon an evaluation
30 of the disability by medical experts. The difference between the
31 charge thus assessed to such employer at the time of the further
32 injury or disease and the total cost of the pension reserve must be
33 assessed against the second injury fund. Except as provided in
34 subsection (2) of this section, the department must pass upon the
35 application of this section in all cases where benefits are paid for
36 total permanent disability or death and issue an order thereon
37 appealable by the employer. Pending outcome of such appeal the
38 transfer or payment must be made as required by such order.

1 (2) If a self-insured employer is in default or the director has
2 withdrawn the certification of a self-insured employer, the
3 department may not pass on the application of this section. In such
4 cases, the total cost of the pension reserve must first be assessed
5 against the defaulting self-insured employer's deposit required by
6 RCW 51.14.020 and in cases where the surety funds are insufficient
7 the remaining cost of the pension reserve must be assessed against
8 the insolvency trust fund.

9 (3) The department must, in cases of claims of workers sustaining
10 injuries or occupational diseases in the employ of state fund
11 employers, recompute the experience record of such employers when the
12 claims of workers injured in their employ have been found to qualify
13 for payments from the second injury fund after the regular time for
14 computation of such experience records and the department may make
15 appropriate adjustments in such cases including cash refunds or
16 credits to such employers.

17 (4) To encourage employment of injured workers who have a
18 developmental disability as defined in RCW 71A.10.020, the department
19 may adopt rules providing for the reduction or elimination of
20 premiums or assessments from employers of such workers and may also
21 adopt rules for the reduction or elimination of charges against their
22 employers in the event of further injury to such workers in their
23 employ.

24 **Sec. 5.** RCW 51.32.242 and 2008 c 280 s 3 are each amended to
25 read as follows:

26 (1) Except as provided in subsection (2) of this section, each
27 self-insured employer shall retain from the earnings of each of its
28 workers that amount as shall be fixed from time to time by the
29 director, the basis for measuring said amount to be determined by the
30 director. These moneys shall only be retained from employees and
31 remitted to the department in such manner and at such intervals as
32 the department directs and shall be placed in the self-insured
33 employer overpayment reimbursement fund. The moneys so collected
34 shall be used exclusively for reimbursement to the self-insurance
35 reserve fund and to self-insured employers for benefits overpaid
36 during the pendency of board or court appeals in which the self-
37 insured employer prevails and has not recovered, and shall be no more
38 than necessary to make such payments on a current basis.

1 (2) None of the amount assessed for the employer overpayment
2 reimbursement fund under this section may be retained from the
3 earnings of workers covered under RCW 51.16.210.

4 **Sec. 6.** RCW 51.44.070 and 2018 c 282 s 1 are each amended to
5 read as follows:

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

16 **Sec. 7.** RCW 51.44.073 and 2018 c 282 s 2 are each amended to
17 read as follows:

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

28 (2) As an alternative to payment procedures otherwise provided
29 under law, in the event of death or permanent total disability to
30 workers of self-insured employers, a self-insured employer may upon
31 establishment of such obligation file with the department a bond, an
32 assignment of account from a federally or state chartered commercial
33 banking institution authorized to conduct business in the state of
34 Washington, or purchase an annuity, in an amount deemed by the
35 department to be reasonably sufficient to insure payment of the
36 pension benefits provided by law. Any purchase of an annuity shall be
37 from an institution meeting the following minimum requirements: (a)
38 The institution must be rated no less than "A+" by A.M. Best, and no

1 less than "AA" by Moody's and by Standard & Poor's; (b) the value of
2 the assets of the institution must not be less than ten billion
3 dollars; (c) not more than ten percent of the institution's assets
4 may include bonds that are rated less than "BBB" by Moody's and
5 Standard & Poor's; (d) not more than five percent of the assets may
6 be held as equity in real estate; and (e) not more than twenty-five
7 percent of the assets may be first mortgages, and not more than five
8 percent may be second mortgages. The department shall adopt rules
9 governing assignments of account and annuities. Such rules shall
10 ensure that the funds are available if needed, even in the case of
11 failure of the banking institution, the institution authorized to
12 provide annuities, or the employer's business.

13 The annuity value for every such case shall be determined by the
14 department based upon the department's experience as to rates of
15 mortality, disability, remarriage, and interest. The amount of the
16 required bond, assignment of account, or annuity may be reviewed and
17 adjusted periodically by the department, based upon periodic
18 redeterminations by the department as to the outstanding annuity
19 value for the case.

20 Under such an alternative, the department shall administer the
21 payment of this obligation to the beneficiary or beneficiaries. The
22 department shall be reimbursed for all such payments from the self-
23 insured employer through periodic charges not less than quarterly in
24 a manner to be determined by the director. The self-insured employer
25 shall additionally pay to the department a deposit equal to the first
26 three months' payments otherwise required under RCW 51.32.050 and
27 51.32.060. Such deposit shall be placed in the self-insurance reserve
28 fund in accordance with RCW 51.44.140 and shall be returned to the
29 respective self-insured employer when monthly payments are no longer
30 required for such particular obligation.

