
HOUSE BILL 2162

State of Washington 59th Legislature 2005 Regular Session

By Representatives Curtis, O'Brien, Haler, P. Sullivan, Anderson, Miloscia, McCune, Strow, Lovick, Cox, Sells, Campbell and Rodne

Read first time 02/21/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to creating the retired law enforcement officer and
2 fire fighter retirement system plan 2 retiree medical board; amending
3 RCW 41.05.011, 41.04.208, 41.05.022, 41.05.080, 41.05.120, and
4 41.50.067; reenacting and amending RCW 43.79A.040; adding new sections
5 to chapter 41.26 RCW; and creating a new section.

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

7 NEW SECTION. **Sec. 1.** The legislature intends to establish a
8 medical board to oversee the funding and provision of postretirement
9 health insurance benefits for retired members of the law enforcement
10 officers' and fire fighters' retirement system plan 2. The legislature
11 further intends to fund the postretirement health benefits through
12 contributions made by active members of the law enforcement officers'
13 and fire fighters' retirement system plan 2 and premiums paid by
14 retirees that enroll in the health benefit plans.

15 **Sec. 2.** RCW 41.05.011 and 2001 c 165 s 2 are each amended to read
16 as follows:

17 Unless the context clearly requires otherwise, the definitions in
18 this section shall apply throughout this chapter.

1 (1) "Administrator" means the administrator of the authority.

2 (2) "State purchased health care" or "health care" means medical
3 and health care, pharmaceuticals, and medical equipment purchased with
4 state and federal funds by the department of social and health
5 services, the department of health, the basic health plan, the state
6 health care authority, the department of labor and industries, the
7 department of corrections, the department of veterans affairs, and
8 local school districts.

9 (3) "Authority" means the Washington state health care authority.

10 (4) "Insuring entity" means an insurer as defined in chapter 48.01
11 RCW, a health care service contractor as defined in chapter 48.44 RCW,
12 or a health maintenance organization as defined in chapter 48.46 RCW.

13 (5) "Flexible benefit plan" means a benefit plan that allows
14 employees to choose the level of health care coverage provided and the
15 amount of employee contributions from among a range of choices offered
16 by the authority.

17 (6) "Employee" includes all full-time and career seasonal employees
18 of the state, whether or not covered by civil service; elected and
19 appointed officials of the executive branch of government, including
20 full-time members of boards, commissions, or committees; and includes
21 any or all part-time and temporary employees under the terms and
22 conditions established under this chapter by the authority; justices of
23 the supreme court and judges of the court of appeals and the superior
24 courts; and members of the state legislature or of the legislative
25 authority of any county, city, or town who are elected to office after
26 February 20, 1970. "Employee" also includes: (a) Employees of a
27 county, municipality, or other political subdivision of the state if
28 the legislative authority of the county, municipality, or other
29 political subdivision of the state seeks and receives the approval of
30 the authority to provide any of its insurance programs by contract with
31 the authority, as provided in RCW 41.04.205; (b) employees of employee
32 organizations representing state civil service employees, at the option
33 of each such employee organization, and, effective October 1, 1995,
34 employees of employee organizations currently pooled with employees of
35 school districts for the purpose of purchasing insurance benefits, at
36 the option of each such employee organization; and (c) employees of a
37 school district if the authority agrees to provide any of the school

1 districts' insurance programs by contract with the authority as
2 provided in RCW 28A.400.350.

3 (7) "Board" means the public employees' benefits board established
4 under RCW 41.05.055.

5 (8) "Retired or disabled school employee" means:

6 (a) Persons who separated from employment with a school district or
7 educational service district and are receiving a retirement allowance
8 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

9 (b) Persons who separate from employment with a school district or
10 educational service district on or after October 1, 1993, and
11 immediately upon separation receive a retirement allowance under
12 chapter 41.32, 41.35, or 41.40 RCW;

13 (c) Persons who separate from employment with a school district or
14 educational service district due to a total and permanent disability,
15 and are eligible to receive a deferred retirement allowance under
16 chapter 41.32, 41.35, or 41.40 RCW.

