

**WAC 415-02-250 Retiree medical accounts established under Internal Revenue Code (IRC) section 401(h).** RCW 41.26.470(10), 41.26.510(5), and 43.43.285 (2)(b) authorizes LEOFF Plan 2 and WSPRS Plan 1/2 to provide reimbursement to eligible retirees and/or to their eligible survivors for certain medical insurance premiums. These reimbursements are authorized by IRC section 401(h), subject to the IRC and federal regulations.

**(1) How is the money to fund these benefits held by the state?**

Pursuant to IRC section 401(h), there is established a retiree medical account within the trust fund of each of the respective plans. The money to fund the foregoing reimbursements for medical insurance premiums is held in these "retiree medical accounts." The assets in each of these retiree medical accounts shall be accounted for separately from other trust funds. There are no individual member accounts within a retiree medical account.

**(2) How are the assets in the retiree medical accounts invested?**

The assets in the retiree medical accounts are commingled with other trust fund accounts for investment purposes. Portions of the investment expenses and investment earnings for the commingled investments are allocated to the retiree medical accounts on a reasonable basis.

**(3) How are assets in the retiree medical accounts used?**

(a) Assets in the retiree medical accounts are held in trust for the exclusive benefit of eligible retirees and their eligible survivors.

(b) The assets of the respective retiree medical accounts shall be used only for the payment of the benefits provided in RCW 41.26.470(10), 41.26.510(5), and 43.43.285 (2)(b), and the expenses of administering these sections. Assets in the retiree medical accounts may not be used for any other retirement benefit provided by chapters 41.26 and 43.43 RCW or any other purpose.

(c) If any individual forfeits an interest in the benefits provided in RCW 41.26.470(10), 41.26.510(5), and 43.43.485 (2)(b), the money in the retiree medical account shall be used to provide benefits to those who remain eligible.

(d) Upon satisfaction of all liabilities under RCW 41.26.470(10), 41.26.510(5), and 43.43.285 (2)(b), any assets in a retiree medical account that are not used as provided in (b) of this subsection shall be transferred to the department of retirement systems' (DRS) expense fund for the benefit of employers, as required by IRC section 401(h)(5).

(e) These benefits are subordinate to the retirement benefits provided by the plan.

**(4) How are the retiree medical accounts funded?**

(a) The retiree medical accounts are funded by designated retirement contributions, appropriations, and any other sources. The funding structure and the process for determining the contributions for the accounts are set out in chapter 41.45 RCW, in particular RCW 41.45.050, 41.45.060, 41.45.0604, 41.45.0631, and 41.45.070.

(b) At no time shall the contributions to a retiree medical account plus the contributions to its respective plan for the one-time duty-related death benefit be in excess of twenty-five percent of the total contributions to its respective plan (not including contributions to fund past service credits). This comparison is made by comparing the cumulative contributions that have been made after the effective date of the retiree medical account.

(c) DRS will review the total contributions annually to ensure that the twenty-five percent limit has not been exceeded.

(5) In adopting this section, DRS intends to comply in all respects with IRC sections 401(a) and 401(h) and to preserve the status of LEOFF Plan 2 and WSPRS Plan 1/2 as tax-qualified governmental plans under section 401(a) and 414(d) of the Internal Revenue Code.

[Statutory Authority: RCW 41.50.050(5) and chapter 43.43 RCW. WSR 11-18-017, § 415-02-250, filed 8/26/11, effective 9/26/11.]