Washington State Department of
Labor & Industries

Workers' Compensation Advisory Committee (WCAC)

Thursday, September 27, 2018

Agenda

Time	Topic	Presenter(s)
9:00 – 9:10 (10 min)	Welcome • Introductions • Motion to approve minutes • Agenda overview • Safety message	Vickie Kennedy Joel Sacks
9:10 – 9:25 (15 min)	General Updates	Joel Sacks Mike Ratko
9:25 – 9:55 (30 min)	Business Transformation: Website Redesign	Kim Contris Ron Langley
9:55 – 10:25 (30 min)	Business Transformation: Workers' Compensation Replacement Plan	Joel Sacks
10:25 – 10:40 (15 min)	Break	
10:40 – 11:10 (30 min)	Proposed Premium Rates	Joel Sacks
11:10 – 11:25 (15 min)	Insurance Services Dashboard	Vickie Kennedy
11:25 – 11:45 (20 min)	Industrial Insurance State Fund Financial Overview	Rob Cotton
11:45 – 11:55 (10 min)	Board of Industrial Insurance Appeals (BIIA) Update	Linda Williams
11:55 – 12:00 (5 min)	Closing Comments & Adjourn	Vickie Kennedy Joel Sacks

Washington State Department of Labor & Industries

Safety Message

Joel Sacks, Agency Director

Drowsy Driving is Impaired Driving

1. More common than you might think
2. Impacts are staggering
3. As dangerous as driving under the influence of alcohol
4. Know the warning signs
5. Interventions

Washington State Department of Labor & Industries

General Updates

Joel Sacks, Agency Director

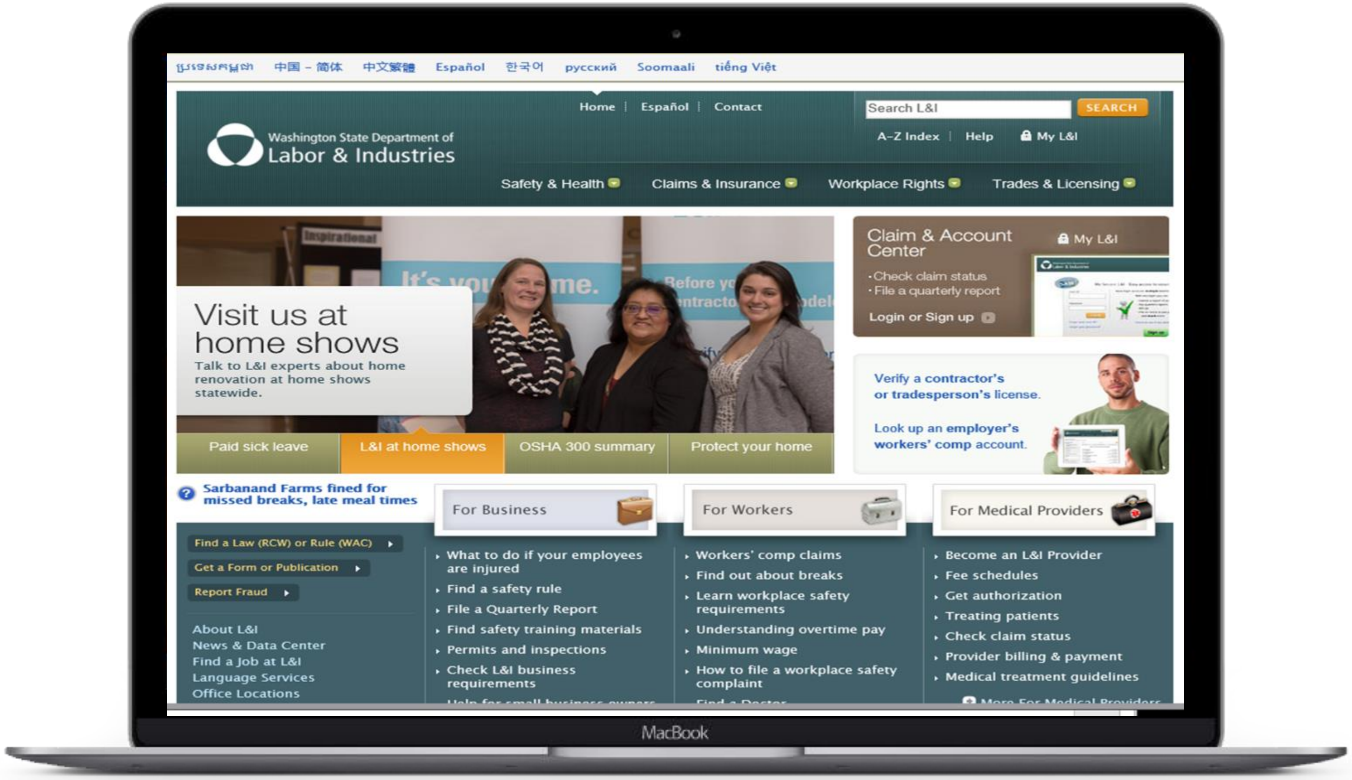
Mike Ratko, Deputy Assistant Director for Insurance Services

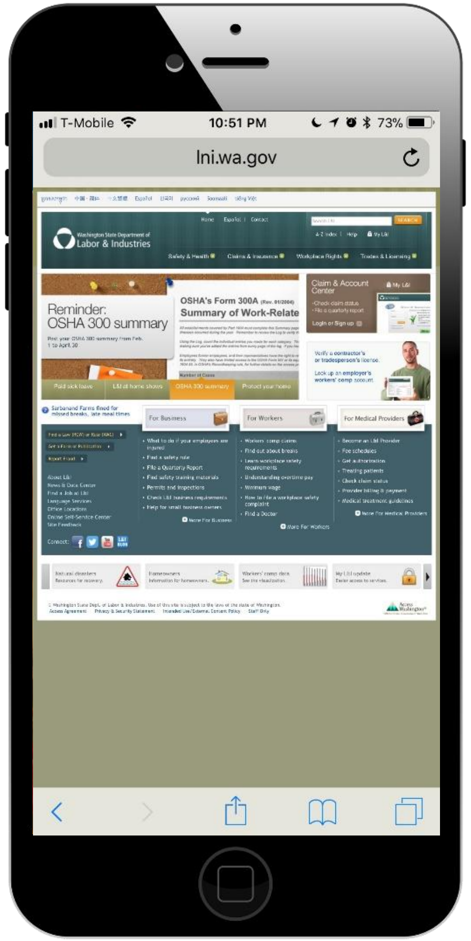
Washington State Department of Labor & Industries

Business Transformation: Website Redesign

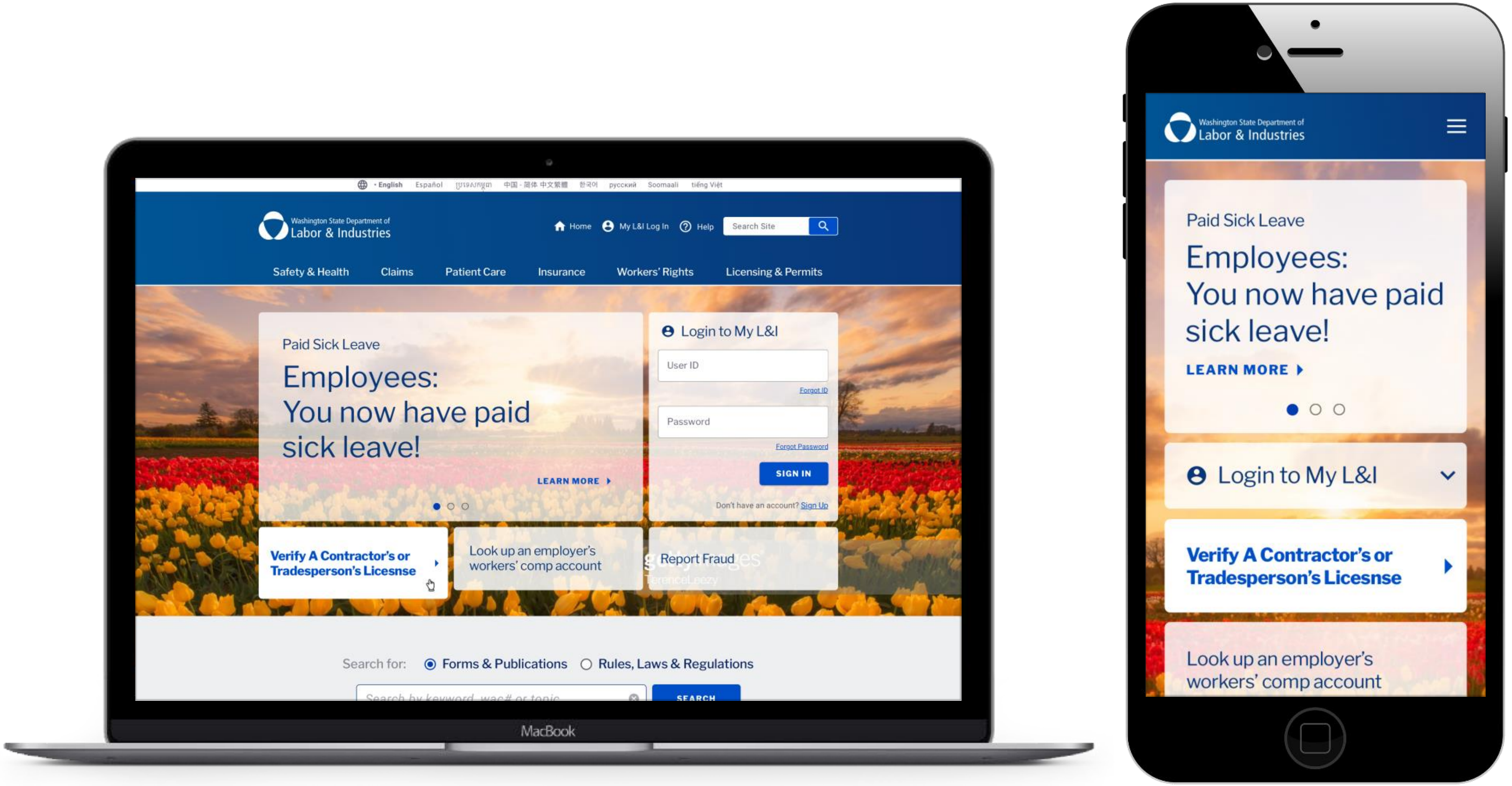
Kim Contris, Assistant Director Web and Communications
Ron Langley, Customer Relationships Manager