17 (9) "Benefits contribution plan" means a premium only contribution
18 plan, a medical flexible spending arrangement, or a cafeteria plan
19 whereby state and public employees may agree to a contribution to
20 benefit costs which will allow the employee to participate in benefits
21 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
22 internal revenue code.

23 (10) "Salary" means a state employee's monthly salary or wages.

24 (11) "Participant" means an individual who fulfills the eligibility
25 and enrollment requirements under the benefits contribution plan.

26 (12) "Plan year" means the time period established by the
27 authority.

28 (13) "Separated employees" means persons who separate from
29 employment with an employer as defined in:

30 (a) RCW 41.32.010(11) on or after July 1, 1996; or

31 (b) RCW 41.35.010 on or after September 1, 2000; or

32 (c) RCW 41.40.010 on or after March 1, 2002;

33 and who are at least age fifty-five and have at least ten years of
34 service under the teachers' retirement system plan 3 as defined in RCW
35 41.32.010(40), the Washington school employees' retirement system plan
36 3 as defined in RCW 41.35.010, or the public employees' retirement
37 system plan 3 as defined in RCW 41.40.010.

1 (14) "Emergency service personnel killed in the line of duty" means
2 law enforcement officers and fire fighters as defined in RCW 41.26.030,
3 and reserve officers and fire fighters as defined in RCW 41.24.010 who
4 die as a result of injuries sustained in the course of employment as
5 determined consistent with Title 51 RCW by the department of labor and
6 industries.

7 (15) "Retired plan 2 law enforcement officer or fire fighter"
8 means:

9 (a) Persons who separated from employment with a county,
10 municipality, special district, or other political subdivision of the
11 state and are receiving a plan 2 retirement allowance under chapter
12 41.26 RCW before July 1, 2006; or

13 (b) Persons who separate from employment with a county,
14 municipality, special district, or other political subdivision of the
15 state on or after July 1, 2006, and immediately upon separation receive
16 a plan 2 retirement allowance under chapter 41.26 RCW.

17 **Sec. 3.** RCW 41.04.208 and 2004 c 173 s 1 are each amended to read
18 as follows:

19 (1) Unless the context clearly requires otherwise, the definitions
20 in this subsection apply throughout this section.

21 (a) "Disabled employee" means a person eligible to receive a
22 disability retirement allowance from the Washington law enforcement
23 officers' and fire fighters' retirement system plan 2 and the public
24 employees' retirement system.

25 (b) "Health plan" means a contract, policy, fund, trust, or other
26 program established jointly or individually by a county, municipality,
27 or other political subdivision of the state that provides for all or a
28 part of hospitalization or medical aid for its employees and their
29 dependents under RCW 41.04.180.

30 (c) "Retired employee" means a public employee meeting the
31 retirement eligibility, years of service requirements, and other
32 criteria of the Washington law enforcement officers' and fire fighters'
33 retirement system plan 2 and the public employees' retirement system,
34 except that "retired plan 2 law enforcement officer or fire fighter"
35 means:

36 (i) Persons who separated from employment with a county,

1 municipality, special district, or other political subdivision of the
2 state and are receiving a plan 2 retirement allowance under chapter
3 41.26 RCW before July 1, 2006; or

4 (ii) Persons who separate from employment with a county,
5 municipality, special district, or other political subdivision of the
6 state on or after July 1, 2006, and immediately upon separation receive
7 a plan 2 retirement allowance under chapter 41.26 RCW.

8 (2) A county, municipality, or other political subdivision that
9 provides a health plan for its employees shall permit retired and
10 disabled employees and their dependents to continue participation in a
11 plan subject to the exceptions, limitations, and conditions set forth
12 in this section. However, this section does not apply to a county,
13 municipality, or other political subdivision participating in an
14 insurance program administered under chapter 41.05 RCW if retired and
15 disabled employees and their dependents of the participating county,
16 municipality, or other political subdivision are covered under an
17 insurance program administered under chapter 41.05 RCW. Nothing in
18 this subsection or chapter 319, Laws of 2002 precludes the local
19 government employer from offering retired or disabled employees a
20 health plan with a benefit structure, copayment, deductible,
21 coinsurance, lifetime benefit maximum, and other plan features which
22 differ from those offered through a health plan provided to active
23 employees. Further, nothing in this subsection precludes a local
24 government employer from joining with other public agency employers,
25 including interjurisdictional benefit pools and multi-employer
26 associations or consortiums, to fulfill its obligations under chapter
27 319, Laws of 2002.

