
HOUSE BILL 1072

State of Washington

57th Legislature

2001 Regular Session

By Representatives H. Sommers, Lambert, Doumit, Alexander, Van Luven, Ogden, Edmonds, Haigh, Kagi and Marine; by request of Joint Committee on Pension Policy

Read first time 01/15/2001. Referred to Committee on Appropriations.

1 AN ACT Relating to establishing a law enforcement officers' and
2 fire fighters' health and welfare risk assumption program;
3 amending RCW 41.26.110, 41.26.150, 43.84.092, 43.84.092,
4 43.79A.040, 44.44.040, 48.62.031, and 48.62.051; adding new
5 sections to chapter 43.63A RCW; adding a new section to chapter
6 41.45 RCW; adding new sections to chapter 43.79 RCW; creating a
7 new section; providing effective dates; providing an expiration
8 date; and declaring an emergency.

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

10 **LEOFF 1 EMPLOYER RISK POOL PROGRAM**

11 NEW SECTION. **Sec. 1.** The purpose of sections 2 through 12 of
12 this act is to establish a risk assumption program whereby
13 employers of plan 1 active and retired members of the law
14 enforcement officers' and fire fighters' retirement system
15 voluntarily enter into membership in a risk pool for the purpose
16 of sharing the noninsured medical costs of long-term care and

1 major medical services for retired members of plan 1. Such long-
2 term care and major medical services are those required under plan
3 1 and approved by city and county disability boards.

4 NEW SECTION. **Sec. 2.** The definitions in this section apply to
5 sections 2 through 12 and 14 of this act unless the context
6 clearly requires otherwise.

7 (1) "Actuary" means the state actuary, office of the state
8 actuary.

9 (2) "Beneficiary" means any person in receipt of a retirement
10 allowance or disability allowance who is eligible for medical
11 services under the law enforcement officers' and fire fighters'
12 retirement system plan 1.

13 (3) "Director" means the director, office of community
14 development, department of community, trade, and economic
15 development.

16 (4) "Employer" means the legislative authority of any city,
17 town, county, or district or the elected officials of any
18 municipal corporation that employs any person who first became a
19 member of the law enforcement officers' and fire fighters'
20 retirement system prior to October 1, 1977, or any authorized
21 association of such municipalities.

22 (5) "Executive board" means the law enforcement officers' and
23 fire fighters' plan 1 risk pool executive board.

24 (6) "Long-term care" means those medically necessary services
25 required under RCW 41.26.030(22), authorized under RCW 41.26.150,
26 and received in a facility for skilled nursing care, intermediate
27 care, custodial care, hospice care, day care, in-home nursing
28 care, or other in-home care or services. For purposes of
29 expenditures from the medical account, long-term care only
30 includes qualified long-term care services as defined in internal
31 revenue code section 7702B(2), and qualified long-term care
32 insurance contract as defined in internal revenue code section
33 7702B(b).

34 (7) "Medical account" means the law enforcement officers' and
35 fire fighters' plan 1 medical account.

36 (8) "Medical costs" means those costs incurred in the provision
37 of the medically necessary medical services required under RCW

1 41.26.030(22) and authorized under RCW 41.26.150. For purposes of
2 expenditures from the medical account, medical costs only include
3 cost of medical care as defined in internal revenue code section
4 213(d).

5 (9) "Risk assumption" means a decision to absorb the entity's
6 financial exposure to a risk of loss without the creation of a
7 formal program of advance funding of anticipated losses.

8 (10) "Risk pool" means the long-term care and medical costs
9 risk pool created for the law enforcement officers' and fire
10 fighters' medical benefits risk pool.

11 (11) "State risk manager" means the risk manager, risk
12 management division, department of general administration.

13 NEW SECTION. **Sec. 3.** (1) There is hereby established the law
14 enforcement officers' and fire fighters' medical benefits risk
15 pool.

16 (2) The risk pool is a risk assumption insurance program for
17 the sole purpose of employers sharing the noninsured medical costs
18 of long-term care and medical costs for beneficiaries.

19 (3) An employer's participation and withdrawal from the risk
20 pool is subject to rules established by the executive board.

21 NEW SECTION. **Sec. 4.** (1) The law enforcement officers' and fire
22 fighters' plan 1 risk pool executive board is hereby established.

23 (2)(a) The membership of the executive board shall consist of
24 nine persons as follows:

25 (i) The chair is appointed by the governor for a four-year term
26 of office. The chair shall be familiar with risk pool operation,
27 medical, and long-term care matters but shall not have been
28 employed as a law enforcement officer or fire fighter or served on
29 a law enforcement officers' and fire fighters' plan 1 disability
30 board; and

31 (ii) Eight others selected by the governor from lists of
32 recommended persons made by their respective organizations as
33 follows:

34 (A) Two persons representing counties, one of which is an
35 elected official;

1 (B) Two persons representing cities and towns, one of which is
2 an elected official;

3 (C) Two persons representing fire protection districts, one of
4 which is an elected commissioner;

5 (D) One person representing law enforcement officers; and

6 (E) One person representing fire fighters.

7 (b) If a member vacates his or her position, the governor shall
8 select a person from a list recommended by his or her respective
9 organization to replace the vacating member for the remainder of
10 the term of office for the vacated position.

11 (3) One position of the county, city, and town, and fire
12 protection district groups and the law enforcement officer
13 position have an initial term of two years and four years
14 thereafter. The remaining positions have terms of four years.