Current site





New site



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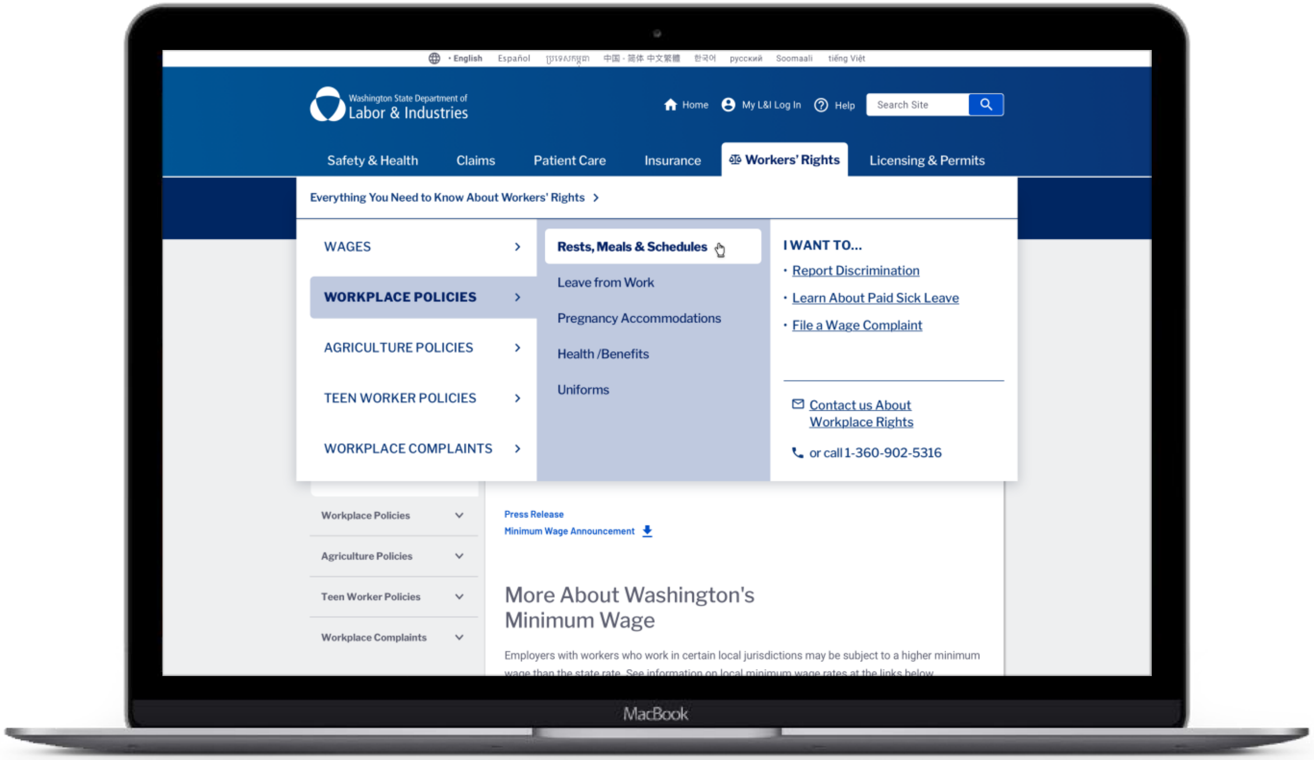
New site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WAGES
WORKPLACE POLICIES
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WORKPLACE COMPLAINTS
Rests, Meals & Schedules
Leave from Work
Pregnancy Accommodations
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Uniforms
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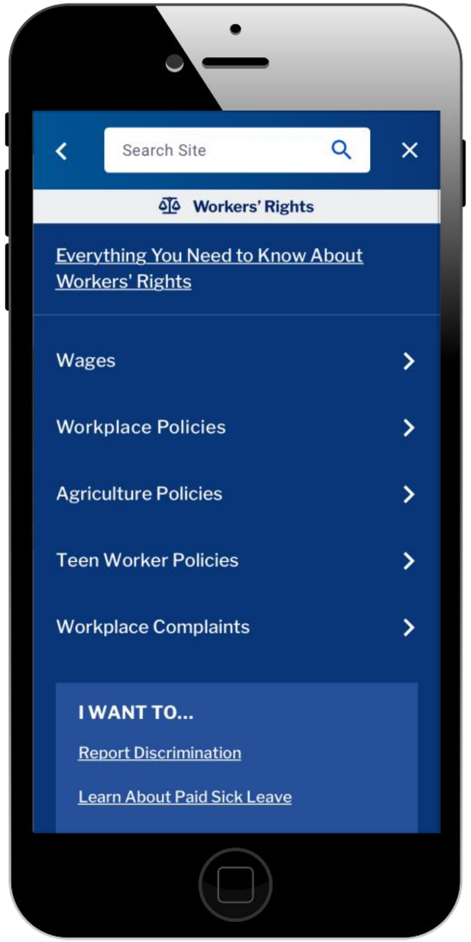
Learn About Paid Sick Leave
File a Wage Complaint
Contact us About Workplace Rights
or call 1-360-902-5316
Workplace Policies
Agriculture Policies
Teen Worker Policies
Workplace Complaints
Press Release
Minimum Wage Announcement
More About Washington's Minimum Wage
Employers with workers who work in certain local jurisdictions may be subject to a higher minimum
MacBook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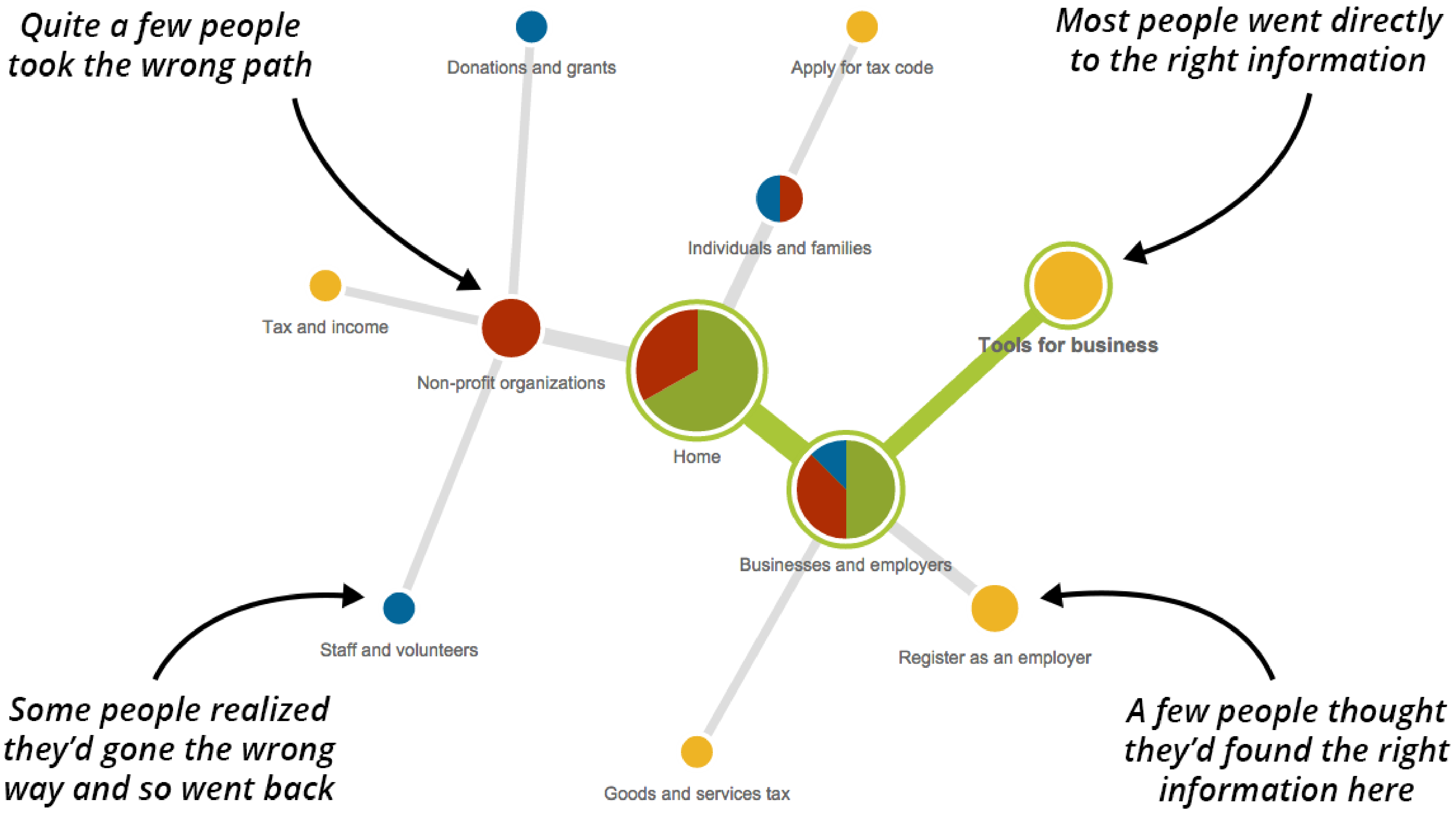
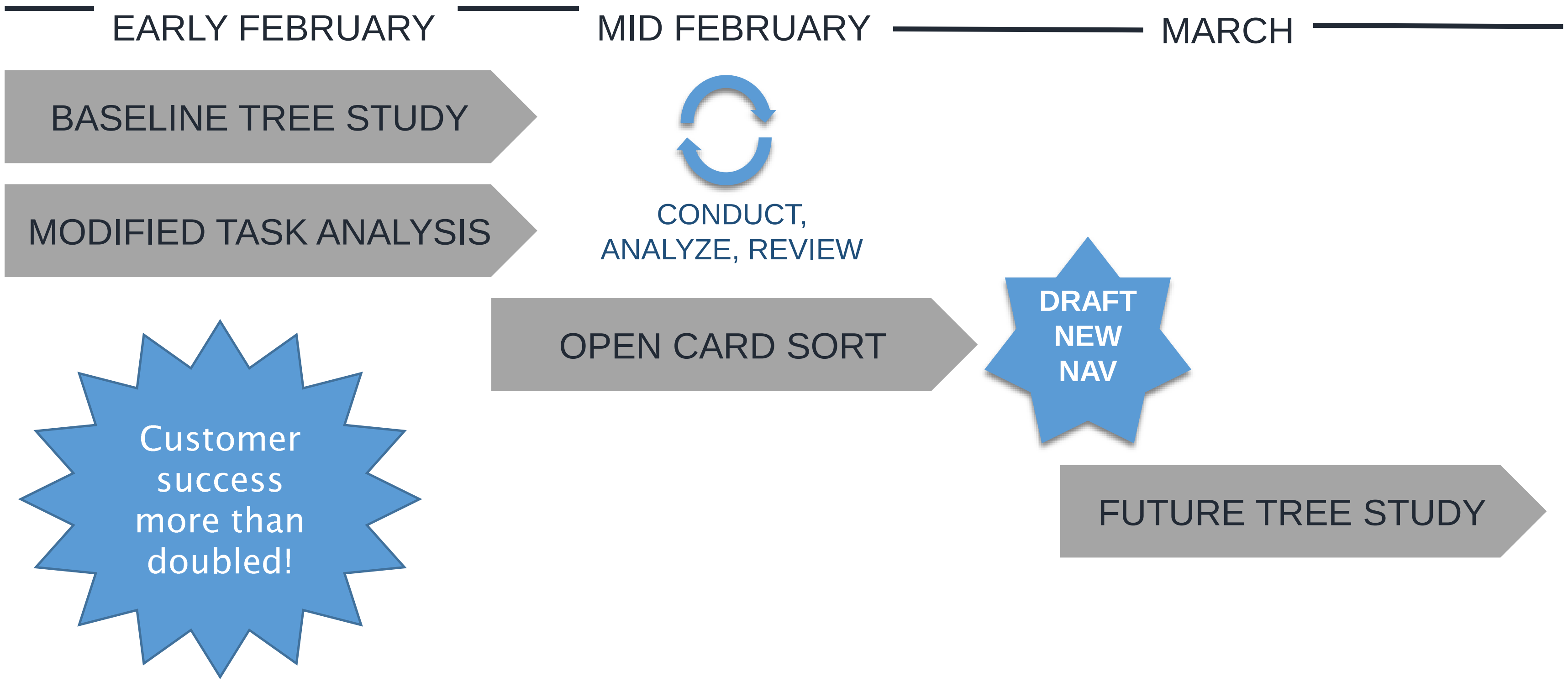
Pie trees reveal navigation that works and doesn't



Updates based on customer research



What's changing

- Improved site navigation
- Fewer pages & PDFs
- Revised content web pages
- Improved "findability"

What’s not changing

- Online tools that require registration and password
  - Claim and Account Center
  - Online quarterly report filing
  - Other online payments

Before launch on June 30, 2019

- Outreach to major stakeholder groups
- Advance messages to email lists
- Training for customer service staff

WebRedesign@Lni.wa.gov

Washington State Department of
Labor & Industries

Business Transformation: Workers' Compensation Replacement Plan

Joel Sacks, Agency Director

Why are we proposing to replace it?

- Systems are complicated for employees to navigate, which takes too much time and makes it difficult to actively engage with customers to meet their needs
  - **Currently:** claim managers must access and navigate at least 5 different computer systems (classic 1980s “green screen”) to review, make decisions and record and take actions on a single claim. Some claims, they must read dozens – even hundreds – of pages of notes to find pertinent information, and then copy/paste it from one system to another.
  - **A new system will** enable claims managers to spend less time learning and navigating computer systems and more time providing personalized customer service.

Why are we proposing to replace it? (cont.)

- Lack of modern, online features is often frustrating for customers who expect on-demand services.
  - **A new system will** enable employers to customize reports and access real time data online through an employer self-service portal.
  - **A new system will** enable medical providers to submit authorization requests through a single Web portal, as opposed to various routes related to the type of treatment.
  - **A new system will** enable workers to select a preferred method of communication and exchange information directly with L&I in real time through a secure Web portal.

- Time consuming to set up new employer accounts
  - **Currently** account managers must access 13 different systems to set up a new account, taking about 10 days to complete.
  - **A new system** will make it easier to set up new employer accounts; employers will receive their risk-class designations immediately so their payroll deductions will be accurate.

What progress have we made so far?

- **We've investigated comparable projects inside and outside Washington**
  - Take advantage of their experiences ("lessons learned")
  - Gain knowledge from their insights of what worked well and what didn't.

- **We identified and assessed factors that are unique to L&I**
  - Our system is comprised of more systems (100+) and over 500 interfaces, this is more than the comparable projects.
  - The comparable agencies have gone through multiple upgrades to their systems over the last several decades, L&I has not. L&I has maintained its legacy system.

- **We created a timeline for the project, along with cost and staffing estimates**
  - High-level work has been identified and outlined, from beginning to end, including scope, sequencing, phasing, etc.
  - The working estimates have been catalogued for all of the costs (L&I FTEs, external consulting support, hardware, software, etc.), leveraging information from the comparables as a reference point.

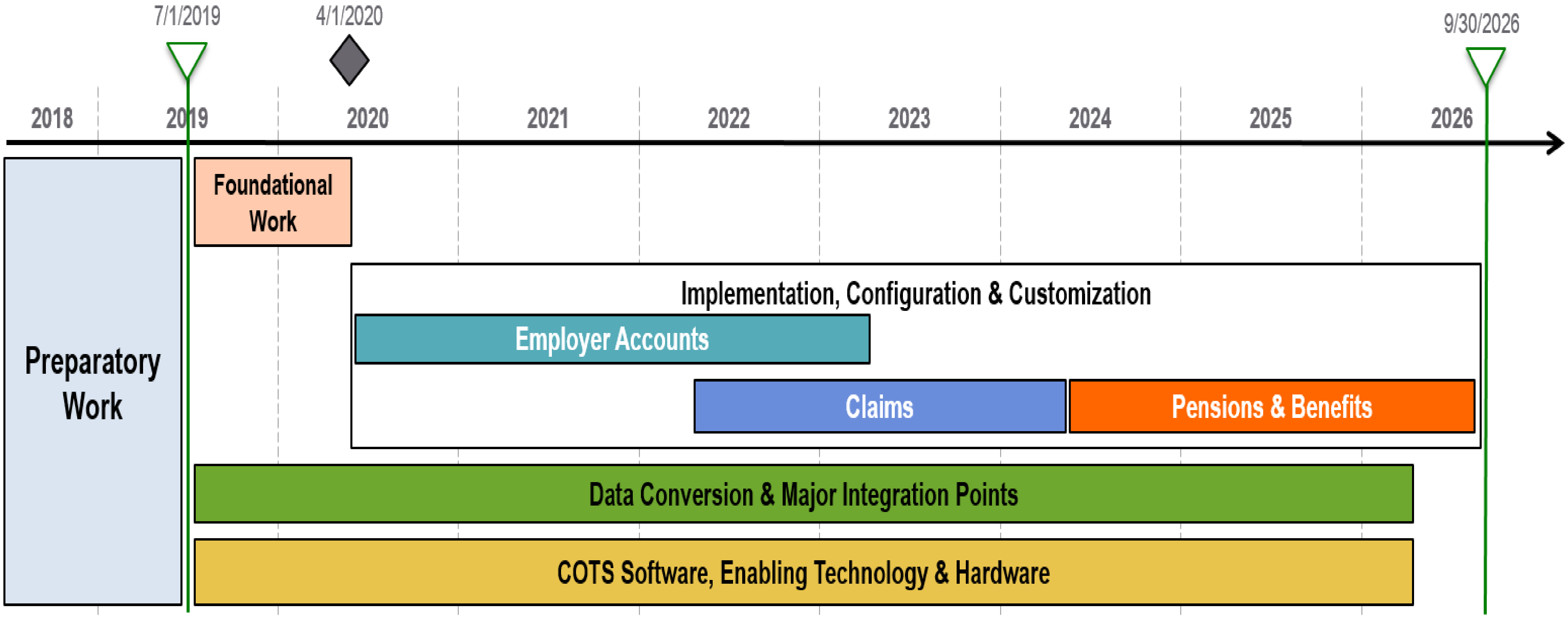
Our Timeline

- **Spans a 7 years time period**
  - The first 12 months are focused on software selection, implementation preparedness, and establishing base infrastructure.
  - The remaining 6 years are the core COTS software implementation, configuration, and roll-out.