28 (3) A county, municipality, or other political subdivision has full
29 authority to require a person who requests continued participation in
30 a health plan under subsection (2) of this section to pay the full cost
31 of such participation, including any amounts necessary for
32 administration. However, this subsection does not require an employer
33 who is currently paying for all or part of a health plan for its
34 retired and disabled employees to discontinue those payments.

35 (4) Payments for continued participation in a former employer's
36 health plan may be assigned to the underwriter of the health plan from
37 public pension benefits or may be paid to the former employer, as
38 determined by the former employer, so that an underwriter of the health

1 plan that is an insurance company, health care service contractor, or
2 health maintenance organization is not required to accept individual
3 payments from persons continuing participation in the employer's health
4 plan.

5 (5) After an initial open enrollment period of ninety days after
6 January 1, 2003, an employer may not be required to permit a person to
7 continue participation in the health plan if the person is responsible
8 for a lapse in coverage under the plan. In addition, an employer may
9 not be required to permit a person to continue participation in the
10 employer's health plan if the employer offered continued participation
11 in a health plan that meets the requirements of chapter 319, Laws of
12 2002.

13 (6) If a person continuing participation in the former employer's
14 health plan has medical coverage available through another employer,
15 the medical coverage of the other employer is the primary coverage for
16 purposes of coordination of benefits as provided for in the former
17 employer's health plan.

18 (7) If a person's continued participation in a health plan was
19 permitted because of the person's relationship to a retired or disabled
20 employee of the employer providing the health plan and the retired or
21 disabled employee dies, then that person is permitted to continue
22 participation in the health plan for a period of not more than six
23 months after the death of the retired or disabled employee. However,
24 the employer providing the health plan may permit continued
25 participation beyond that time period.

26 (8) An employer may offer one or more health plans different from
27 that provided for active employees and designed to meet the needs of
28 persons requesting continued participation in the employer's health
29 plan. An employer, in designing or offering continued participation in
30 a health plan, may utilize terms or conditions necessary to administer
31 the plan to the extent the terms and conditions do not conflict with
32 this section.

33 (9) If an employer changes the underwriter of a health plan, the
34 replaced underwriter has no further responsibility or obligation to
35 persons who continued participation in a health plan of the replaced
36 underwriter. However, the employer shall permit those persons to
37 participate in any new health plan.

1 (10) The benefits granted under this section are not considered a
2 matter of contractual right. Should the legislature, a county,
3 municipality, or other political subdivision of the state revoke or
4 change any benefits granted under this section, an affected person is
5 not entitled to receive the benefits as a matter of contractual right.

6 (11) This section does not affect any health plan contained in a
7 collective bargaining agreement in existence as of January 1, 2003.
8 However, any plan contained in future collective bargaining agreements
9 shall conform to this section. In addition, this section does not
10 affect any health plan contract or policy in existence as of January 1,
11 2003. However, any renewal of the contract or policy shall conform to
12 this section.

13 (12) Counties, municipalities, and other political subdivisions
14 that make a documented good faith effort to comply with the provisions
15 of subsections (2) through (11) of this section and are unable to
16 provide access to a fully insured group health benefit plan are
17 discharged from any obligations under subsections (2) through (11) of
18 this section but shall assist disabled employees and retired employees
19 in applying for health insurance. Assistance may include developing
20 and distributing standardized information on the availability and cost
21 of individual health benefit plans, application packages, and health
22 benefit fairs.

23 (13) The office of the insurance commissioner shall make available
24 to counties, municipalities, and other political subdivisions
25 information regarding individual health benefit plans, including a list
26 of carriers offering individual coverage, the rates charged, and how to
27 apply for coverage.