15 (4) A vice-chair shall be elected at the first meeting of the
16 executive board and every two years thereafter. Upon the absence of
17 the chair, the vice-chair shall act in his or her place.

18 (5) The executive board shall meet at least quarterly and shall
19 maintain minutes of each meeting and any records as may be
20 necessary, which are public records.

21 (6) The chair and four other members constitute a quorum.

22 (7) The members of the executive board shall not receive
23 compensation for their service upon the executive board but shall
24 be reimbursed for all expenses incidental to such service as to
25 the amount authorized by either RCW 42.24.090 or 43.03.050 and
26 43.03.060, whichever is applicable.

27 NEW SECTION. **Sec. 5.** The duties of the executive board are as
28 follows:

29 (1) Establish the basis of membership in the risk pool;

30 (2) Define and establish the benefits to be reimbursed by the
31 risk pool;

32 (3) Authorize distribution of moneys from the risk pool account
33 consistent with the provisions of rules and regulations
34 established by the internal revenue service;

35 (4) Determine, with the assistance of the actuary, employer
36 premiums to the risk pool, which shall include administrative
37 expenses of the office of community development;

1 (5) Authorize reimbursement for medical and long-term care
2 costs, required under RCW 41.26.030 and authorized under RCW
3 41.26.150 that are not covered by standard medical insurance
4 policies. Reimbursement for medical costs shall be treated as paid
5 first out of the amounts transferred under section 8 of this
6 act. The board shall adopt rules governing these reimbursements
7 consistent with the provisions of the internal revenue code and
8 rules and regulations established by the internal revenue service;
9 (6) Purchase reinsurance as necessary; and
10 (7) Adopt rules under chapter 34.05 RCW.

11 NEW SECTION. **Sec. 6.** (1) In accordance with the requirements of
12 section 9 of this act, the director shall allot such funds as are
13 transferred from the medical account to the risk pool account and
14 to employers for (a) those reimbursements authorized under section
15 5(5) of this act, and (b) reimbursement of employers' medical
16 expenses up to the limit set by appropriation.

17 (2) The director shall:

18 (a) Appoint other staff as necessary for the operation of the
19 risk pool; fix their compensation within the limits provided by
20 law; and prescribe their duties;

21 (b) Enter into contracts necessary for the operation of the
22 risk pool, including risk management, claims, and administrative
23 services;

24 (c) Adopt rules under chapter 34.05 RCW pertaining to the risk
25 pool operation;

26 (d) Provide staff support to the executive board; and

27 (e) Perform those other duties and responsibilities required to
28 implement the medical benefits risk pool established in section 3
29 of this act.

30 NEW SECTION. **Sec. 7.** Funding for the risk pool account,
31 established in section 16 of this act, shall come from three
32 sources: (1) Employer premiums; (2) funds which may be
33 transferred from the medical account; and (3) investment earnings.

34 NEW SECTION. **Sec. 8.** (1) Until December 31, 2005, or such later
35 date as permitted by the internal revenue code, one time each

1 fiscal year the legislature may transfer to the medical account
2 all or a part of any excess funds of the law enforcement officers'
3 and fire fighters' retirement system plan 1, as determined by the
4 state actuary consistent with the internal revenue code and rules
5 and regulations of the internal revenue service.

6 (2) Such transfer shall be done on a fiscal year basis, and may
7 only be done once each fiscal year.

8 NEW SECTION. **Sec. 9.** (1) The use of the medical account shall
9 be solely for the purposes of:

10 (a) Reimbursement of medical costs and long-term care reduced
11 by any amount received or eligible to be received by a member
12 under workers' compensation, social security including the changes
13 incorporated under Public Law 89-97, insurance provided by the
14 employer, insurance provided by another employer, other pension
15 plan, or any other similar source;

16 (b) Insurance premiums, including medicare part B premiums;

17 (c) Costs incurred under this act by the executive board, the
18 state risk manager, and the office of the state actuary; and

19 (d) Accounting and management of the funds by an employer.

20 (2) Uses stated in subsection (1)(c) and (d) of this section
21 are subject to chapter 43.88 RCW.

22 (3) All undistributed transferred funds in the medical account
23 at the end of a calendar year shall be returned to the law
24 enforcement officers' and fire fighters' retirement system plan 1
25 by January 10th of the next ensuing year.

26 NEW SECTION. **Sec. 10.** The state risk manager shall adopt rules
27 governing the implementation, management, and operation of the
28 risk pool in consultation with the health and welfare advisory
29 board under RCW 48.62.051. All rules shall be appropriate for the
30 type of program and class of risk covered. The state risk manager's
31 rules shall include:

32 (1) Standards for the implementation, management, operation,
33 and solvency of the risk pool, including the necessity and
34 frequency of actuarial analyses and claims audits;

35 (2) Standards for claims management procedures;

36 (3) Standards for contracts between the risk pool and private

1 businesses including standards for contracts between third-party
2 administrators and the risk pool; and

3 (4) Standards for an annual report with the state risk manager
4 and state auditor including, but not limited to:

5 (a) Copies of all the insurance coverage documents;

6 (b) A description of the program structure;

7 (c) An actuarial analysis, if required;

8 (d) A list of contractors and service providers;

9 (e) The financial and loss experience of the program; and

10 (f) Such other information as required by rule of the state
11 risk manager.