- **Planning a Phased Approach**
  - Employer Accounts first to be followed by Claims with 6 go-live dates.

- **Addressing risks that are common for projects this size**
  - Emphasis on change management with a structured approach to project governance and project management.
  - Hiring to maintain our day to day operations in order to free up our subject matter experts in business & technology positions to work on the project.
  - Minimize customization and configuration to take advantage of the product updates.

Estimated Project Cost & Timeline



Budget Request $299.4M

TOTAL Cost of the Project: $309M

19-21 Biennium Cost

Workstream Grouping	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total Estimated Costs
Foundational Work	$ 4,327,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,327,000
Implementation, Configuration, & Customization	$17,192,689	$17,791,093	$22,132,889	$25,549,618	$ 24,671,527	$21,053,527	$ 18,138,179	$ 2,464,682	$ 148,994,204
Data Conversion & Major Integration Points	$ 4,843,770	$ 8,940,302	$ 9,070,038	$ 9,445,128	$ 9,056,825	$ 9,047,825	$ 4,346,607	$ 49,773	$ 54,800,268
COTS Software, Enabling Technology, & Hardware	$ 5,081,541	$23,797,605	$13,087,073	$13,661,254	$ 13,172,648	$13,249,648	$ 8,309,214	$ 880,545	$ 91,239,528
Total	**$ 31,445,000**	**$ 50,529,000**	**$44,290,000**	**$ 48,656,000**	**$ 46,901,000**	**$ 43,351,000**	**$ 30,794,000**	**$ 3,395,000**	**$ 299,361,000**
Biennium Totals	***$81,974,000***		***$92,946,000***		***$90,252,000***		***$34,189,000***		

Next Steps

- **Continue to work through the budget process**
- **Continue the prep work for the product**
  - **Change Management**
  - **Talk to stakeholders**
  - **Planning**
- **Report progress of the decision package and resource planning**

Break Time

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Proposed Premium Rates

Joel Sacks, Agency Director

Rate Discussion

- L&I’s rate-setting philosophy:
- Steady and predictable rates.
- Benchmark against wage inflation (this happens automatically in other states).
- Maintain adequate reserves.
- Lower costs by focusing on better outcomes for injured workers.

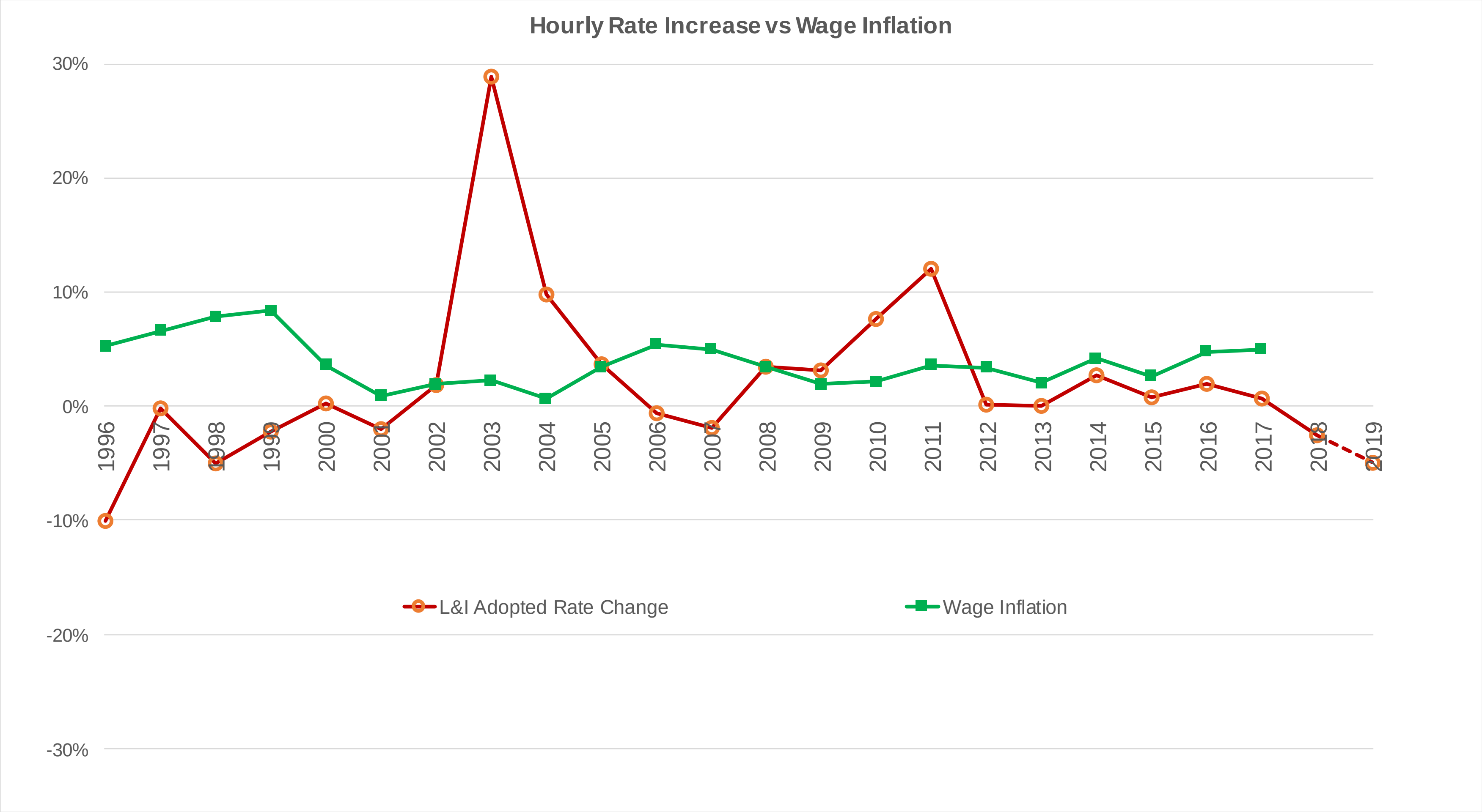
Proposed Rate Decrease of 5.0%

Funds	2018 Average Hrly Rate	2019 Proposed Hrly Rate	2019 Proposed % Change	2019 Break-even Hrly Rate	2019 Break-even Indication
Accident	0.356	**0.330**	**-7.50%**	0.312	-12.50%
Medical Aid	0.211	**0.195**	**-7.50%**	0.199	-5.90%
Supplemental Pension	0.103	**0.112**	**8.70%**	0.112	8.70%
Stay-at-Work	0.005	**0.005**	**3.70%**	0.005	3.70%
Overall*	0.675	**0.641**	**-5.00%**	0.627	-7.10%
Net per $100 of payroll**	1.95	**1.79**	**-8.20%**	1.75	-10.20%

**Does not include Retro*

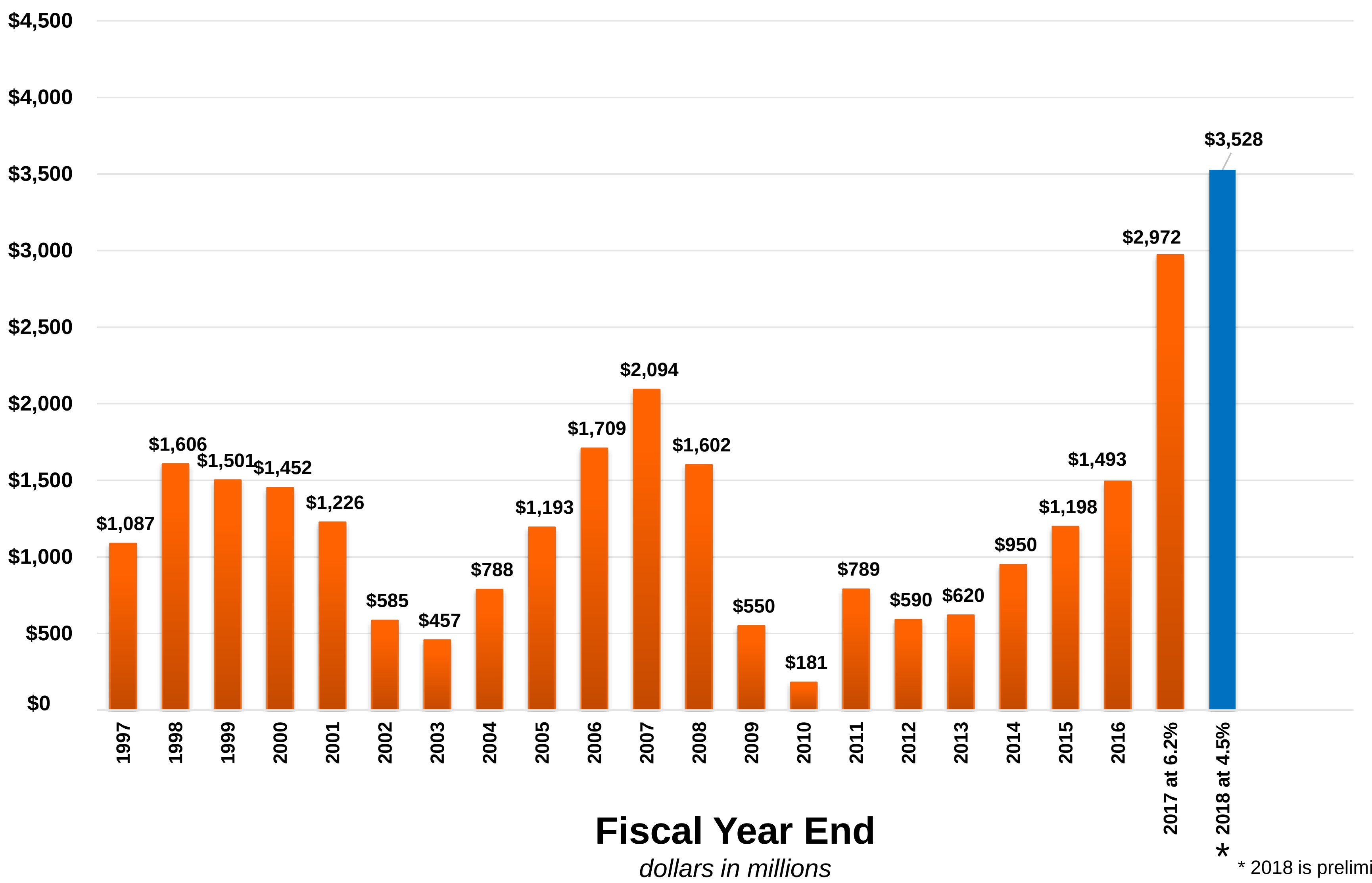
***Projected number based on year ended March 31, 2018 mix of business and current wage inflation estimates*