28 **Sec. 4.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each amended
29 to read as follows:

30 (1) The health care authority is hereby designated as the single
31 state agent for purchasing health services.

32 (2) On and after January 1, 1995, at least the following state-
33 purchased health services programs shall be merged into a single,
34 community-rated risk pool: Health benefits for groups of employees of
35 school districts and educational service districts that voluntarily
36 purchase health benefits as provided in RCW 41.05.011; health benefits
37 for state employees; health benefits for eligible retired or disabled

1 school employees not eligible for parts A and B of medicare; health
2 benefits for eligible retired law enforcement officers or fire fighters
3 not eligible for parts A and B of medicare; and health benefits for
4 eligible state retirees not eligible for parts A and B of medicare.

5 (3) At a minimum, and regardless of other legislative enactments,
6 the state health services purchasing agent shall:

7 (a) Require that a public agency that provides subsidies for a
8 substantial portion of services now covered under the basic health plan
9 use uniform eligibility processes, insofar as may be possible, and
10 ensure that multiple eligibility determinations are not required;

11 (b) Require that a health care provider or a health care facility
12 that receives funds from a public program provide care to state
13 residents receiving a state subsidy who may wish to receive care from
14 them, and that an insuring entity that receives funds from a public
15 program accept enrollment from state residents receiving a state
16 subsidy who may wish to enroll with them;

17 (c) Strive to integrate purchasing for all publicly sponsored
18 health services in order to maximize the cost control potential and
19 promote the most efficient methods of financing and coordinating
20 services;

21 (d) Consult regularly with the governor, the legislature, and state
22 agency directors whose operations are affected by the implementation of
23 this section; and

24 (e) Ensure the control of benefit costs under managed competition
25 by adopting rules to prevent employers from entering into an agreement
26 with employees or employee organizations when the agreement would
27 result in increased utilization in public employees' benefits board
28 plans or reduce the expected savings of managed competition.

29 **Sec. 5.** RCW 41.05.080 and 2001 c 165 s 3 are each amended to read
30 as follows:

31 (1) Under the qualifications, terms, conditions, and benefits set
32 by the board:

33 (a) Retired or disabled state employees, retired or disabled school
34 employees, or employees of county, municipal, or other political
35 subdivisions covered by this chapter who are retired may continue their
36 participation in insurance plans and contracts after retirement or
37 disablement;

1 (b) Retired plan 2 law enforcement officers and fire fighters may
2 participate in insurance plans and contracts if participation is
3 selected immediately upon meeting the requirements of RCW 41.05.011(15)
4 (a) or (b);

5 (c) Separated employees may continue their participation in
6 insurance plans and contracts if participation is selected immediately
7 upon separation from employment;

8 ~~((e))~~ (d) Surviving spouses and dependent children of emergency
9 service personnel killed in the line of duty may participate in
10 insurance plans and contracts.

11 (2) Rates charged surviving spouses of emergency service personnel
12 killed in the line of duty, retired or disabled employees, separated
13 employees, spouses, or dependent children who are not eligible for
14 parts A and B of medicare shall be based on the experience of the
15 community rated risk pool established under RCW 41.05.022.

16 (3) Rates charged to surviving spouses of emergency service
17 personnel killed in the line of duty, retired or disabled employees,
18 separated employees, spouses, or children who are eligible for parts A
19 and B of medicare shall be calculated from a separate experience risk
20 pool comprised only of individuals eligible for parts A and B of
21 medicare; however, the premiums charged to medicare-eligible retirees
22 and disabled employees shall be reduced by the amount of the subsidy
23 provided under RCW 41.05.085.

24 (4) Surviving spouses and dependent children of emergency service
25 personnel killed in the line of duty and retired or disabled and
26 separated employees shall be responsible for payment of premium rates
27 developed by the authority which shall include the cost to the
28 authority of providing insurance coverage including any amounts
29 necessary for reserves and administration in accordance with this
30 chapter. These self pay rates will be established based on a separate
31 rate for the employee, the spouse, and the children.