12 NEW SECTION. **Sec. 11.** The risk pool may not engage in an act or
13 practice that in any respect significantly differs from the
14 management and operation plan that formed the basis for the state
15 risk manager's approval unless the risk pool first notifies the
16 state risk manager in writing and obtains the state risk manager's
17 approval. The state risk manager shall approve or disapprove the
18 proposed change within sixty days of receipt of the notice. If the
19 state risk manager denies a requested change, the risk manager
20 shall specify in detail the reasons for denial and the manner in
21 which the risk pool would fail to meet the requirements of this
22 chapter or any rules adopted in accordance with this chapter.

23 NEW SECTION. **Sec. 12.** (1) The state risk manager shall establish
24 and charge an investigation fee in an amount necessary to cover
25 the costs for the initial review and approval of the risk pool. The
26 fee must accompany the initial submission of the plan of operation
27 and management.

28 (2) The costs of subsequent reviews and investigations shall be
29 charged to the risk pool being reviewed or investigated in
30 accordance with the actual time and expenses incurred in the
31 review or investigation.

32 (3) The risk pool shall pay any required fee or assessment
33 required by the health and welfare advisory board under RCW
34 48.62.051.

35

1 NEW SECTION. **Sec. 13.** Sections 1 through 12 of this act are each
2 added to chapter 43.63A RCW.

3 **PERTAINING TO FUNDING STATE RETIREMENT SYSTEMS: ADDING SECTIONS**

4 NEW SECTION. **Sec. 14.** A new section is added to chapter 41.45
5 RCW to read as follows:

6 (1) By September 30, 2001, and every two years thereafter, the
7 state actuary shall identify, consistent with the rules and
8 regulations of the internal revenue service:

9 (a) Those assets which are (i) in excess of the assets required
10 for actuarial full funding of the law enforcement officers' and
11 fire fighters' retirement system plan 1 system; and (ii) not
12 exceeding the anticipated cost of health care benefits for
13 beneficiaries of the law enforcement officers' and fire fighters'
14 retirement system plan 1, for the ensuing biennium;

15 (b) The maximum allowable transfer from the law enforcement
16 officers' and fire fighters' retirement system plan 1 fund to the
17 medical account;

18 (c) The maximum allowable transfer from the medical account to
19 the risk pool account; and

20 (d) The maximum allowable per person reimbursement to employers
21 for law enforcement officers' and fire fighters' plan 1 medical
22 costs.

23 (2) The state actuary shall immediately transmit the value of
24 these identified amounts to the office of financial management,
25 the fiscal committees of the legislature, and the law enforcement
26 officers' and fire fighters' plan 1 risk pool executive board.

27 **PERTAINING TO STATE FUNDS: ADDING SECTIONS**

28 NEW SECTION. **Sec. 15.** A new section is added to chapter 43.79
29 RCW to read as follows:

30 (1) The law enforcement officers' and fire fighters' plan 1
31 medical account is hereby established as a subaccount within the
32 law enforcement officers' and fire fighters' system plan 1
33 retirement account in the custody of the state treasurer,
34 established pursuant to internal revenue code section 401(h). The

1 assets held in the medical account shall be accounted for
2 separately from the pension funds. Medical account assets, however,
3 may be commingled for investment purposes with the pension
4 funds. Investment earnings will be allocated on a reasonable
5 basis. The medical account and the pension funds together comprise
6 the law enforcement officers' and fire fighters' system plan 1
7 retirement account.

8 (2) Only beneficiaries qualified for medical services under RCW
9 41.26.030(22) and approved under RCW 41.26.150, are eligible for
10 medical costs or long-term care from the medical account.

11 (3) The account shall consist of such money as is transferred
12 to the account. Any money transferred in the account, the use of
13 which has been restricted by law, may only be expended in
14 accordance with those restrictions. No employer or employee
15 contributions shall be made to the medical account.

16 (4) The corpus and the income of the medical account may not be
17 diverted for any use other than providing long-term care and
18 medical costs for the calendar year in which the transfer from the
19 retirement account to the medical account is made. Section 9(3) of
20 this act shall govern the year and reversion to the law
21 enforcement officers' and fire fighters' system plan 1 retirement
22 account as required by internal revenue code section 420(c)(1).

23 NEW SECTION. **Sec. 16.** A new section is added to chapter 43.79
24 RCW to read as follows:

25 (1) The law enforcement officers' and fire fighters' medical
26 benefits risk pool account is hereby established in the custody of
27 the state treasurer.

28 (2) The account shall consist of such money as is directed by
29 law for deposit in the account, and such other money not subject
30 to appropriation that the law enforcement officers' and fire
31 fighters' plan 1 risk pool executive board authorizes to be
32 deposited in the account. Any money deposited in the account, the
33 use of which has been restricted by law, may only be expended in
34 accordance with those restrictions.

35 (3) The director, office of community development, department
36 of community, trade, and economic development, or the director's
37 designee, may make disbursements from the account.

1 (4) Only those funds within this account necessary for the
2 administration of the law enforcement officers' and fire fighters'
3 plan 1 risk pool by the office of community development are
4 subject to legislative appropriation.

5 **PERTAINING TO LEOFF 1: AMENDATORY SECTIONS**

6 **Sec. 17.** RCW 41.26.110 and 2000 c 234 s 1 are each amended to read
7 as follows:

8 (1) All claims for disability shall be acted upon and either
9 approved or disapproved by either type of disability board
10 hereafter authorized to be created.