Reduce volatility in rates by measuring against wage inflation



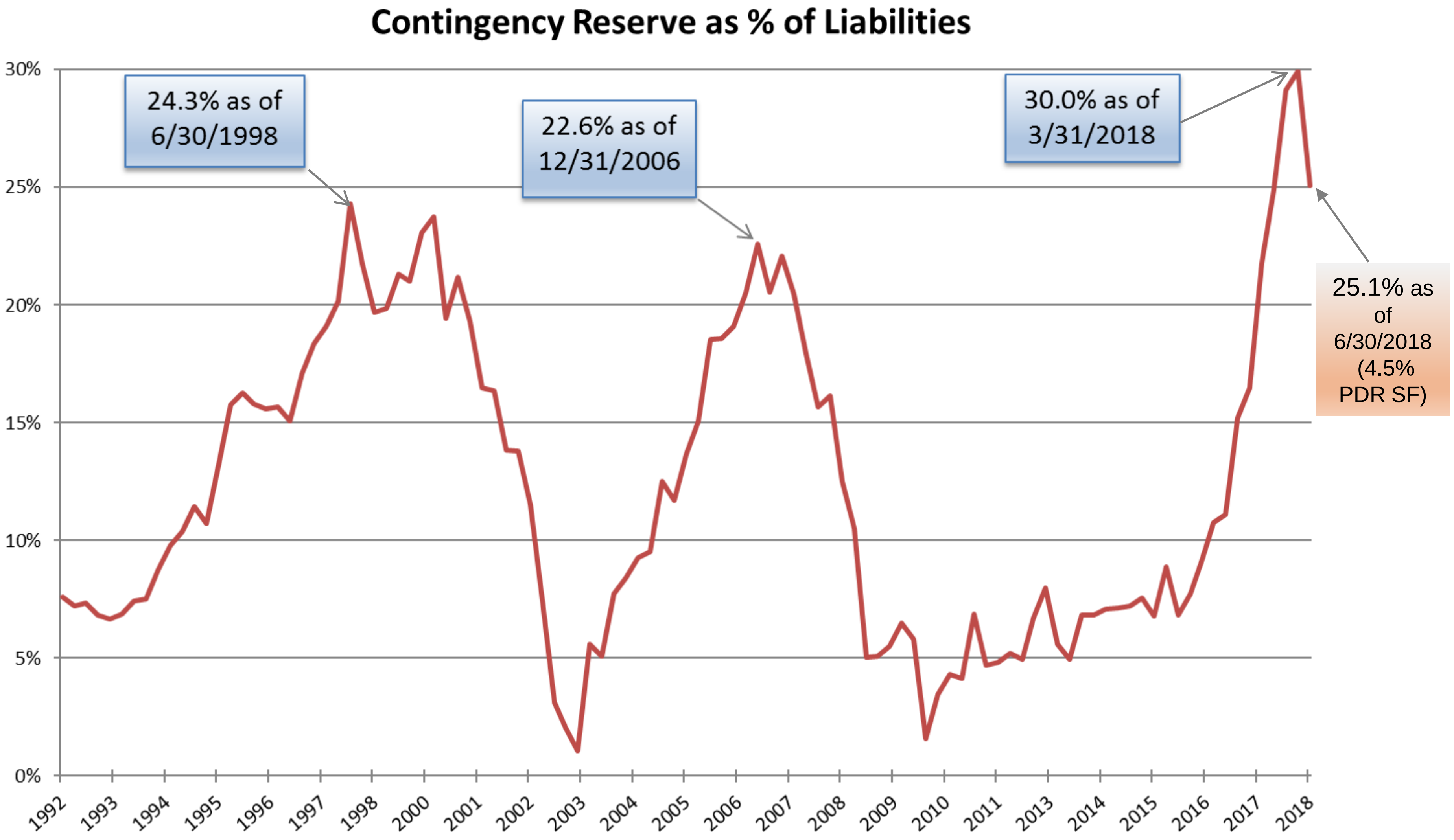
** Indicates wage inflation rate known when rates were set*

Contingency reserve continued to grow in 2018

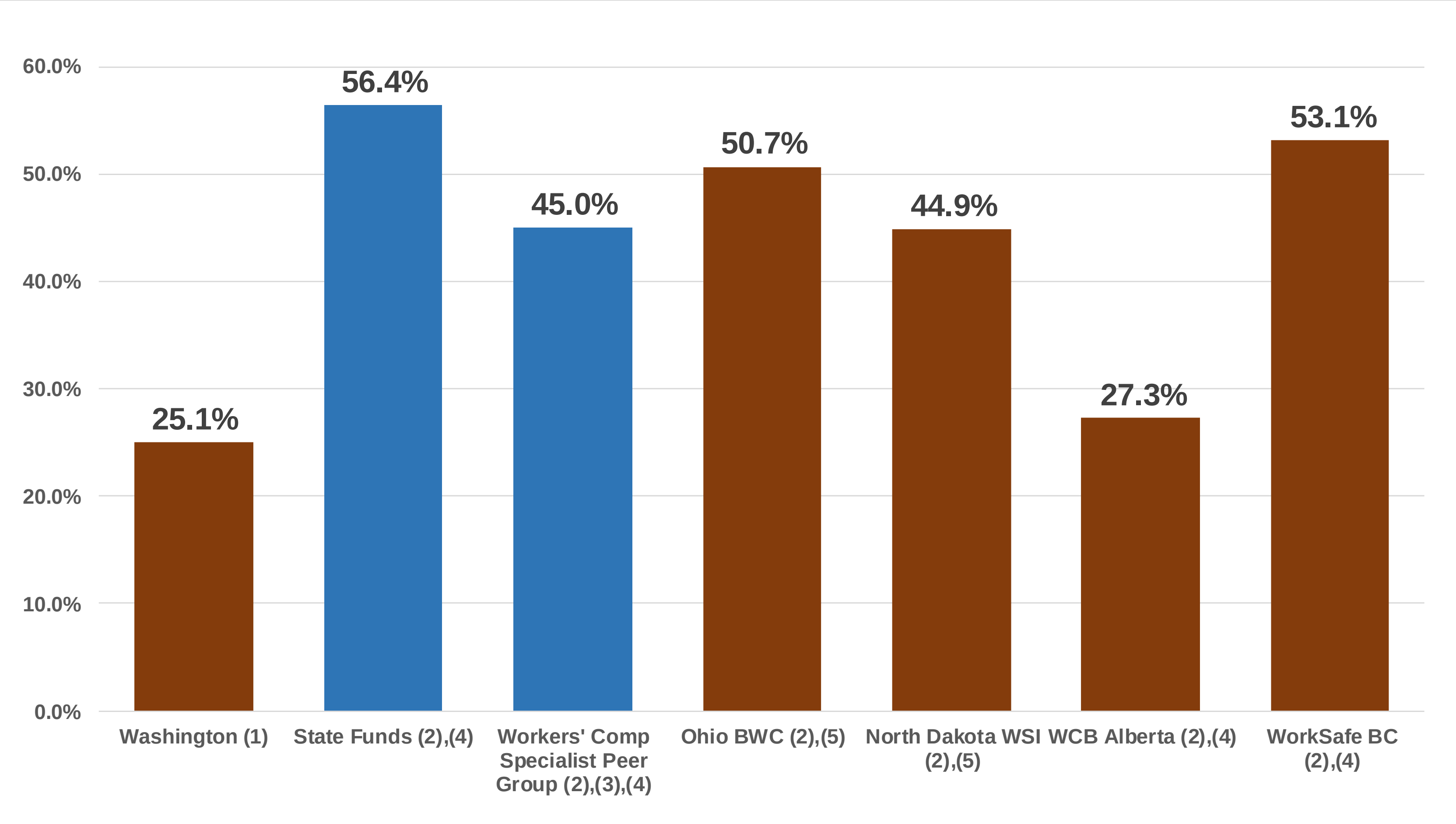


* 2018 is preliminary

CR as a percent of liabilities is at 25.1%



Washington's CR is below other funds as a percent of liabilities

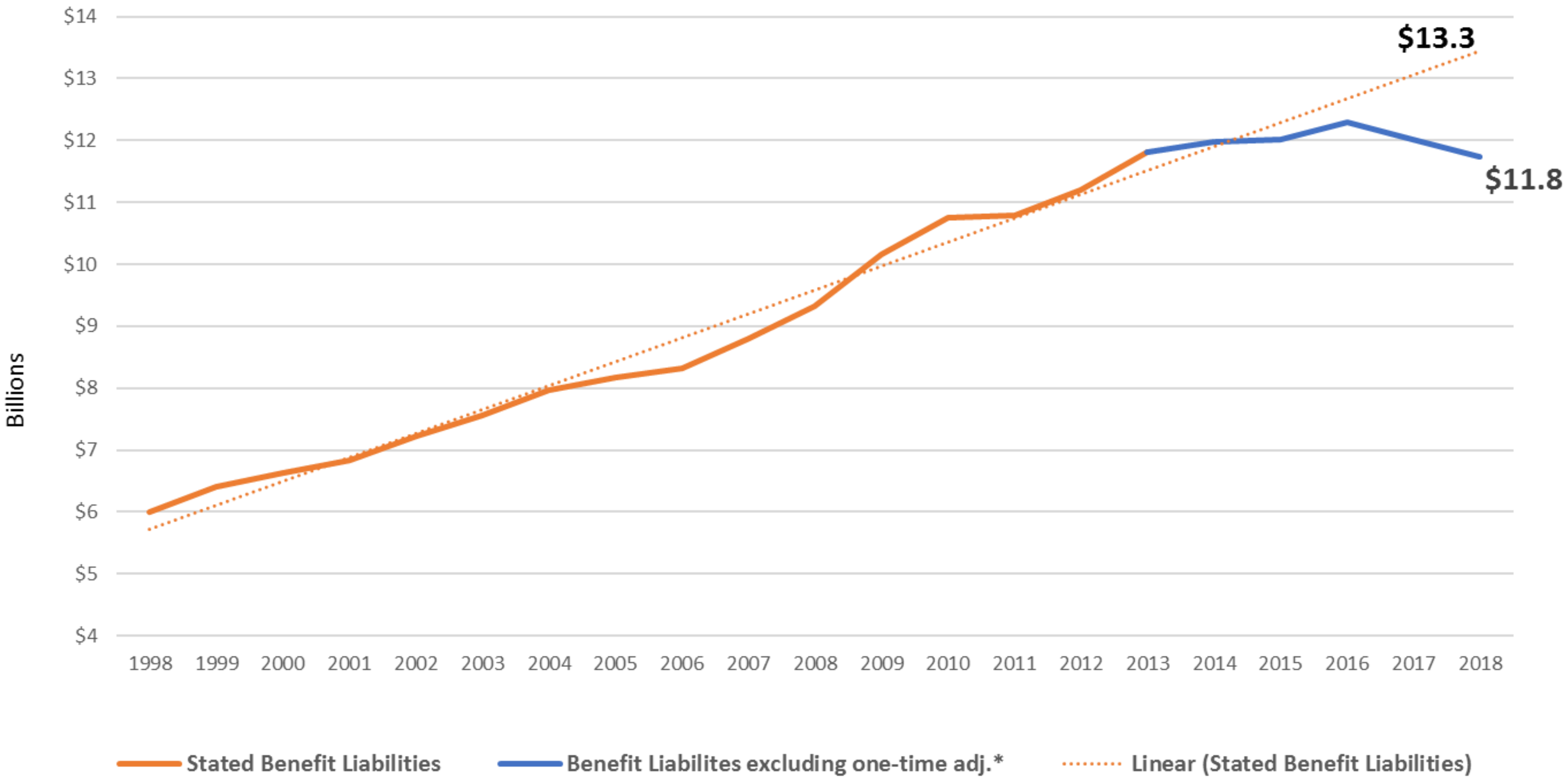


(1) Preliminary as of 6/30/2018
(2) Source: Conning Peer Analysis, August 22, 2018
(3) Worker's Comp Specialist Peer Group—workers' compensation specialist insurers including some state funds
(4) As of 12/31/2017
(5) As of 6/30/2017

Lowering Costs While Focusing on Better Outcomes

- Reduced projected long-term costs by over $2.6 B
- Result Examples from Dashboard
  - Since 2012:
  - 21% decrease in long-term disability claims
  - 70% decrease in median time-loss days paid at 1st AWA referral
  - 125% increase in workers who returned to work with the help of vocational services
  - 84% increase in COHE use
  - 90% reduction in number of workers receiving opioids at 6-12 weeks after injury
  - 12% decrease in the rate of state fund claims

Benefit Liabilities Excluding One-time Adjustments*



One-time adjustments include:

1) Mortality table change
2) Structured Settlement adjustments to avoid double counting
3) Pension discount rate

Approximate impact of adjustments is $1.3B

❖ $13.1B projected 2018 benefit liability

Highlights of Changes in the Contingency Reserve

		FY14	FY15	FY16	FY17	FY18*	Total
	Changes that increased the contingency reserve						
⇧	Operational Influences**	$91 M	$515 M	$136 M	$926 M	$941 M	$2,609 M
	Rate Changes	$58 M	$59 M	$38 M	$27 M	($14) M	$168 M
	Greater than expected changes in the stock market	$279 M	N/A	N/A	$411 M	$199 M	$889 M
	Changes that decreased the contingency reserve						
⇩	Mortality table change	$0	$146 M	$0	$0	$0	$146 M
	Adjustments to avoid double counting 2011 reform savings	$130 M	$83 M	$0	$0	$0	$213 M
	Pension discount rate reduction	$256M***	$31 M	$31 M	$36 M	$646 M****	$1,000 M
	Less than expected changes in the stock market	N/A	$29 M	$101 M	N/A	N/A	$130 M

* FY2018 is preliminary

** Operational influences are approximate.

*** Model change for 13-year plus claims $102 M; Pension Discount change $154 M.

**** Pension Discount Rate reduction from 6.2% to 4.5%

Key Next Steps in Adopting Rates

- Three public hearings statewide (10/30/2018 – 10/31/2018)
- Adopt final 2019 rates (11/30/2018)
- Begin mailing rates to employers (12/5/2018)
- New rates are effective (01/01/2019)