32 (5) The retired plan 2 law enforcement officers' and fire fighters'
33 medical board shall be responsible for payment of premium rates and
34 subsidy amounts developed by the authority which shall include the cost
35 to the authority of providing insurance coverage for retired plan 2 law
36 enforcement officers and fire fighters including any amounts necessary
37 for reserves and administration in accordance with this chapter.

1 (6) The term "retired state employees" for the purpose of this
2 section shall include but not be limited to members of the legislature
3 whether voluntarily or involuntarily leaving state office.

4 **Sec. 6.** RCW 41.05.120 and 1994 c 153 s 9 are each amended to read
5 as follows:

6 (1) The public employees' and retirees' insurance account is hereby
7 established in the custody of the state treasurer, to be used by the
8 administrator for the deposit of contributions, the remittance paid by
9 school districts and educational service districts under RCW
10 28A.400.400, reserves, dividends, and refunds, and for payment of
11 premiums for employee and retiree insurance benefit contracts and
12 subsidy amounts provided under RCW 41.05.085 and money paid to the
13 authority by the retired plan 2 law enforcement officers' and fire
14 fighters' medical board for payment of premiums for retiree insurance
15 benefit contracts and subsidy amounts. Moneys from the account shall
16 be disbursed by the state treasurer by warrants on vouchers duly
17 authorized by the administrator.

18 (2) The state treasurer and the state investment board may invest
19 moneys in the public employees' and retirees' insurance account. All
20 such investments shall be in accordance with RCW 43.84.080 or
21 43.84.150, whichever is applicable. The administrator shall determine
22 whether the state treasurer or the state investment board or both shall
23 invest moneys in the public employees' and retirees' insurance account.

24 NEW SECTION. **Sec. 7.** The definitions in this section apply
25 throughout this subchapter unless the context clearly requires
26 otherwise.

27 (1) "Retired plan 2 law enforcement officer or fire fighter" means:

28 (a) Persons who separated from employment with a county,
29 municipality, special district, or other political subdivision of the
30 state and are receiving a plan 2 retirement or disability allowance
31 under chapter 41.26 RCW before July 1, 2006; or

32 (b) Persons who separate from employment with a county,
33 municipality, special district, or other political subdivision of the
34 state on or after July 1, 2006, and immediately upon separation receive
35 a plan 2 retirement or disability allowance under chapter 41.26 RCW.

1 (2) "Plan 2" means the law enforcement officers' and fire fighters'
2 retirement system plan 2.

3 (3) "Actuary" means the actuary employed by the board.

4 (4) "Administrator" means the administrator of the health care
5 authority established in chapter 41.05 RCW.

6 (5) "Authority" means the health care authority established in
7 chapter 41.05 RCW.

8 (6) "Medical board" or "board" means the retired plan 2 medical
9 board.

10 (7) "Medical board member" means a member of the retired plan 2
11 medical board.

12 (8) "Medical plan" means the retired plan 2 law enforcement
13 officers' and fire fighters' medical plan.

14 (9) "Department" means the department of retirement systems.

15 (10) "Employer" means the same as under RCW 41.26.030(2)(b).

16 (11) "Enrolled actuary" means an actuary who is enrolled under the
17 employee retirement income security act of 1974 (Subtitle C of Title
18 III) and who is a member of the society of actuaries or the American
19 academy of actuaries.

20 (12) "Medical fund" means the assets of the retired plan 2 law
21 enforcement officers' and fire fighters' medical fund.

22 (13) "Medical expense fund" means the assets of the retired plan 2
23 law enforcement officers' and fire fighters' medical expense fund.

24 (14) "Actuarially sound" means the plan is sufficiently funded to
25 meet its projected liabilities and to defray the reasonable expenses of
26 its operation based upon commonly accepted, sound actuarial principles.

27 NEW SECTION. **Sec. 8.** (1) An eleven member medical board is
28 created to govern the retired plan 2 law enforcement officers' and fire
29 fighters' medical plan.