11 (a) By January 1, 2002, each city having a population of twenty
12 thousand or more shall establish a disability board having
13 jurisdiction over all members employed by said cities and composed
14 of the following five members: Two members of the city
15 legislative body to be appointed by the mayor, one active or
16 retired fire fighter to be elected by the fire fighters employed
17 by or retired from the city, one active or retired law enforcement
18 officer to be elected by the law enforcement officers employed by
19 or retired from the city and one member from the public at large
20 who resides within the city to be appointed by the other four
21 members heretofore designated in this subsection. Retired members
22 who are subject to the jurisdiction of the board have both the
23 right to elect and the right to be elected under this section.
24 Each of the elected members shall serve a two year term. The
25 members appointed pursuant to this subsection shall serve for two
26 year terms: PROVIDED, That cities of the first class only, shall
27 retain existing firemen's pension boards established pursuant to
28 RCW 41.16.020 and existing boards of trustees of the relief and
29 pension fund of the police department as established pursuant to
30 RCW 41.20.010 which such boards shall have authority to act upon
31 and approve or disapprove claims for disability by fire fighters
32 or law enforcement officers as provided under the Washington law
33 enforcement officers' and fire fighters' retirement system act.

34 (b) Each county shall establish a disability board having
35 jurisdiction over all members residing in the county and not
36 employed by a city in which a disability board is established. The

1 county disability board so created shall be composed of five
2 members to be chosen as follows: One member of the legislative
3 body of the county to be appointed by the county legislative body,
4 one member of a city or town legislative body located within the
5 county which does not contain a city disability board established
6 pursuant to subsection (1)(a) of this section to be chosen by a
7 majority of the mayors of such cities and towns within the county
8 which does not contain a city disability board, one fire fighter
9 or retired fire fighter to be elected by the fire fighters
10 employed or retired in the county who are not employed by or
11 retired from a city in which a disability board is established,
12 one law enforcement officer or retired law enforcement officer to
13 be elected by the law enforcement officers employed in or retired
14 from the county who are not employed by or retired from a city in
15 which a disability board is established, and one member from the
16 public at large who resides within the county but does not reside
17 within a city in which a city disability board is established, to
18 be appointed by the other four members heretofore designated in
19 this subsection. However, in counties with a population less than
20 sixty thousand, the member of the disability board appointed by a
21 majority of the mayors of the cities and towns within the county
22 that do not contain a city disability board must be a resident of
23 one of the cities and towns but need not be a member of a city or
24 town legislative body. Retired members who are subject to the
25 jurisdiction of the board have both the right to elect and the
26 right to be elected under this section. All members appointed or
27 elected pursuant to this subsection shall serve for two year
28 terms.

29 (2) The members of both the county and city disability boards
30 shall not receive compensation for their service upon the boards
31 but said members shall be reimbursed by their respective county or
32 city for all expenses incidental to such service as to the amount
33 authorized by law.

34 (3) The disability boards authorized for establishment by this
35 section shall perform all functions, exercise all powers, and make
36 all such determinations as specified in this chapter.

37

1 **Sec. 18.** RCW 41.26.150 and 1992 c 22 s 3 are each amended to read
2 as follows:

3 (1) Whenever any active member, or any member hereafter
4 retired, on account of service, sickness, or disability, not
5 caused or brought on by dissipation or abuse, of which the
6 disability board shall be judge, is confined in any hospital or in
7 home, and whether or not so confined, requires medical services,
8 the employer shall pay for the active or retired member the
9 necessary medical services not payable from some other source as
10 provided for in subsection (2) of this section. In the case of
11 active or retired fire fighters the employer may make the payments
12 provided for in this section from the firemen's pension fund
13 established pursuant to RCW 41.16.050 where the fund had been
14 established prior to March 1, 1970. If this pension fund is
15 depleted, the employer shall have the obligation to pay all
16 benefits payable under chapters 41.16 and 41.18 RCW.

17 (a) The disability board in all cases may have the active or
18 retired member suffering from such sickness or disability examined
19 at any time by a licensed physician or physicians, to be appointed
20 by the disability board, for the purpose of ascertaining the
21 nature and extent of the sickness or disability, the physician or
22 physicians to report to the disability board the result of the
23 examination within three days thereafter. Any active or retired
24 member who refuses to submit to such examination or examinations
25 shall forfeit all rights to benefits under this section for the
26 period of the refusal.

27 (b) The disability board shall designate the medical services
28 available to any sick or disabled member.

29 (2) The medical services payable under this section will be
30 reduced by any amount received or eligible to be received by the
31 member under workers' compensation, social security including the
32 changes incorporated under Public Law 89-97, insurance provided by
33 another employer, other pension plan, or any other similar
34 source. Failure to apply for coverage if otherwise eligible under
35 the provisions of Public Law 89-97 shall not be deemed a refusal
36 of payment of benefits thereby enabling collection of charges
37 under the provisions of this chapter.

38 (3) Upon making the payments provided for in subsection (1) of

1 this section, the employer shall be subrogated to all rights of
2 the member against any third party who may be held liable for the
3 member's injuries or for payment of the cost of medical services
4 in connection with a member's sickness or disability to the extent
5 necessary to recover the amount of payments made by the employer.