Washington State Department of Labor & Industries

Dashboard – Help Injured Workers Heal and Return to Work

Vickie Kennedy, Assistant Director Insurance Services

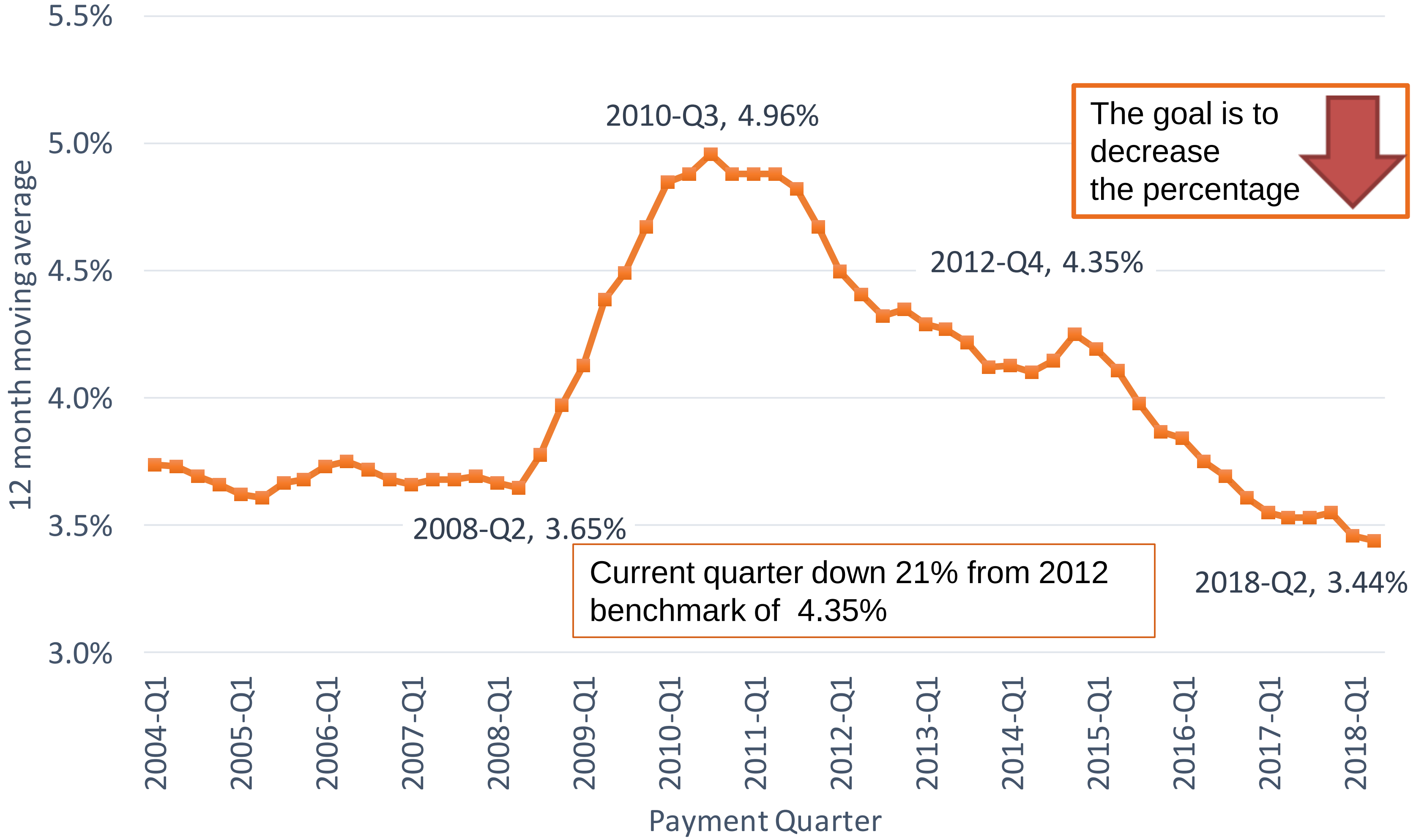
Dashboard summary

Measure	Change from 2012 (unless otherwise noted)		Highlights
Long Term Disability – share that received a TL payment in the 12 month post injury	Down 21 %	⬇	Lowest since 2002
Persistency – Ratio: claims with a TL payment in the 6th month to those with payment in the 3rd month	Down 4.9%	⬇	
Resolution rate - time-loss claims at 6 months	Up 5.1%	⬆	
Auto adjudication of claims	Up 77% from 2014	⬆	Highest since 2002*
High risk claims – share return to work at 12 months	Up 7.0%	⬆	
Median time-loss days paid at 1st AWA referral	Down 70.2%	⬇	Lowest since 2002*
% RTW outcomes when 1st AWA referral made by 90th day of TL	Up 56% since 2014	⬆	
% RTW outcomes - all first AWAs	Up 125% since 2014	⬆	
WSAW participation	Steady utilization	⬌	
COHE utilization	Up 84%	⬆	Highest since 2002

* Earliest year for which measurement is available

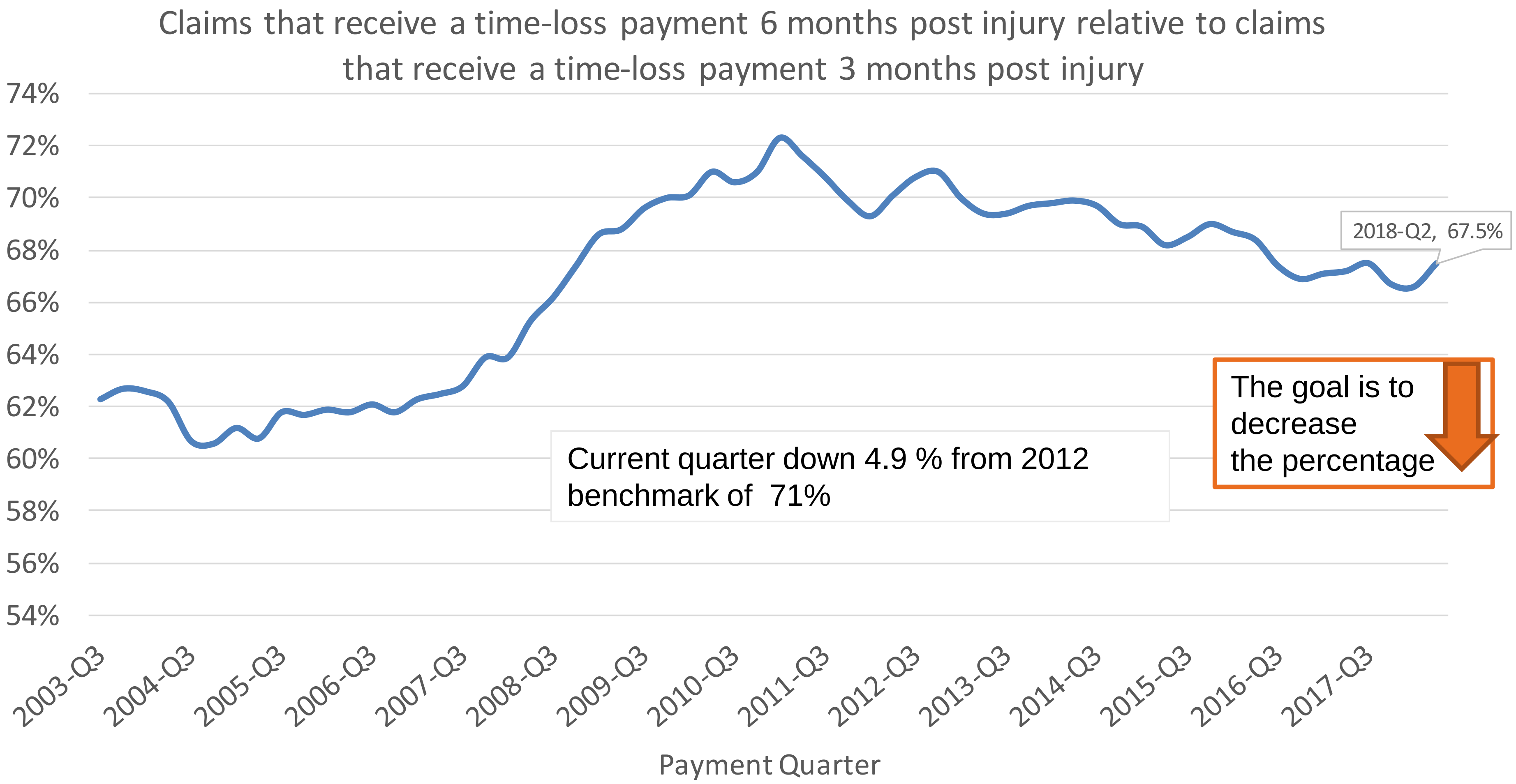
Long term disability percent

Share of injured workers with time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*

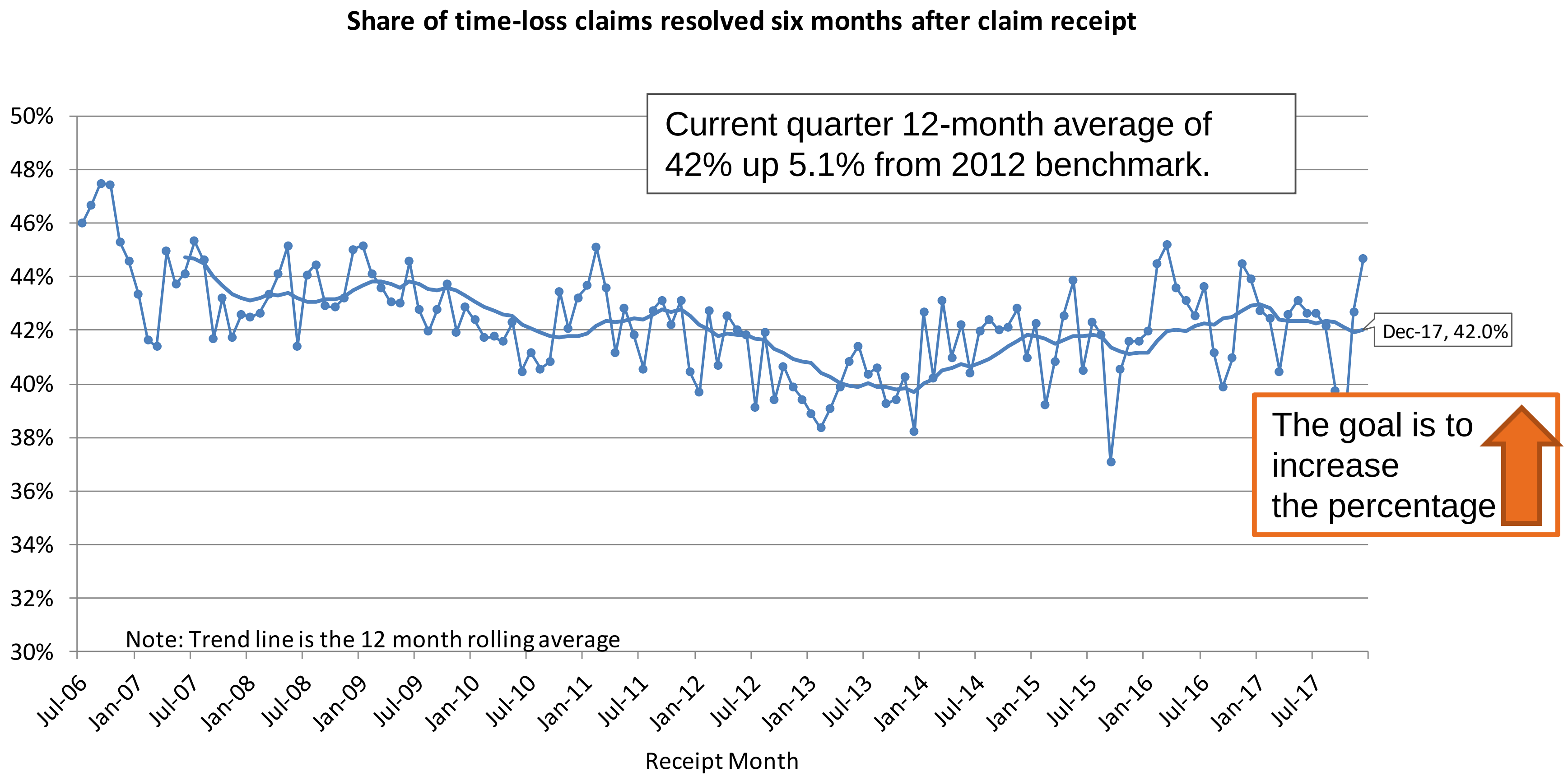


During FY 2017 there were about 800 LTD claims per quarter.

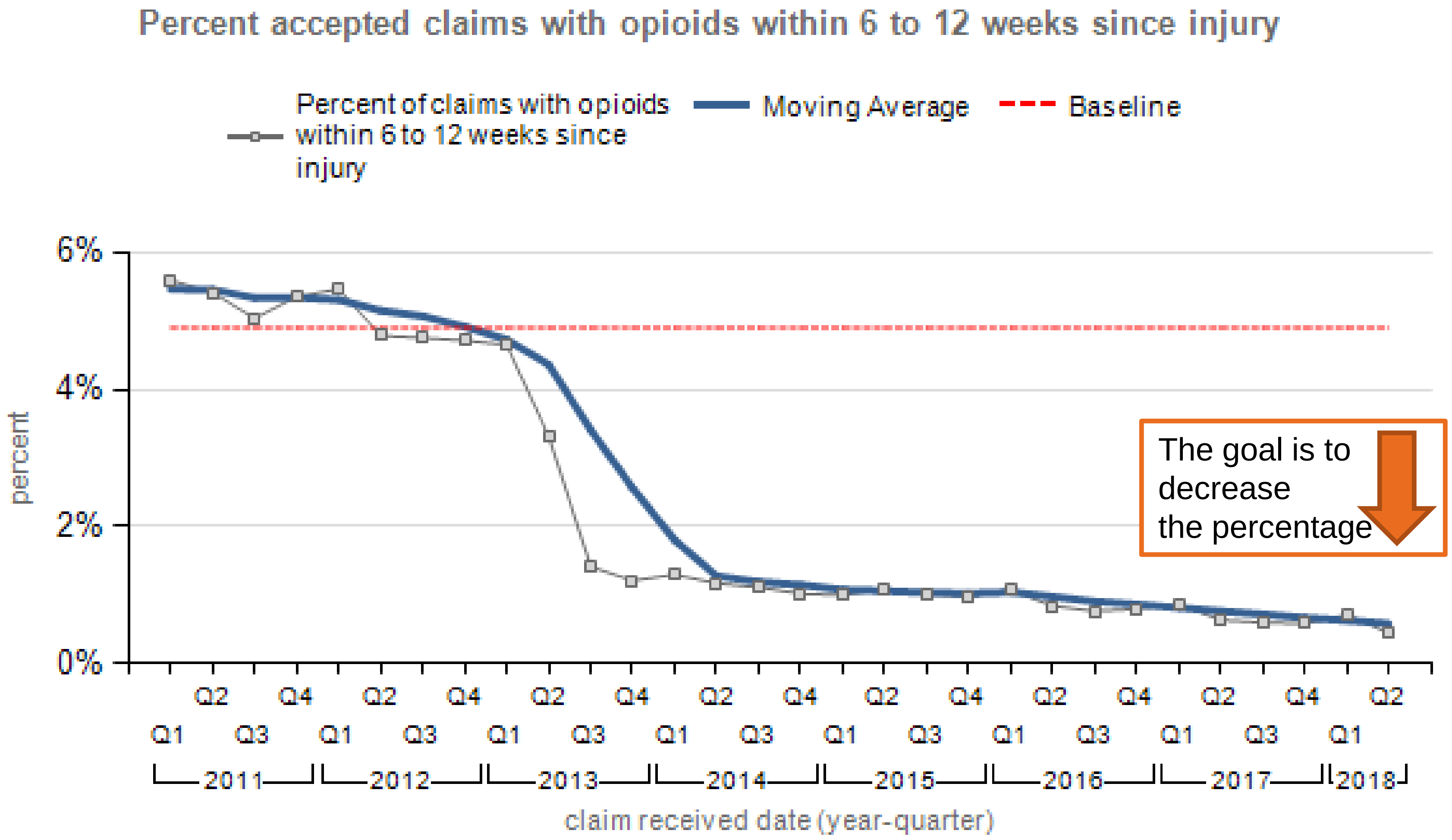
The onset of long-term disability is often measured between three and six months after injury