30 (a) Three of the medical board members shall be active law
31 enforcement officers who are participants in the plan. Beginning with
32 the first vacancy on or after January 1, 2009, one medical board member
33 shall be a retired law enforcement officer who is an enrollee in the
34 medical plan. The law enforcement officer medical board members shall
35 be appointed by the governor.

36 (b) Three of the medical board members shall be active fire
37 fighters who are participants in the plan. Beginning with the first

1 vacancy on or after January 1, 2009, one medical board member shall be
2 a retired fire fighter who is an enrollee in the medical plan. The
3 fire fighter medical board members shall be appointed by the governor.

4 (c) One board member shall be a member of the house of
5 representatives who is appointed by the speaker of the house of
6 representatives.

7 (d) One board member shall be a member of the senate appointed by
8 the majority leader of the senate.

9 (e) Three board members shall be individuals with expertise in the
10 field of retiree health benefits and shall be appointed by the
11 governor.

12 (2) The initial law enforcement officer and fire fighter medical
13 board members shall serve terms of six, four, and two years,
14 respectively. Thereafter, law enforcement officer and fire fighter
15 medical board members serve terms of six years. The remaining medical
16 board members serve terms of four years. Medical board members may be
17 reappointed to succeeding terms without limitation and shall serve
18 until their successors are appointed and seated.

19 (3) In the event of a vacancy on the medical board, the vacancy
20 shall be filled in the same manner as prescribed for an initial
21 appointment.

22 NEW SECTION. **Sec. 9.** (1) The medical board has the following
23 powers and duties:

24 (a) Adopt actuarial tables, assumptions, and cost methodologies in
25 consultation with an enrolled actuary retained by the board. The
26 administrator shall provide assistance when the board requests. The
27 actuary retained by the board shall utilize the aggregate actuarial
28 cost method, or other recognized actuarial cost method based on a level
29 percentage of payroll, as that term is employed by the American academy
30 of actuaries. In determining the reasonableness of actuarial
31 valuations, assumptions, and cost methodologies, the actuary retained
32 by the board shall provide a copy of all such calculations to the
33 administrator. If the actuary and the administrator concur on the
34 calculations, contributions shall be made as set forth in the report of
35 the board's actuary. If the actuary and the administrator cannot
36 agree, they shall appoint a third, independent, enrolled actuary who

1 shall review the calculations of the actuary retained by the board and
2 the administrator. Thereafter, contributions shall be based on the
3 methodology most closely following that of the third actuary;

4 (b) Retain professional and technical advisors necessary for the
5 accomplishment of its duties. The cost of these services may be
6 withdrawn from the fund;

7 (c) Consult with the authority and the department for the purpose
8 of improving benefit administration and member services;

9 (d) Establish uniform administrative rules and operating policies
10 in the manner prescribed by law; and

11 (e) Engage administrative staff and acquire office space as
12 necessary.

13 (2) Meetings of the medical board shall be conducted as follows:

14 (a) All medical board meetings are open to the public, preceded by
15 timely public notice;

16 (b) All actions of the medical board shall be taken in open public
17 session, except for those matters which may be considered in executive
18 session as provided by law;

19 (c) The medical board shall retain minutes of each meeting setting
20 forth the names of those medical board members present and absent, and
21 their voting record on any voted issue; and

22 (d) The medical board may establish, with the assistance of the
23 appropriate office of state government, an internet web site providing
24 for interactive communication with state government, members,
25 beneficiaries of the plan, and the public.

26 (3) A quorum of the medical board is six board members. All
27 medical board actions require six concurring votes.

28 (4) The decisions of the medical board shall be made in good faith
29 and are final, binding, and conclusive on all parties. The decisions
30 of the medical board shall be subject to judicial review as provided by
31 law.

32 (5) The medical board shall cause an annual budget to be prepared
33 consistent with the requirements of chapter 43.88 RCW and shall draw
34 the funding for the budget from the employee contributions and the
35 investment income of the fund. Medical board members shall be
36 reimbursed for travel and education expenses as provided in RCW
37 43.03.050 and 43.03.060.