6 (4) Any employer under this chapter, either singly, or jointly
7 with any other such employer or employers through an association
8 thereof as provided for in chapter 48.21 RCW, may provide for all
9 or part of one or more plans of group hospitalization and medical
10 aid insurance to cover any of its employees who are members of the
11 Washington law enforcement officers' and fire fighters' retirement
12 system, and/or retired former employees who were, before
13 retirement, members of the retirement system, through contracts
14 with regularly constituted insurance carriers, with health
15 maintenance organizations as defined in chapter 48.46 RCW, or with
16 health care service contractors as defined in chapter 48.44 RCW.
17 Benefits payable under any ((the {under the})) plan or plans shall
18 be deemed to be amounts received or eligible to be received by the
19 active or retired member under subsection (2) of this section.

20 (5) Any employer, jointly with any other employer or employers
21 of the state, may participate in the medical benefits risk pool
22 established under section 3 of this act.

23 (6) Any employer under this chapter may, at its discretion,
24 elect to reimburse a retired former employee under this chapter
25 for premiums the retired former employee has paid for medical
26 insurance that supplements medicare, including premiums the
27 retired former employee has paid for medicare part B coverage.

28 INVESTMENTS AND INTERFUND LOANS

29 **Sec. 19.** RCW 43.84.092 and 2000 2nd sp.s. c 4 s 5 are each amended
30 to read as follows:

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

34 (2) The treasury income account shall be utilized to pay or
35 receive funds associated with federal programs as required by the
36 federal cash management improvement act of 1990. The treasury

1 income account is subject in all respects to chapter 43.88 RCW,
2 but no appropriation is required for refunds or allocations of
3 interest earnings required by the cash management improvement
4 act. Refunds of interest to the federal treasury required under the
5 cash management improvement act fall under RCW 43.88.180 and shall
6 not require appropriation. The office of financial management shall
7 determine the amounts due to or from the federal government
8 pursuant to the cash management improvement act. The office of
9 financial management may direct transfers of funds between
10 accounts as deemed necessary to implement the provisions of the
11 cash management improvement act, and this subsection. Refunds or
12 allocations shall occur prior to the distributions of earnings set
13 forth in subsection (4) of this section.

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

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

27 (a) The following accounts and funds shall receive their
28 proportionate share of earnings based upon each account's and
29 fund's average daily balance for the period: The capitol building
30 construction account, the Cedar River channel construction and
31 operation account, the Central Washington University capital
32 projects account, the charitable, educational, penal and
33 reformatory institutions account, the common school construction
34 fund, the county criminal justice assistance account, the county
35 sales and use tax equalization account, the data processing
36 building construction account, the deferred compensation
37 administrative account, the deferred compensation principal
38 account, the department of retirement systems expense account, the

1 drinking water assistance account, the Eastern Washington
2 University capital projects account, the education construction
3 fund, the emergency reserve fund, the federal forest revolving
4 account, the health services account, the public health services
5 account, the health system capacity account, the personal health
6 services account, the state higher education construction account,
7 the higher education construction account, the highway
8 infrastructure account, the industrial insurance premium refund
9 account, the judges' retirement account, the judicial retirement
10 administrative account, the judicial retirement principal account,
11 the law enforcement officers' and fire fighters' plan 1 medical
12 account, the local leasehold excise tax account, the local real
13 estate excise tax account, the local sales and use tax account,
14 the medical aid account, the mobile home park relocation fund, the
15 multimodal transportation account, the municipal criminal justice
16 assistance account, the municipal sales and use tax equalization
17 account, the natural resources deposit account, the perpetual
18 surveillance and maintenance account, the public employees'
19 retirement system plan 1 account, the public employees' retirement
20 system plan 2 account, the Puyallup tribal settlement account, the
21 resource management cost account, the site closure account, the
22 special wildlife account, the state employees' insurance account,
23 the state employees' insurance reserve account, the state
24 investment board expense account, the state investment board
25 commingled trust fund accounts, the supplemental pension account,
26 the teachers' retirement system plan 1 account, the teachers'
27 retirement system combined plan 2 and plan 3 account, the tobacco
28 prevention and control account, the tobacco settlement account,
29 the transportation infrastructure account, the tuition recovery
30 trust fund, the University of Washington bond retirement fund, the
31 University of Washington building account, the volunteer fire
32 fighters' and reserve officers' relief and pension principal fund,
33 the volunteer fire fighters' and reserve officers' administrative
34 fund, the Washington judicial retirement system account, the
35 Washington law enforcement officers' and fire fighters' system
36 plan 1 retirement account, the Washington law enforcement
37 officers' and fire fighters' system plan 2 retirement account, the
38 Washington school employees' retirement system combined plan 2 and

1 3 account, the Washington state health insurance pool account, the
2 Washington state patrol retirement account, the Washington State
3 University building account, the Washington State University bond
4 retirement fund, the water pollution control revolving fund, and
5 the Western Washington University capital projects account.

6 Earnings derived from investing balances of the agricultural
7 permanent fund, the normal school permanent fund, the permanent
8 common school fund, the scientific permanent fund, and the state
9 university permanent fund shall be allocated to their respective
10 beneficiary accounts. All earnings to be distributed under this
11 subsection (4)(a) shall first be reduced by the allocation to the
12 state treasurer's service fund pursuant to RCW 43.08.190.