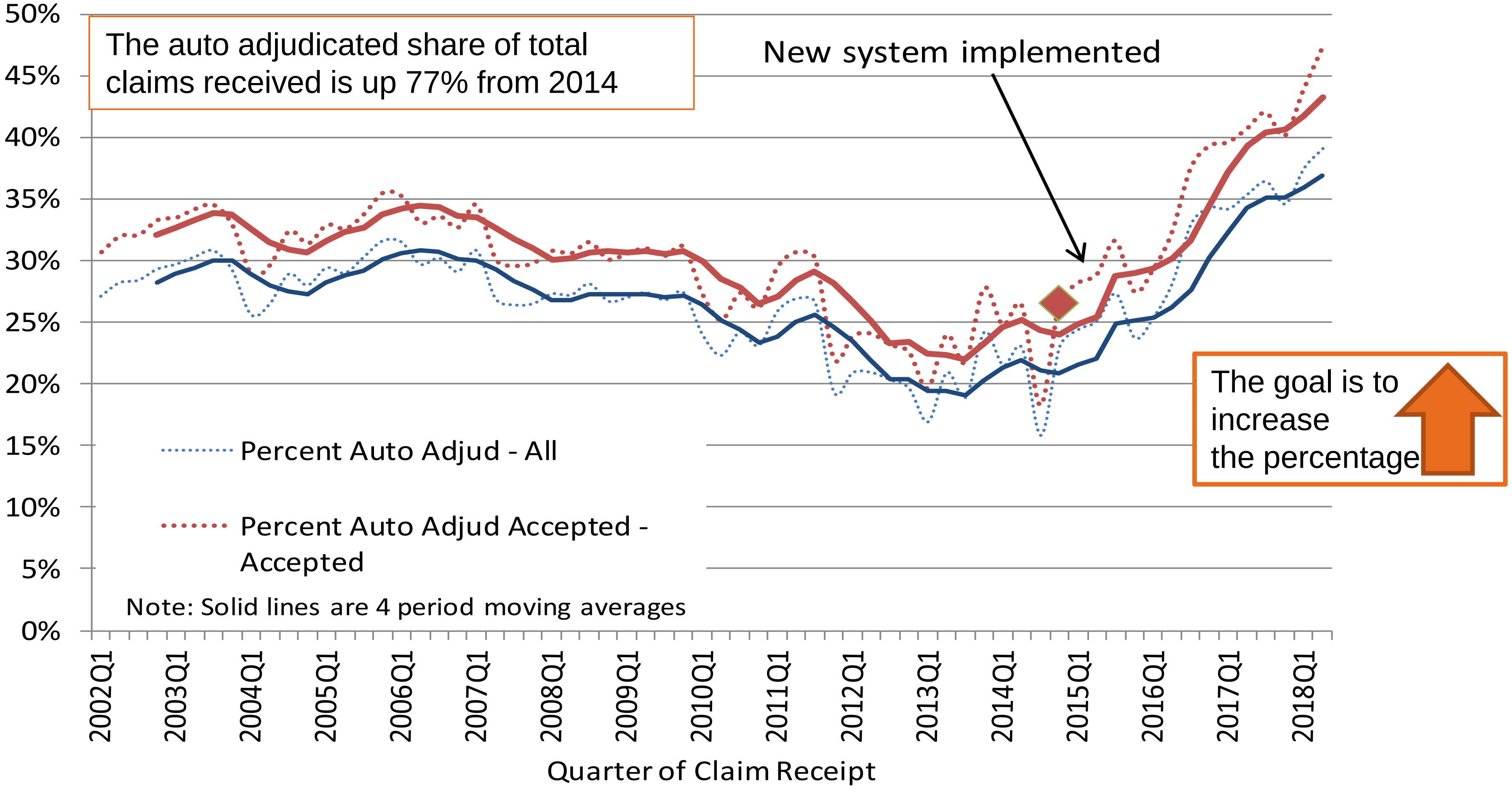
The share of time-loss claims resolved six months after claim receipt - trend has been upward



Claims with opioid prescriptions within 6 to 12 weeks of injury



A new auto-adjudication process was implemented in early 2015 and is showing results

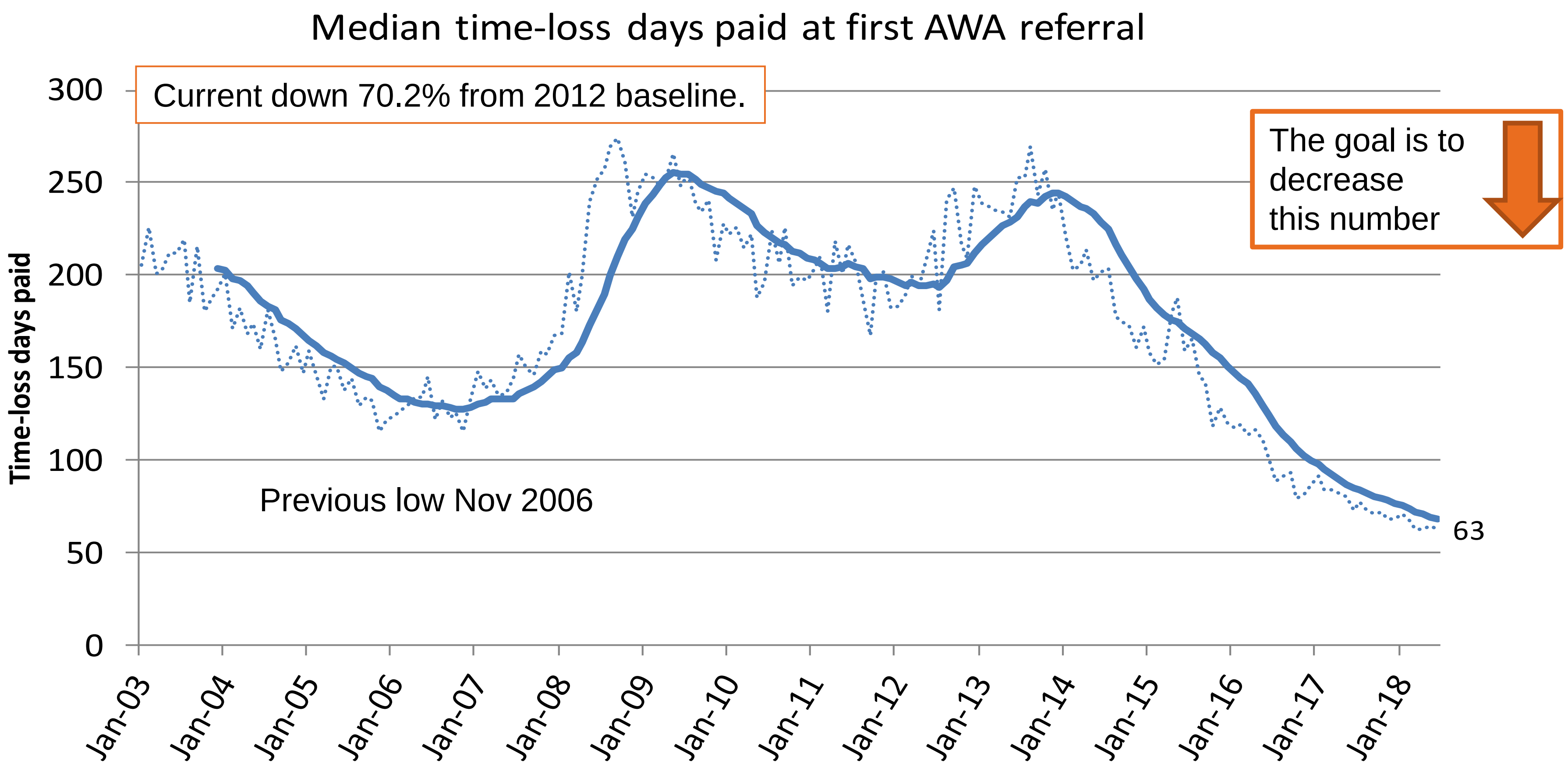


High risk claims – Initiatives such as early AWA, COHEs, opioid guidelines and the RTW score are improving RTW outcomes

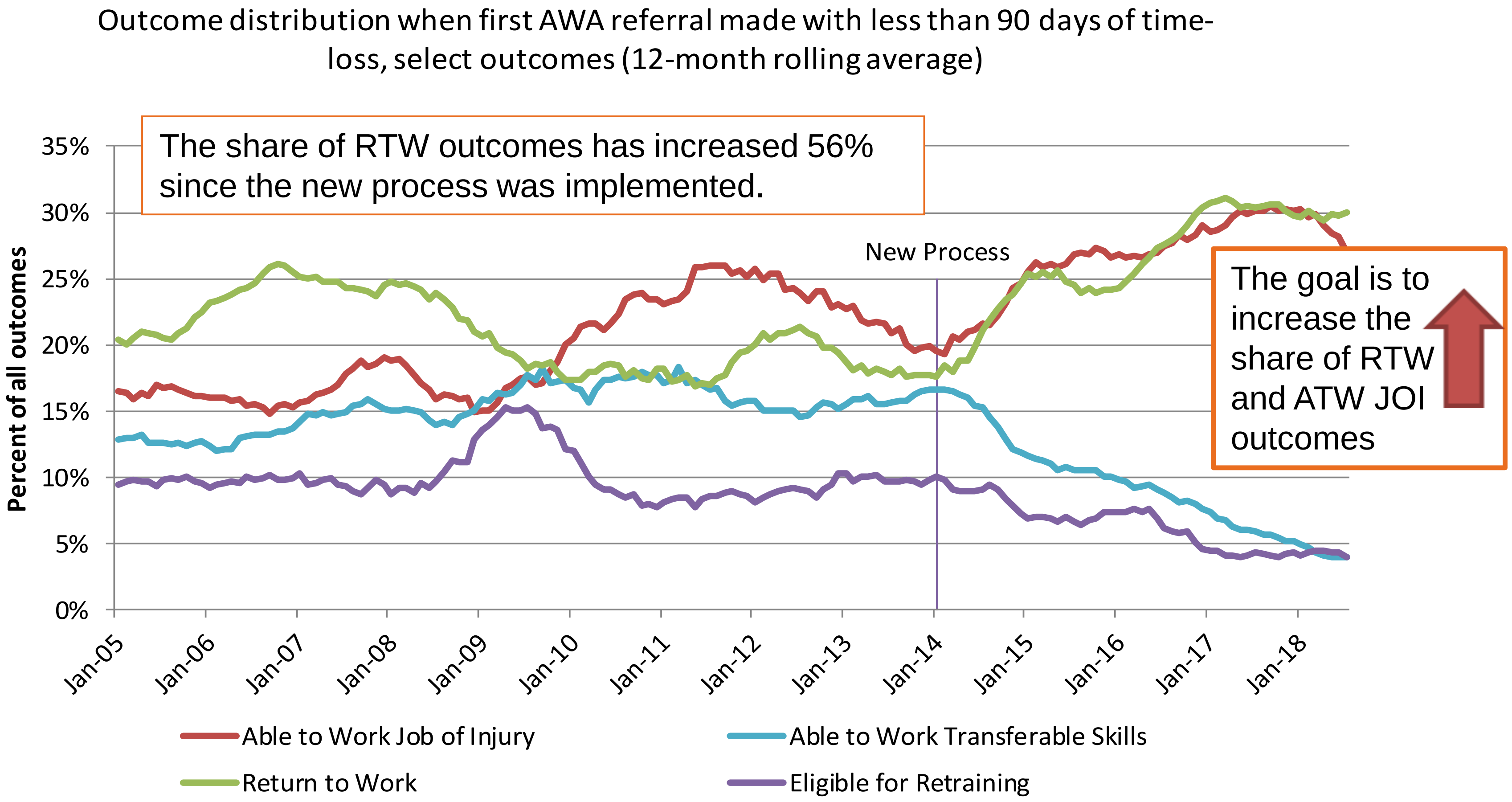
The share of injured workers off work 40 days after claim receipt who are likely to have returned to work: Note: 12-month rolling