31 If a self-insurer delays or refuses to reimburse the department
32 beyond fifteen days after the reimbursement charges become due, there
33 shall be a penalty paid by the self-insurer upon order of the
34 director of an additional amount equal to twenty-five percent of the
35 amount then due which shall be paid into the ((~~pension~~)) self-
36 insurance reserve fund. Such an order shall conform to the
37 requirements of RCW 51.52.050.

38 **Sec. 8.** RCW 51.44.080 and 1989 c 190 s 2 are each amended to
39 read as follows:

1 The department shall notify the state treasurer from time to
2 time, of ~~((such))~~ transfers as a whole from the state fund to the
3 reserve fund and from self-insured employers to the self-insurance
4 reserve fund and the interest or other earnings of the reserve fund
5 shall become a part of the reserve fund itself. Interest or other
6 earnings of the self-insurance reserve fund shall become a part of
7 the self-insurance reserve fund itself. As soon as possible after
8 June 30th of each year the department shall expert the reserve fund
9 and self-insurance reserve fund separately to ascertain ~~((its))~~ the
10 standing of the funds as of June 30th of that year and the relation
11 of ~~((its))~~ the outstanding annuities at their then value to the cash
12 on hand or at interest belonging to the ~~((fund))~~ funds. The
13 department shall promptly report the result of the ~~((examination))~~
14 examinations to the state treasurer in writing not later than
15 September 30th following. If the report shows that there was on said
16 June 30th, in the reserve fund or self-insurance reserve fund in cash
17 or at interest, a greater sum than the then annuity value of the
18 outstanding pension obligations, the surplus in the reserve fund
19 shall be forthwith turned over to the state fund and the surplus in
20 the self-insurance reserve fund shall be forthwith turned over to the
21 appropriate self-insured employer accounts under RCW 51.44.140 but,
22 if the report shows the contrary condition ~~((of the reserve fund))~~,
23 the deficiency of the reserve fund shall be forthwith made good out
24 of the state fund and the deficiency in the self-insurance fund shall
25 be made good from the appropriate self-insured employer accounts
26 under RCW 51.44.140.

27 **Sec. 9.** RCW 51.44.100 and 2011 1st sp.s. c 37 s 602 are each
28 amended to read as follows:

29 Whenever, in the judgment of the state investment board, there
30 shall be in the accident fund, medical aid fund, reserve fund, self-
31 insurance reserve fund, industrial insurance rainy day fund, or the
32 supplemental pension fund, funds in excess of that amount deemed by
33 the state investment board to be sufficient to meet the current
34 expenditures properly payable therefrom, the state investment board
35 may invest and reinvest such excess funds in the manner prescribed by
36 RCW 43.84.150, and not otherwise.

37 The state investment board may give consideration to the
38 investment of excess funds in federally insured student loans made to
39 persons in vocational training or retraining or reeducation programs.

1 The state investment board may make such investments by purchasing
2 from savings and loan associations, commercial banks, mutual savings
3 banks, credit unions and other institutions authorized to be lenders
4 under the federally insured student loan act, organized under federal
5 or state law and operating in this state loans made by such
6 institutions to residents of the state of Washington particularly for
7 the purpose of vocational training or reeducation: PROVIDED, That the
8 state investment board shall purchase only that portion of any loan
9 which is guaranteed or insured by the United States of America, or by
10 any agency or instrumentality of the United States of America:
11 PROVIDED FURTHER, That the state investment board is authorized to
12 enter into contracts with such savings and loan associations,
13 commercial banks, mutual savings banks, credit unions, and other
14 institutions authorized to be lenders under the federally insured
15 student loan act to service loans purchased pursuant to this section
16 at an agreed upon contract price.

17 **Sec. 10.** RCW 51.44.115 and 2005 c 387 s 1 are each amended to
18 read as follows:

19 (1) The department shall:

20 (a) Prepare financial statements on the state fund in accordance
21 with generally accepted accounting principles, including but not
22 limited to financial statements on the accident fund, the medical aid
23 fund, the pension reserve fund, the self-insurance reserve fund, the
24 supplemental pension fund, and the second injury fund. Statements
25 must be presented separately by fund and in the aggregate; and

26 (b) Prepare financial information for the accident fund, medical
27 aid fund, (~~and~~) pension reserve fund, and self-insurance reserve
28 fund based on statutory accounting practices and principles
29 promulgated by the national association of insurance commissioners
30 for the purpose of maintaining actuarial solvency of these funds.

31 (2) Beginning in 2006, and, to avoid duplication, coordinated
32 with any audit that may be conducted under RCW 43.09.310, the state
33 auditor shall conduct annual audits of the state fund. As part of the
34 audits required under this section, the state auditor may contract
35 with firms qualified to perform all or part of the financial audit,
36 as necessary.