13 (b) The following accounts and funds shall receive eighty
14 percent of their proportionate share of earnings based upon each
15 account's or fund's average daily balance for the period: The
16 aeronautics account, the aircraft search and rescue account, the
17 county arterial preservation account, the department of licensing
18 services account, the essential rail assistance account, the ferry
19 bond retirement fund, the grade crossing protective fund, the high
20 capacity transportation account, the highway bond retirement fund,
21 the highway safety account, the motor vehicle fund, the motorcycle
22 safety education account, the pilotage account, the public
23 transportation systems account, the Puget Sound capital
24 construction account, the Puget Sound ferry operations account,
25 the recreational vehicle account, the rural arterial trust
26 account, the safety and education account, the special category C
27 account, the state patrol highway account, the transportation
28 equipment fund, the transportation fund, the transportation
29 improvement account, the transportation improvement board bond
30 retirement account, and the urban arterial trust account.

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

35 **Sec. 20.** RCW 43.84.092 and 2000 2nd sp.s. c 4 s 6 are each amended
36 to read as follows:

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

4 (2) The treasury income account shall be utilized to pay or
5 receive funds associated with federal programs as required by the
6 federal cash management improvement act of 1990. The treasury
7 income account is subject in all respects to chapter 43.88 RCW,
8 but no appropriation is required for refunds or allocations of
9 interest earnings required by the cash management improvement
10 act. Refunds of interest to the federal treasury required under the
11 cash management improvement act fall under RCW 43.88.180 and shall
12 not require appropriation. The office of financial management shall
13 determine the amounts due to or from the federal government
14 pursuant to the cash management improvement act. The office of
15 financial management may direct transfers of funds between
16 accounts as deemed necessary to implement the provisions of the
17 cash management improvement act, and this subsection. Refunds or
18 allocations shall occur prior to the distributions of earnings set
19 forth in subsection (4) of this section.

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

29 (4) Monthly, the state treasurer shall distribute the earnings
30 credited to the treasury income account. The state treasurer shall
31 credit the general fund with all the earnings credited to the
32 treasury income account except:

33 (a) The following accounts and funds shall receive their
34 proportionate share of earnings based upon each account's and
35 fund's average daily balance for the period: The capitol building
36 construction account, the Cedar River channel construction and
37 operation account, the Central Washington University capital
38 projects account, the charitable, educational, penal and

1 reformatory institutions account, the common school construction
2 fund, the county criminal justice assistance account, the county
3 sales and use tax equalization account, the data processing
4 building construction account, the deferred compensation
5 administrative account, the deferred compensation principal
6 account, the department of retirement systems expense account, the
7 drinking water assistance account, the Eastern Washington
8 University capital projects account, the education construction
9 fund, the emergency reserve fund, the federal forest revolving
10 account, the health services account, the public health services
11 account, the health system capacity account, the personal health
12 services account, the state higher education construction account,
13 the higher education construction account, the highway
14 infrastructure account, the industrial insurance premium refund
15 account, the judges' retirement account, the judicial retirement
16 administrative account, the judicial retirement principal account,
17 the law enforcement officers' and fire fighters' plan 1 medical
18 account, the local leasehold excise tax account, the local real
19 estate excise tax account, the local sales and use tax account,
20 the medical aid account, the mobile home park relocation fund, the
21 multimodal transportation account, the municipal criminal justice
22 assistance account, the municipal sales and use tax equalization
23 account, the natural resources deposit account, the perpetual
24 surveillance and maintenance account, the public employees'
25 retirement system plan 1 account, the public employees' retirement
26 system combined plan 2 and plan 3 account, the Puyallup tribal
27 settlement account, the resource management cost account, the site
28 closure account, the special wildlife account, the state
29 employees' insurance account, the state employees' insurance
30 reserve account, the state investment board expense account, the
31 state investment board commingled trust fund accounts, the
32 supplemental pension account, the teachers' retirement system plan
33 1 account, the teachers' retirement system combined plan 2 and
34 plan 3 account, the tobacco prevention and control account, the
35 tobacco settlement account, the transportation infrastructure
36 account, the tuition recovery trust fund, the University of
37 Washington bond retirement fund, the University of Washington
38 building account, the volunteer fire fighters' and reserve

1 officers' relief and pension principal fund, the volunteer fire
2 fighters' and reserve officers' administrative fund, the
3 Washington judicial retirement system account, the Washington law
4 enforcement officers' and fire fighters' system plan 1 retirement
5 account, the Washington law enforcement officers' and fire
6 fighters' system plan 2 retirement account, the Washington school
7 employees' retirement system combined plan 2 and 3 account, the
8 Washington state health insurance pool account, the Washington
9 state patrol retirement account, the Washington State University
10 building account, the Washington State University bond retirement
11 fund, the water pollution control revolving fund, and the Western
12 Washington University capital projects account. Earnings derived
13 from investing balances of the agricultural permanent fund, the
14 normal school permanent fund, the permanent common school fund,
15 the scientific permanent fund, and the state university permanent
16 fund shall be allocated to their respective beneficiary accounts.
17 All earnings to be distributed under this subsection (4)(a) shall
18 first be reduced by the allocation to the state treasurer's
19 service fund pursuant to RCW 43.08.190.

