

HOUSE BILL REPORT

HB 1558

As Reported by House Committee On:
Labor & Workplace Standards

Title: An act relating to creating a separate fund for the purposes of self-insured pensions and assessments.

Brief Description: Creating a separate fund for the purposes of self-insured pensions and assessments.

Sponsors: Representatives Cheney, Fosse, Berry and Schmidt; by request of Department of Labor & Industries.

Brief History:

Committee Activity:

Labor & Workplace Standards: 2/7/23, 2/14/23 [DP].

Brief Summary of Bill

- Creates the Self-Insurance Reserve Fund for payments from self-insured employers related to workers' compensation pensions and from the Overpayments Reimbursement Fund.
- Allows the State Investment Board to invest any excess amounts in the Self-Insurance Reserve Fund.
- Provides that the Second Injury Fund will retain its proportionate share of earnings in the fund held by the State Treasurer's Office.

HOUSE COMMITTEE ON LABOR & WORKPLACE STANDARDS

Majority Report: Do pass. Signed by 9 members: Representatives Berry, Chair; Fosse, Vice Chair; Robertson, Ranking Minority Member; Schmidt, Assistant Ranking Minority Member; Bronoske, Connors, Doglio, Ormsby and Ortiz-Self.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Trudes Tango (786-7384).

Background:

Under the state's industrial insurance laws, workers who, in the course of employment, are injured or disabled from an occupational disease are entitled to benefits. Workers may receive medical, temporary time-loss, and vocational rehabilitation benefits. In addition, a worker who suffers specified catastrophic injuries or other conditions permanently incapacitating the worker from any gainful employment is entitled to permanent total disability, which is often referred to as total permanent disability or pension benefits.

Self-Insured Employers.

Employers must insure through the State Fund administered by the Department of Labor and Industries (Department) or may self-insure if qualified. To be certified by the Department as a self-insurer, an employer must have sufficient financial ability to ensure prompt payment of compensation to its injured workers and must meet other requirements.

Self-insured employers are responsible for paying to the Department certain assessments into the following funds:

- the Insolvency Trust Fund, for claim expenditures of self-insured employers who have defaulted and exhausted their surety resources;
- the Supplemental Pension Fund, for cost-of-living adjustments;
- the Overpayment Reimbursement Fund, for reimbursements to self-insured employers for claims paid during appeals, where the employer prevails and has not recovered; and
- the Second Injury Fund, for relief of pension claims that are granted second-injury relief.

Second Injury Relief.

When an industrial injury results in death or a pension is awarded, a self-insured employer must pay into the Pension Reserve Fund for the costs of the injury. However, when death or total permanent disability is partially caused by a prior injury, pension costs resulting from the prior injury are paid by the Second Injury Fund.

Fund Transfers and Audits.

The Director of the Department may make periodic temporary interfund transfers between the Reserve and Supplemental Pension Funds as needed. The Department must prepare financial statements on the various funds, and the State Auditor must conduct annual audits of the State Fund.

Summary of Bill:

Self-Insurance Reserve Fund.

The Self-Insurance Reserve Fund is created in the Office of the State Treasurer. Payments related to pensions and from the Overpayment Reimbursement Fund are paid into the Self-Insurance Reserve Fund, rather than into the Pension Reserve Fund. Interest earned on the Self-Insurance Reserve Fund becomes part of the fund. The authority to make transfers between funds is extended to the Self-Insurance Reserve Fund. The Department must provide for audits of the Self-Insurance Reserve Fund and prepare financial statements.

If the State Investment Board determines there are funds in excess of the amounts needed to meet the Self-Insurance Reserve Fund's current expenditures, the Board may invest the excess funds.

Second Injury Fund.

The Second Injury Fund is added to the list of funds that retain their own earned interest.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains multiple effective dates. Please see the bill.

Staff Summary of Public Testimony:

(In support) Self-insured employers' dollars for pension payments should capture the interest earned instead of going into the State General Fund. The emergency clause on the bill will allow that fund to retain interest starting July 1. The bill also allows the Department to track self-insured employers' pensions separately. There is no comingling of funds today, but this bill will allow the Department to make that clear through separate financial statements. Consolidating assessments into a single account will also help reduce the volatility of those annual assessments. The bill gives the state more flexibility to invest funds and provides for more transparency by having separate financial statements.

(Opposed) None.

Persons Testifying: Representative Greg Cheney, prime sponsor; and Tammy Fellin, Department of Labor and Industries.

Persons Signed In To Testify But Not Testifying: None.