37 (a) The firm or firms conducting the reviews shall be familiar
38 with the accounting standards applicable to the accounts under review

1 and shall have experience in workers' compensation reserving,
2 discounting, and rate making.

3 (b) The scope of the financial audit shall include, but is not
4 limited to:

5 (i) An opinion on whether the financial statements were prepared
6 in accordance with generally accepted accounting principles;

7 (ii) An assessment of the financial impact of the proposed rate
8 level on the actuarial solvency of the accident, medical aid, and
9 pension reserve funds, taking into consideration the risks inherent
10 with insurance and the effects of the actuarial assumptions, discount
11 rates, reserving, retrospective rating program, refunds, and
12 individual employer rate classes, as well as the standard accounting
13 principles used for insurance underwriting purposes; and

14 (iii) A statement of actuarial opinion on whether the loss and
15 loss adjustment expense reserves for the accident, medical aid, and
16 pension reserve funds were prepared in accordance with generally
17 accepted actuarial principles.

18 (c) The department shall cooperate with the state auditor in all
19 respects and shall permit the state auditor full access to all
20 information deemed necessary for a true and complete review.

21 (d) The cost of the audit shall be paid by the state fund under
22 separate contract.

23 (3) The state auditor shall issue an annual report to the
24 governor, the leaders of the majority and minority caucuses in the
25 senate and the house of representatives, the director of the office
26 of financial management, and the director of the department, on the
27 results of the financial audit and reviews, within six months of the
28 end of the fiscal year. The report may include recommendations.

29 (4) The audit report shall be available for public inspection.

30 (5) Within ninety days after the state auditor completes and
31 delivers to the appropriate authority an audit under subsection (2)
32 of this section, the director of the department shall notify the
33 state auditor in writing of the measures taken and proposed to be
34 taken, if any, to respond to the recommendations of the audit report.
35 The state auditor may extend the ninety-day period for good cause.

36 **Sec. 11.** RCW 51.44.140 and 2018 c 282 s 3 are each amended to
37 read as follows:

38 Each self-insurer shall make such deposits, into the self-
39 insurance reserve fund, as the department shall require pursuant to

1 RCW 51.44.073, as are necessary to guarantee the payments of the
2 pensions established pursuant to RCW 51.32.050 and 51.32.060.

3 Each self-insurer shall have an account within the self-insurance
4 reserve fund. Each such account shall be credited with its
5 proportionate share of interest or other earnings as determined in
6 RCW 51.44.080.

7 Each such account in the self-insurance reserve fund shall be
8 expeted as required in RCW 51.44.080. Any surpluses shall be
9 forthwith returned to the respective self-insurers, and each deficit
10 shall forthwith be made good to the self-insurance reserve fund by
11 the self-insurer.

12 **Sec. 12.** RCW 51.44.142 and 2008 c 280 s 4 are each amended to
13 read as follows:

14 The self-insured employer overpayment reimbursement fund is
15 created in the custody of the state treasurer. Expenditures from the
16 account may be used only for reimbursing the self-insurance reserve
17 fund and self-insured employers for benefits overpaid during the
18 pendency of board or court appeals in which the self-insured employer
19 prevails and has not recovered. Only the director or the director's
20 designee may authorize expenditures from the account. The account is
21 subject to allotment procedures under chapter 43.88 RCW, but an
22 appropriation is not required for expenditures.

23 **Sec. 13.** RCW 51.44.160 and 1975 1st ex.s. c 224 s 17 are each
24 amended to read as follows:

25 The director is authorized to make periodic temporary interfund
26 transfers between the reserve, self-insurance reserve, and
27 supplemental pension funds as may be necessary to provide for
28 payments from the supplemental pension fund as prescribed in this
29 title. At least once annually, the director shall cause an audit to
30 be made of all pension funds administered by the department to insure
31 that proper crediting of funds has been made, and further to direct
32 transfers between the funds for any interfund loans which may have
33 been made in the preceding year and not fully reimbursed.

34 NEW SECTION. **Sec. 14.** Section 2 of this act is necessary for
35 the immediate preservation of the public peace, health, or safety, or
36 support of the state government and its existing public institutions,
37 and takes effect July 1, 2023.

1 NEW SECTION. **Sec. 15.** Section 2 of this act expires July 1,
2 2024.

3 NEW SECTION. **Sec. 16.** Section 3 of this act takes effect July
4 1, 2024.

5 NEW SECTION. **Sec. 17.** Sections 1 and 4 through 13 of this act
6 take effect July 1, 2025.

Passed by the Senate March 8, 2023.

Passed by the House April 6, 2023.

Approved by the Governor April 20, 2023.

Filed in Office of Secretary of State April 21, 2023.

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