20 (b) The following accounts and funds shall receive eighty
21 percent of their proportionate share of earnings based upon each
22 account's or fund's average daily balance for the period: The
23 aeronautics account, the aircraft search and rescue account, the
24 county arterial preservation account, the department of licensing
25 services account, the essential rail assistance account, the ferry
26 bond retirement fund, the grade crossing protective fund, the high
27 capacity transportation account, the highway bond retirement fund,
28 the highway safety account, the motor vehicle fund, the motorcycle
29 safety education account, the pilotage account, the public
30 transportation systems account, the Puget Sound capital
31 construction account, the Puget Sound ferry operations account,
32 the recreational vehicle account, the rural arterial trust
33 account, the safety and education account, the special category C
34 account, the state patrol highway account, the transportation
35 equipment fund, the transportation fund, the transportation
36 improvement account, the transportation improvement board bond
37 retirement account, and the urban arterial trust account.

38 (5) In conformance with Article II, section 37 of the state

1 Constitution, no treasury accounts or funds shall be allocated
2 earnings without the specific affirmative directive of this
3 section.

4 **Sec. 21.** RCW 43.79A.040 and 2000 c 79 s 45 are each amended to read
5 as follows:

6 (1) Money in the treasurer's trust fund may be deposited,
7 invested, and reinvested by the state treasurer in accordance with
8 RCW 43.84.080 in the same manner and to the same extent as if the
9 money were in the state treasury.

10 (2) All income received from investment of the treasurer's
11 trust fund shall be set aside in an account in the treasury trust
12 fund to be known as the investment income account.

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

22 (4)(a) Monthly, the state treasurer shall distribute the
23 earnings credited to the investment income account to the state
24 general fund except under (b) and (c) of this subsection.

25 (b) The following accounts and funds shall receive their
26 proportionate share of earnings based upon each account's or
27 fund's average daily balance for the period: The Washington
28 advanced college tuition payment program account, the agricultural
29 local fund, the American Indian scholarship endowment fund, the
30 basic health plan self-insurance reserve account, the Washington
31 international exchange scholarship endowment fund, the
32 developmental disabilities endowment trust fund, the energy
33 account, the fair fund, the game farm alternative account, the
34 grain inspection revolving fund, the juvenile accountability
35 incentive account, the law enforcement officers' and fire
36 fighters' plan 1 risk pool account, the rural rehabilitation
37 account, the stadium and exhibition center account, the youth

1 athletic facility ((grant)) account, the self-insurance revolving
2 fund, the sulfur dioxide abatement account, and the children's
3 trust fund. However, the earnings to be distributed shall first be
4 reduced by the allocation to the state treasurer's service fund
5 pursuant to RCW 43.08.190.

6 (c) The following accounts and funds shall receive eighty
7 percent of their proportionate share of earnings based upon each
8 account's or fund's average daily balance for the period: The
9 advanced right of way revolving fund, the advanced environmental
10 mitigation revolving account, the federal narcotics asset
11 forfeitures account, the high occupancy vehicle account, the local
12 rail service assistance account, and the miscellaneous
13 transportation programs account.

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

18 **PERTAINING TO OFFICE OF THE STATE ACTUARY**

19 **Sec. 22.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
20 as follows:

21 The office of the state actuary shall have the following powers
22 and duties:

23 (1) Perform all actuarial services for the department of
24 retirement systems, including all studies required by law, the
25 state board for volunteer fire fighters and reserve officers, and
26 the law enforcement officers' and fire fighters' risk pool
27 executive board. Reimbursement for such services shall be made to
28 the state actuary pursuant to the provisions of RCW 39.34.130 as
29 now or hereafter amended.

30 (2) Advise the legislature and the governor regarding pension
31 benefit provisions, and funding policies and investment policies
32 of the state investment board.

33 (3) Consult with the legislature and the governor concerning
34 determination of actuarial assumptions used by the department of
35 retirement systems.

36 (4) Prepare a report, to be known as the actuarial fiscal note,

1 on each pension bill introduced in the legislature which briefly
2 explains the financial impact of the bill. The actuarial fiscal
3 note shall include: (a) The statutorily required contribution for
4 the biennium and the following twenty-five years; (b) the biennial
5 cost of the increased benefits if these exceed the required
6 contribution; and (c) any change in the present value of the
7 unfunded accrued benefits. An actuarial fiscal note shall also be
8 prepared for all amendments which are offered in committee or on
9 the floor of the house of representatives or the senate to any
10 pension bill. However, a majority of the members present may
11 suspend the requirement for an actuarial fiscal note for
12 amendments offered on the floor of the house of representatives or
13 the senate.

14 (5) Provide such actuarial services to the legislature as may
15 be requested from time to time.

16 (6) Provide staff and assistance to the committee established
17 under ((RCW 46.44.050)) RCW 44.44.050.

18 (7) Provide assistance as required under sections 5 and 8 of
19 this act.

20 **PERTAINING TO LOCAL GOVERNMENT INSURANCE TRANSACTIONS**

21 **Sec. 23.** RCW 48.62.031 and 1991 sp.s. c 30 s 3 are each amended to
22 read as follows:

23 (1) The governing body of a local government entity may
24 individually self-insure, may join or form a self-insurance
25 program together with other entities, and may jointly purchase
26 insurance or reinsurance with other entities for property and
27 liability risks, and health and welfare benefits only as permitted
28 under this chapter. In addition, the entity or entities may
29 contract for or hire personnel to provide risk management, claims,
30 and administrative services in accordance with this chapter.