1 (6) The medical board shall make an annual report to the governor,
2 legislature, and state auditor setting forth the actuarial funding
3 status of the plan and a summary of the costs and expenditures of the
4 plan for the preceding year. The board shall also retain the services
5 of an independent, certified public accountant who shall annually audit
6 the expenses of the fund and whose report shall be included in the
7 medical board's annual report.

8 NEW SECTION. **Sec. 10.** (1) The medical board shall establish
9 employee contributions as set forth in this section.

10 (2) Consistent with the actuarial assumptions, methodology, and
11 advice provided in section 9(1)(a) of this act, the employee
12 contribution rate shall be sufficient, in combination with premiums
13 paid by participating retired plan 2 law enforcement officers and fire
14 fighters, to meet the actuarial funding requirements of the medical
15 fund.

16 (3)(a) The medical board shall establish an employee administrative
17 contribution rate to meet the funding requirements of the medical
18 expense fund, subject to revision by the legislature.

19 (b) The medical board shall immediately notify the directors of the
20 office of financial management and retirement systems of the employee
21 contribution rates for the medical fund and the medical expense fund.

22 (c) The director shall notify employers of the rates adopted by the
23 medical board according to RCW 41.50.067, and collect those rates
24 adopted by the medical board, subject to revision by the legislature.

25 (4) The medical board shall annually establish premiums to be paid
26 by retired plan 2 law enforcement officers and fire fighters enrolled
27 in the health benefits plans funded by the medical board.

28 (5) The medical board shall manage the medical fund in a manner
29 that maintains reasonable contributions and administrative costs.

30 NEW SECTION. **Sec. 11.** (1) In a manner prescribed by the
31 authority, the medical board shall remit to the authority for deposit
32 in the public employees' and retirees' insurance account established in
33 RCW 41.05.120 an amount established by the public employees' benefits
34 board.

35 (2) The remittance requirements specified in this section shall
36 cover the cost of the premiums for nonmedicare and medicare retired

1 plan 2 law enforcement officers and fire fighters and dependents, and
2 any administrative costs related to their coverage, less the enrollee
3 premiums collected by the authority in accordance with rates
4 established under section 10(4) of this act.

5 NEW SECTION. **Sec. 12.** (1) A retired plan 2 law enforcement
6 officers' and fire fighters' medical fund is created in the custody of
7 the state treasurer. All receipts from employee contributions and
8 participating retiree premiums must be deposited into the fund.

9 (2) A retired plan 2 law enforcement officers' and fire fighters'
10 medical expense fund is created within the retired plan 2 law
11 enforcement officers' and fire fighters' medical fund.

12 (3) The state investment board has the full power to invest,
13 reinvest, manage, contract, sell, or exchange investment money in the
14 medical fund and the medical expense fund. The state investment board
15 is authorized to adopt investment policies for the money in the medical
16 fund and the medical expense fund. All investment and operating costs
17 associated with the investment of money shall be paid pursuant to RCW
18 43.33A.160 and 43.84.160. With the exception of these expenses, the
19 earnings from the investment of the money shall be retained by the
20 retired plan 2 law enforcement officers' and fire fighters' medical
21 fund and the retired plan 2 law enforcement officers' and fire
22 fighters' medical expense fund, under RCW 43.79A.040.

23 (4) All investments made by the investment board shall be made with
24 the exercise of that degree of judgment and care pursuant to RCW
25 43.33A.140 and the investment policy established by the state
26 investment board.

27 (5) When appropriate for investment purposes, the state investment
28 board may commingle money in the medical fund and medical expense fund
29 with other funds.

30 (6) The authority to establish all policies relating to the medical
31 fund and medical expense fund, other than the investment policies as
32 set forth in subsections (2) through (5) of this section, resides with
33 the medical board. With the exception of investments by, and expenses
34 of, the state investment board set forth in subsection (2) of this
35 section, disbursements from the medical fund and medical expense fund
36 may be made only on the authorization of the medical board, and money

1 in the medical expense fund may be spent only for the purposes of
2 defraying the expenses of the medical board as provided in section 9 of
3 this act.