High risk workers are defined as those being disabled on the 40th day following claim receipt, about 1,540 claims per quarter. RTW is defined as the status of not receiving disability benefits between 7 and 12 months

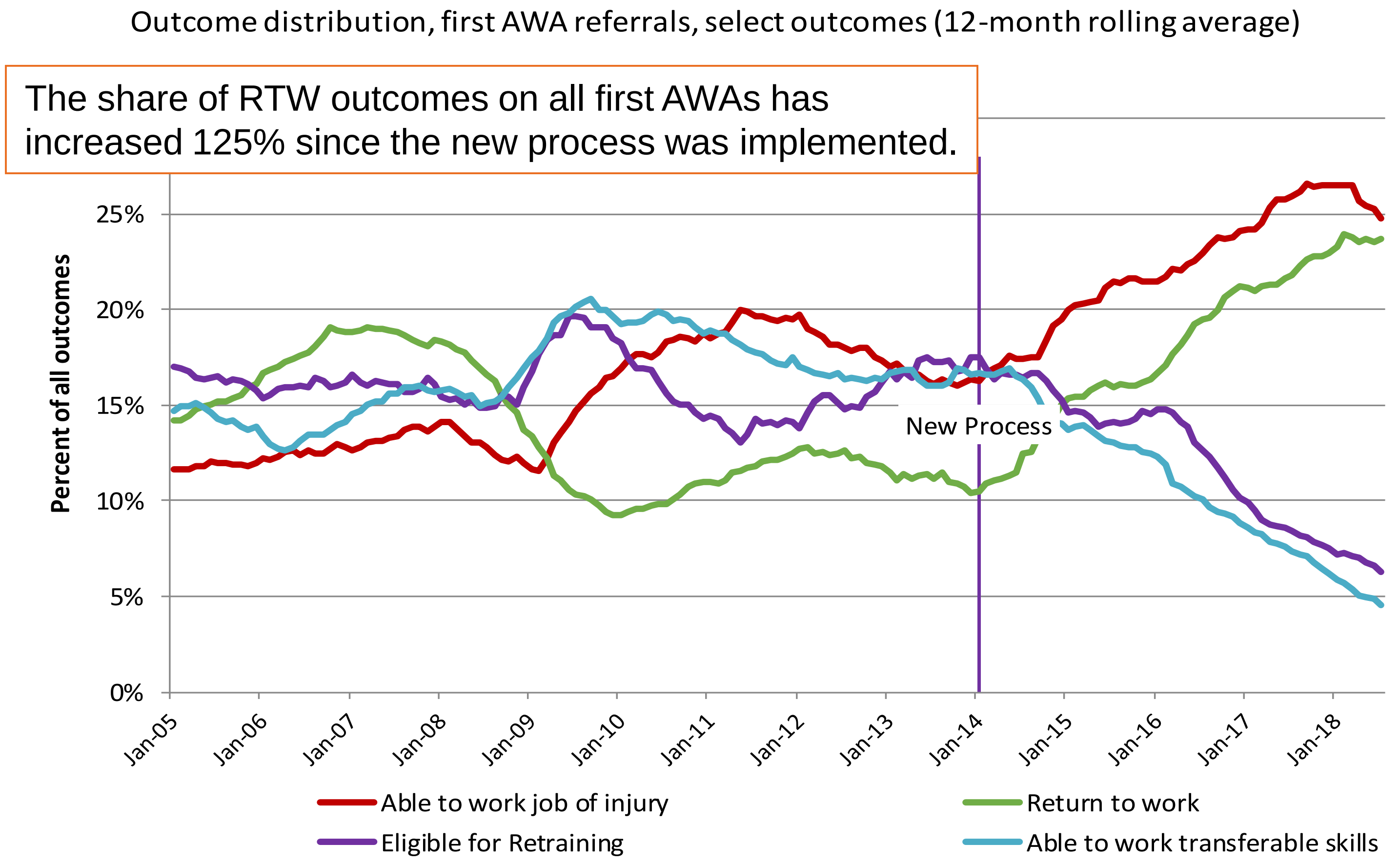
Ability to work assessment referrals are now targeted to address the onset of long-term disability



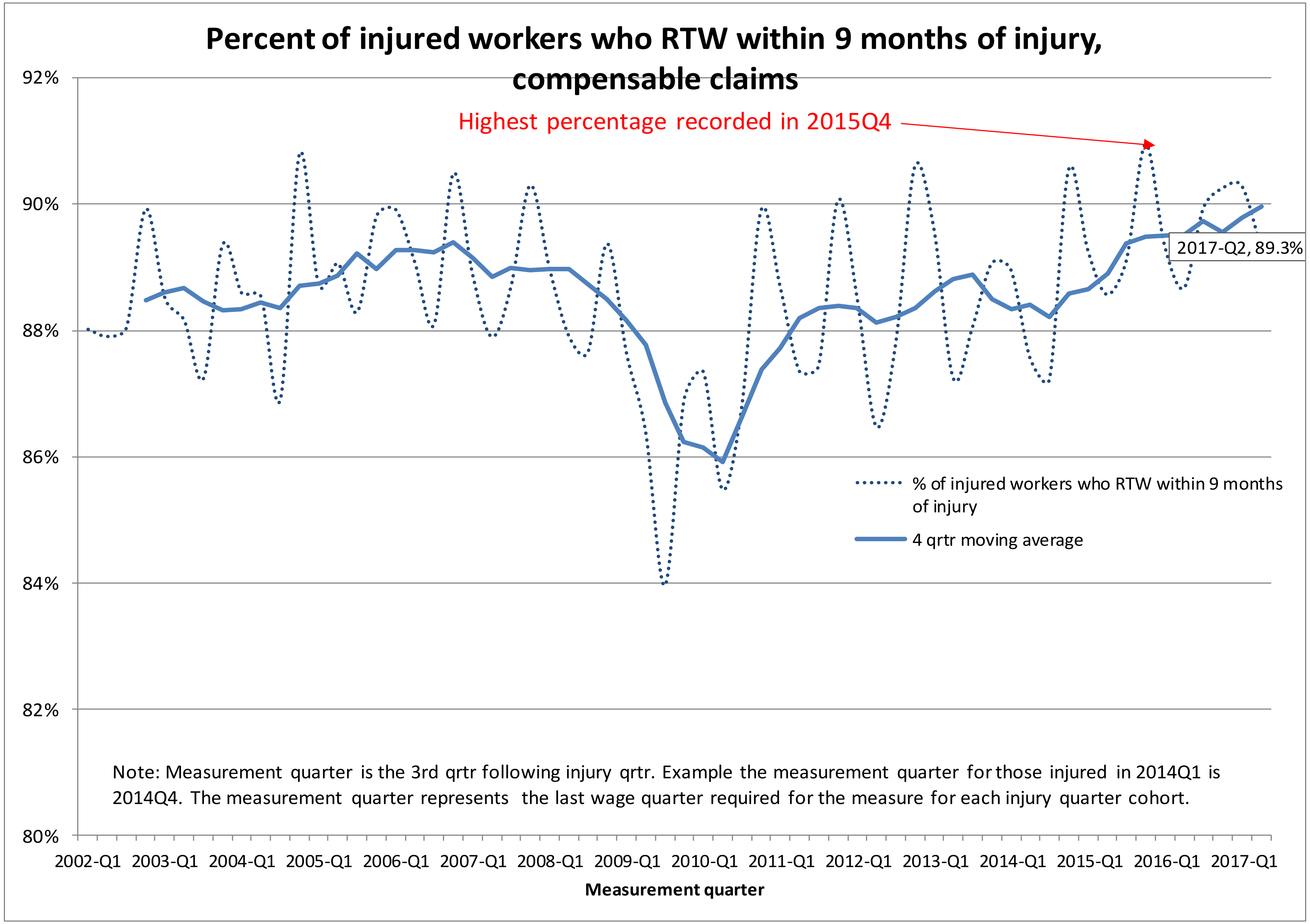
New focus on return to work in AWA process has increased positive employable outcomes for early AWAs



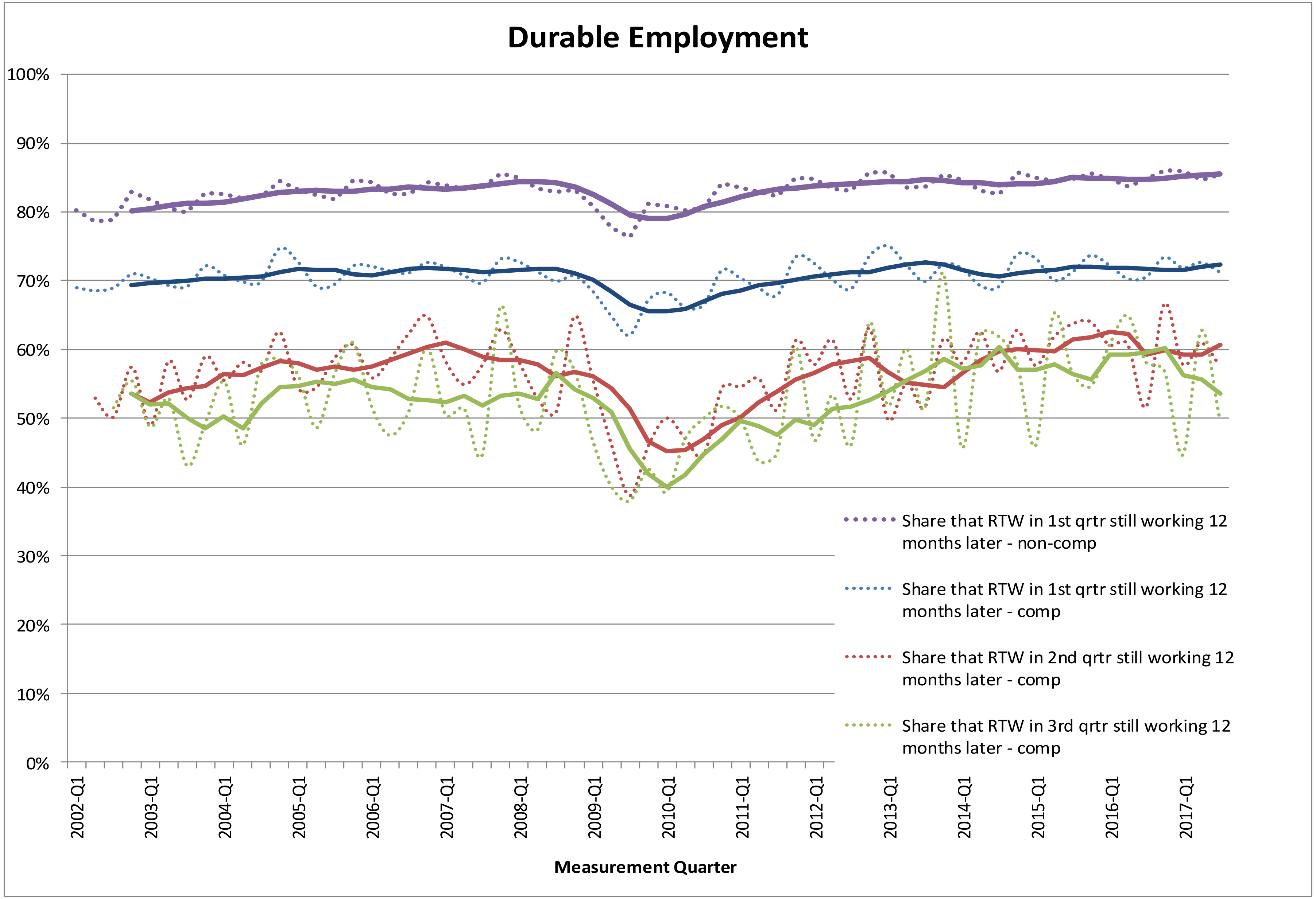
New focus on return to work in AWA process has increased positive employable outcomes for all first AWAs