31 (2) The governing body of a local government entity
32 individually may join or form a risk assumption program together
33 with other entities, and may jointly purchase insurance or
34 reinsurance with other entities for health and welfare benefits
35 only as permitted under this chapter. In addition, the entity or

1 entities may contract for or hire personnel to provide risk
2 management, claims, and administrative services in accordance with
3 this chapter.

4 (3) The agreement to form a joint self-insurance or risk
5 assumption program shall be made under chapter 39.34 RCW.

6 ~~((+3))~~ (4) Every individual and joint self-insurance program
7 and a health and welfare risk assumption program is subject to
8 audit by the state auditor.

9 ~~((+4))~~ (5) If provided for in the agreement or contract
10 established under chapter 39.34 RCW, a joint self-insurance or
11 risk assumption program may, in conformance with this chapter:

12 (a) Contract or otherwise provide for risk management and loss
13 control services;

14 (b) Contract or otherwise provide legal counsel for the defense
15 of claims and other legal services;

16 (c) Consult with the state insurance commissioner and the state
17 risk manager;

18 (d) Jointly purchase insurance and reinsurance coverage in such
19 form and amount as the program's participants agree by contract;
20 and

21 (e) Possess any other powers and perform all other functions
22 reasonably necessary to carry out the purposes of this chapter.

23 ~~((+5))~~ (6) A local government entity or a health and welfare
24 risk assumption program that has decided to assume a risk of loss
25 must have available for inspection by the state auditor a written
26 report indicating the class of risk or risks the governing body of
27 the entity has decided to assume.

28 ~~((+6))~~ (7) Every joint self-insurance or risk assumption
29 program governed by this chapter shall appoint the risk manager as
30 its attorney to receive service of, and upon whom shall be served,
31 all legal process issued against it in this state upon causes of
32 action arising in this state.

33 (a) Service upon the risk manager as attorney shall constitute
34 service upon the program. Service upon joint insurance programs
35 subject to chapter 30, Laws of 1991 1st sp. sess. can be had only
36 by service upon the risk manager. At the time of service, the
37 plaintiff shall pay to the risk manager a fee to be set by the
38 risk manager, taxable as costs in the action.

1 (b) With the initial filing for approval with the risk manager,
2 each joint self-insurance program shall designate by name and
3 address the person to whom the risk manager shall forward legal
4 process so served upon him or her. The joint self-insurance program
5 may change such person by filing a new designation.

6 (c) The appointment of the risk manager as attorney shall be
7 irrevocable, shall bind any successor in interest or to the assets
8 or liabilities of the joint self-insurance program, and shall
9 remain in effect as long as there is in force in this state any
10 contract made by the joint self-insurance program or liabilities
11 or duties arising therefrom.

12 (d) The risk manager shall keep a record of the day and hour of
13 service upon him or her of all legal process. A copy of the
14 process, by registered mail with return receipt requested, shall
15 be sent by the risk manager, to the person designated for the
16 purpose by the joint self-insurance or risk assumption program in
17 its most recent such designation filed with the risk manager. No
18 proceedings shall be had against the joint self-insurance or risk
19 assumption program, and the program shall not be required to
20 appear, plead, or answer, until the expiration of forty days after
21 the date of service upon the risk manager.

22 **Sec. 24.** RCW 48.62.051 and 1991 sp.s. c 30 s 5 are each amended
23 to read as follows:

24 (1) The health and welfare advisory board is created consisting
25 of the insurance commissioner and the state risk manager, or their
26 designees, as ex officio members and six members appointed by the
27 governor on the basis of their experience and knowledge pertaining
28 to local government self-insured health and welfare benefits
29 programs. The board shall include one city management
30 representative; one county management representative; two
31 management representatives from local government self-insured
32 health and welfare programs; and two representatives of statewide
33 employee organizations representing local government employees.

34 (2) The board shall assist the state risk manager in:

35 (a) Adopting rules governing the operation and management of
36 both individual and joint self-insured health and welfare benefits

1 programs and the law enforcement officers' and fire fighters'
2 medical benefits risk pool;

3 (b) Reviewing and approving the creation of both individual and
4 joint self-insured health and welfare benefits programs;

5 (c) Reviewing annual reports filed by health and welfare
6 benefits programs and in recommending that corrective action be
7 taken by the programs when necessary; and

8 (d) Responding to concerns of the state auditor related to the
9 management and operation of health and welfare benefits programs.

10 (3) The board shall annually elect a chair and a vice-chair
11 from its members. The board shall meet at least quarterly at such
12 times as the state risk manager may fix. The board members who are
13 appointed shall serve without compensation from the state but
14 shall suffer no loss because of absence from their regular
15 employment. Members of the board who are not public employees shall
16 be compensated in accordance with RCW 43.03.240.

17 (4) A majority of the board constitutes a quorum for the
18 transaction of business.

19 (5) The board shall keep public records of its proceedings.

20 **NECESSARY FOR IMPLEMENTATION**

21 NEW SECTION. **Sec. 25.** Part headings used in this act are not
22 any part of the law.

23 NEW SECTION. **Sec. 26.** (1) Sections 1 through 19 and 21 through
24 24 of this act are necessary for the immediate preservation of the
25 public peace, health, or safety, or support of the state
26 government and its existing public institutions, and take effect
27 July 1, 2001.

28 (2) Section 20 of this act takes effect March 1, 2002.

29 (3) Section 19 of this act expires March 1, 2002.

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