4 (7) The state investment board shall routinely consult and
5 communicate with the medical board on the investment policy, earnings
6 of the trust, and related needs of the medical fund and the medical
7 expense fund.

8 (8) The medical board shall administer the medical expense fund in
9 a manner reasonably designed to be actuarially sound. The assets of
10 the medical expense fund must be sufficient to defray the obligations
11 of the account including the costs of administration. Money used for
12 administrative expenses is subject to the allotment of all expenditures
13 pursuant to chapter 43.88 RCW. However, an appropriation is not
14 required for expenditures. Administrative expenses include, but are
15 not limited to, the salaries and expenses of medical board personnel
16 including lease payments, travel, goods and services necessary for
17 operation of the board, audits, and other general costs of conducting
18 the business of the medical board.

19 NEW SECTION. **Sec. 13.** All expenses of the department and the
20 authority related to the implementation and administration of this act
21 shall be reimbursed from the medical expense fund under RCW 39.34.130.

22 **Sec. 14.** RCW 41.50.067 and 1993 c 519 s 21 are each amended to
23 read as follows:

24 The director shall inform all employers in writing as to the
25 employer and employee rates adopted by the (~~economic and revenue~~
26 ~~forecast~~) pension funding council, the law enforcement officers' and
27 fire fighters' plan 2 board, or the retired plan 2 law enforcement
28 officers' and fire fighters' medical board upon the notification of the
29 pension funding council as prescribed in RCW 41.45.060, the law
30 enforcement officers' and fire fighters' plan 2 board as prescribed in
31 RCW 41.26.725, or the retired plan 2 law enforcement officers' and fire
32 fighters' medical board as prescribed in section 10 of this act.

33 **Sec. 15.** RCW 43.79A.040 and 2004 c 246 s 8 and 2004 c 58 s 10 are
34 each reenacted and amended to read as follows:

35 (1) Money in the treasurer's trust fund may be deposited, invested,

1 and reinvested by the state treasurer in accordance with RCW 43.84.080
2 in the same manner and to the same extent as if the money were in the
3 state treasury.

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

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

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

18 (b) The following accounts and funds shall receive their
19 proportionate share of earnings based upon each account's or fund's
20 average daily balance for the period: The Washington promise
21 scholarship account, the college savings program account, the
22 Washington advanced college tuition payment program account, the
23 agricultural local fund, the American Indian scholarship endowment
24 fund, the students with dependents grant account, the basic health plan
25 self-insurance reserve account, the contract harvesting revolving
26 account, the Washington state combined fund drive account, the
27 Washington international exchange scholarship endowment fund, the
28 developmental disabilities endowment trust fund, the energy account,
29 the fair fund, the fruit and vegetable inspection account, the future
30 teachers conditional scholarship account, the game farm alternative
31 account, the grain inspection revolving fund, the juvenile
32 accountability incentive account, the law enforcement officers' and
33 fire fighters' plan 2 expense fund, the local tourism promotion
34 account, the produce railcar pool account, the rural rehabilitation
35 account, the stadium and exhibition center account, the youth athletic
36 facility account, the self-insurance revolving fund, the sulfur dioxide
37 abatement account, the children's trust fund, the Washington horse
38 racing commission Washington bred owners' bonus fund account, the

1 Washington horse racing commission class C purse fund account, (~~and~~)
2 the Washington horse racing commission operating account (earnings from
3 the Washington horse racing commission operating account must be
4 credited to the Washington horse racing commission class C purse fund
5 account), the retired plan 2 law enforcement officers' and fire
6 fighters' medical fund, and the retired plan 2 law enforcement
7 officers' and fire fighters' medical expense fund. However, the
8 earnings to be distributed shall first be reduced by the allocation to
9 the state treasurer's service fund pursuant to RCW 43.08.190.

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

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

21 NEW SECTION. Sec. 16. Sections 7 through 13 of this act are each
22 added to chapter 41.26 RCW and codified with the subchapter heading
23 "plan 2 medical board."

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