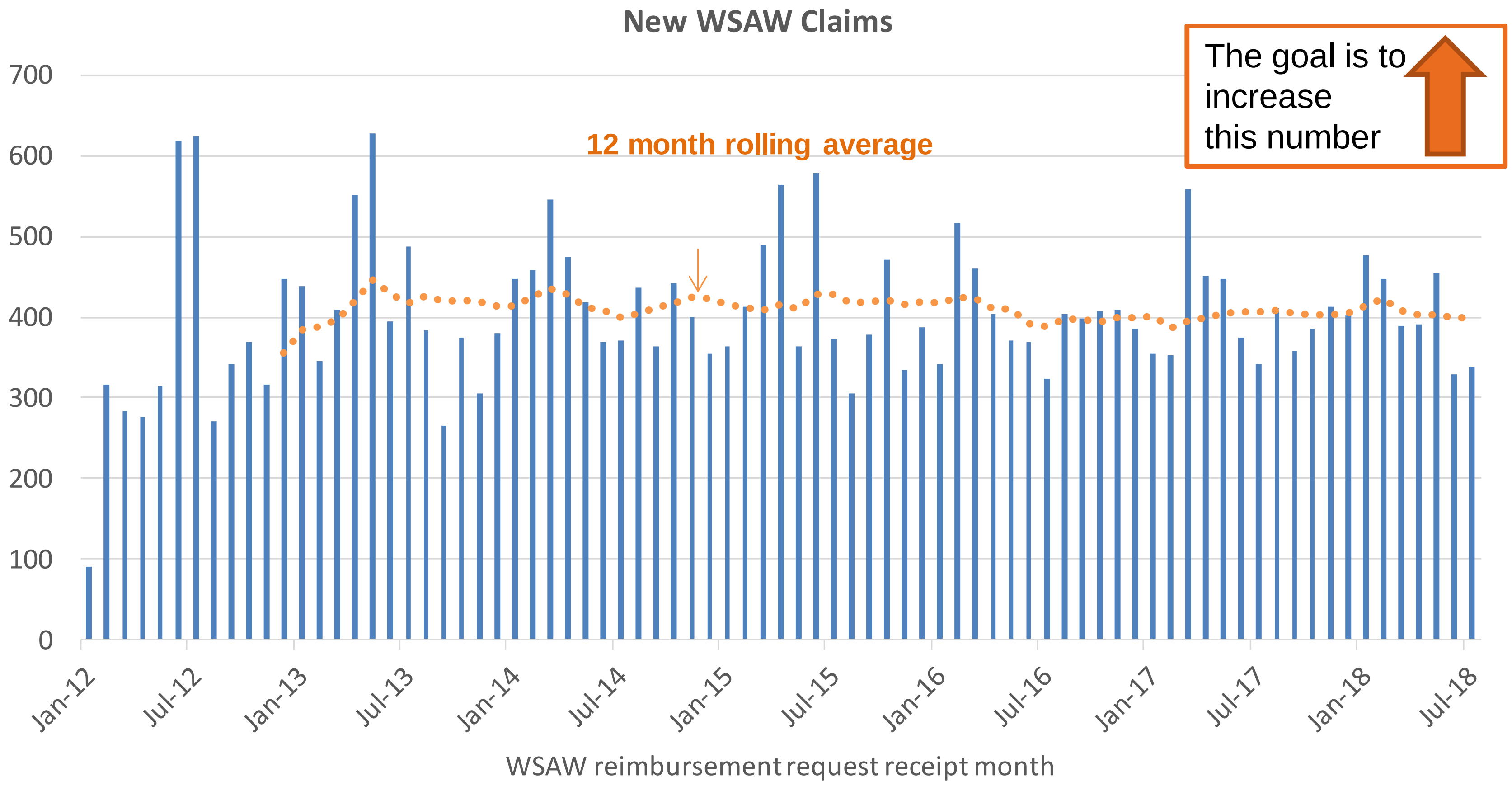
The goal is to increase the share of RTW and ATW JOI outcomes



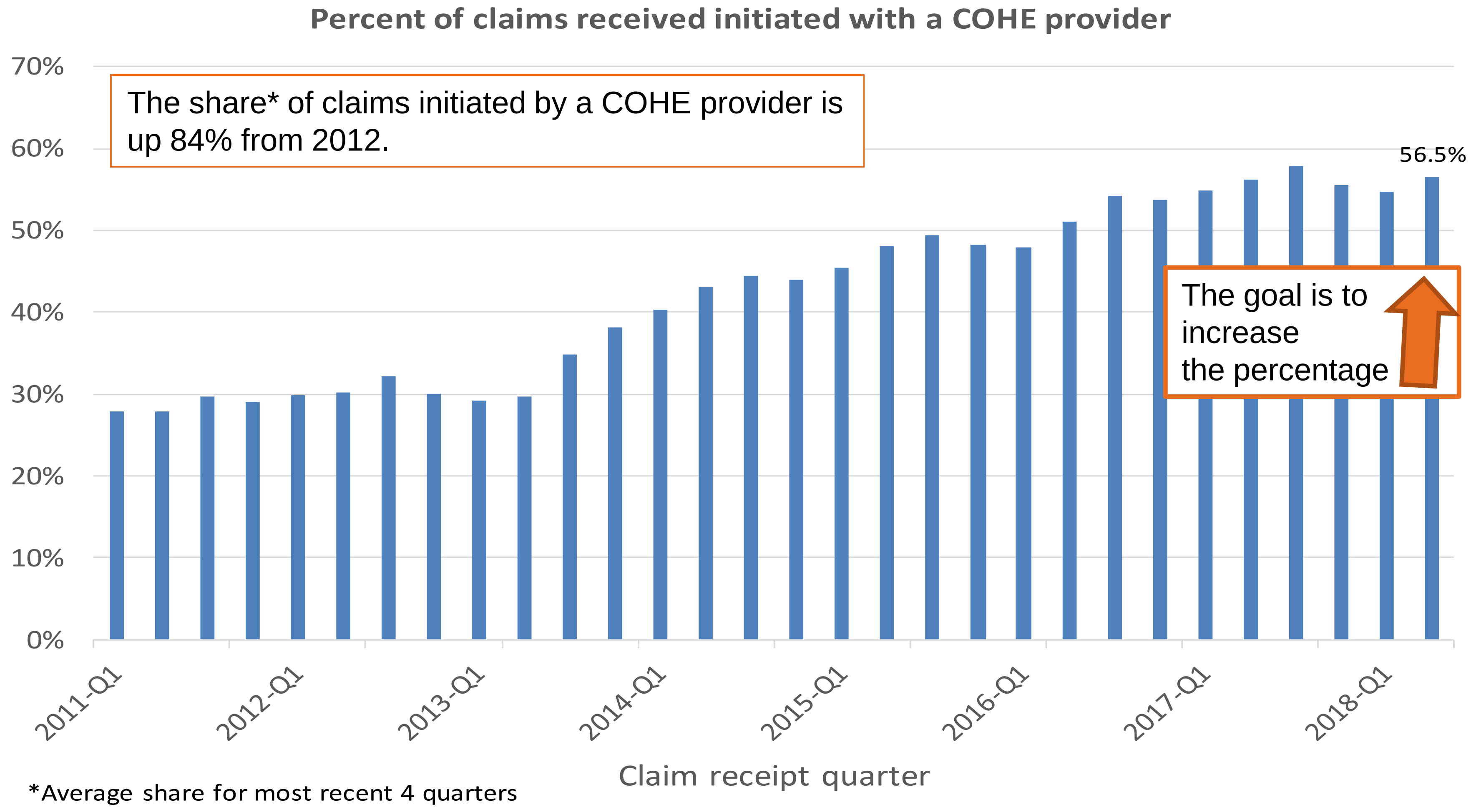
Percent of injured workers who RTW within 9 months of injury, compensable claims
Highest percentage recorded in 2015Q4
92%
90%
88%
86%
84%
82%
80%
2017-Q2, 89.3%
% of injured workers who RTW within 9 months of injury
4 qrtr moving average
Note: Measurement quarter is the 3rd qrtr following injury qrtr. Example the measurement quarter for those injured in 2014Q1 is 2014Q4. The measurement quarter represents the last wage quarter required for the measure for each injury quarter cohort.
2002-Q1
2003-Q1
2004-Q1
2005-Q1
2006-Q1
2007-Q1
2008-Q1
2009-Q1
2010-Q1
2011-Q1
2012-Q1
2013-Q1
2014-Q1
2015-Q1
2016-Q1
2017-Q1
Measurement quarter


Durable Employment
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2002-Q1
2003-Q1
2004-Q1
2005-Q1
2006-Q1
2007-Q1
2008-Q1
2009-Q1
2010-Q1
2011-Q1
2012-Q1
2013-Q1
2014-Q1
2015-Q1
2016-Q1
2017-Q1
Measurement Quarter
Share that RTW in 1st qrtr still working 12 months later - non-comp
Share that RTW in 1st qrtr still working 12 months later - comp
Share that RTW in 2nd qrtr still working 12 months later - comp
Share that RTW in 3rd qrtr still working 12 months later - comp

Participation in light duty job assignments helps maintain the employer/injured worker relationship



Percentage of claims for injured workers initiated with a COHE provider continues to increase



Washington State Department of Labor & Industries

Industrial Insurance (State) Fund Financial Overview

Statutory Financial Information
Fiscal Year 2018 through Fourth Quarter
July 2017 – June 2018

Rob Cotton, Workers' Compensation Accounting Manager

Significant Financial Highlights

July 2017 through June 2018

The contingency reserve increased $556 million, from $2,972 million on July 1, 2017 to $3,528 million on June 30, 2018.

- Favorable development on prior year liabilities
  - ➢ Medical Aid: lower than expected claim counts and lower than anticipated medical payments
  - ➢ Accident: reduction in the number of anticipated active time-loss claims
  - ➢ Total Permanent Disability: fewer active older time-loss claims
  - ➢ Partial Permanent Disability: fewer awards
- Gains on investments
- Premiums and investment income are adequate to pay for actual costs

- Lowering the discount rate from 6.2% to 6.1% for the state fund and self insurance
- Lowering the discount rate from 6.1% to 4.5% for State Fund

Change in contingency reserve by quarter for fiscal year 2018.

- July 1st to September 30, 2017 – an increase of $427 million
- October 1st to December 31, 2017 – an increase of $514 million
- January 1st to March 31, 2018 – an increase of $118 million
- April 1st to June 30, 2018 – a decrease of $503 million

State Fund Results

"Net Income"

July 2017 through June 2018

Insurance Operations	+	**Investment Income**	+	**Other Revenues and Expenses**	=	**Net Income $1,383 M**

Insurance Operations

July through June 2018
(in millions)

		Twelve Months Ended	
		June 30, 2018	June 30, 2017
We took in (Premiums Earned)	+	$ **2,097**	$ **2,081**
We spent (Expenses Incurred)			
Benefits Incurred		1,996	1,354
Claim Administrative Expenses		231	165
Other Insurance Expenses		93	91
Total Expenses Incurred	-	**2,320**	**1,610**
Net Income (Loss) from Insurance Operations	=	$ **(223)**	$ **471**

Net loss from insurance operations is normal for workers compensation insurers who routinely rely on investment income to cover a portion of benefit payments.

Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income

Premiums Earned

July through June

(in millions)

	Twelve Months Ended		
	June 30, 2018	June 30, 2017	Difference
Standard Premiums Collected	$2,281	$2,201	
Less Retrospective Rating Adjustments	(175)	(163)	
Net Premiums Collected	**2,106**	**2,038**	
Changes in future Premium Amounts To Be Collected	10	50	
Changes in future Retrospective Rating Adjustment Refunds	(19)	(7)	
Net Premiums Earned	**$ 2,097**	**$ 2,081**	**$ 16**

Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income

Benefits Incurred

July through June
(in millions)

Twelve Months Ended

	June 30, 2018	June 30, 2017	**Difference**
Benefits Paid	$ 1,625	$ 1,606	**$ 19**
Change in Benefit Liabilities	(183)	(251)	**68**
Discount Rate Reduction from 6.1% to 4.5% for State Fund	554	0	**554**
Total Benefits Incurred	**$ 1,996**	**$ 1,355**	**$ 641**

Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income

The main reason for the $641 million increase in benefits incurred is the discount rate reduction offset by favorable development on prior year benefit liabilities.

Investment Income

July through June
(in millions)

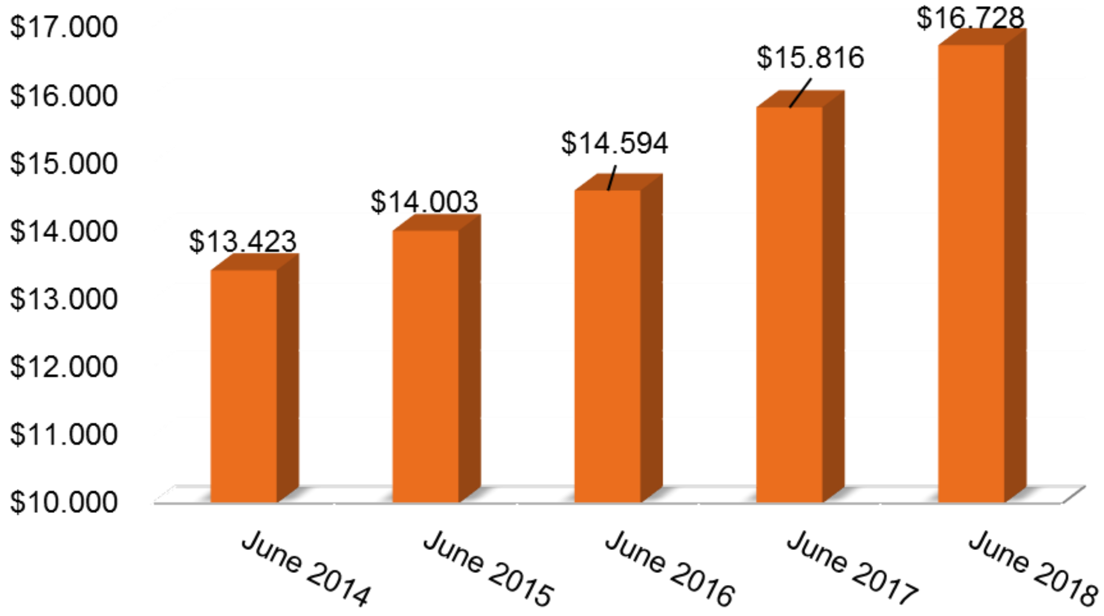
		Twelve Months Ended	
		June 30, 2018	June 30, 2017
Investment Income Earned from Interest on bonds	+	$ 481	$ 478
Realized Gain/(Loss) from Fixed Income Investments Sold	+	33	102
Realized Gains from Stocks (Equity Investments) Sold	+	1,059 *	1
Total Investment Income	=	$1,573	$ 581

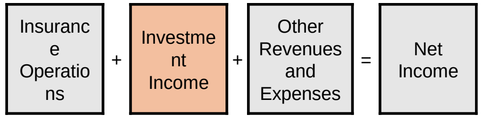
Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income

*WSIB decision to transition all equity assets into a global commingled fund..

Total Investments

(rounded to billions)





Results of Operations

July 2017 through June 2018

Insurance Operations	+	Investment Income	+	Other Revenues and Expenses	=	Net Income (Loss)
($223) million	+	$1,573 million	+	$33 million	=	$1,383 million

How Did Contingency Reserve Perform?

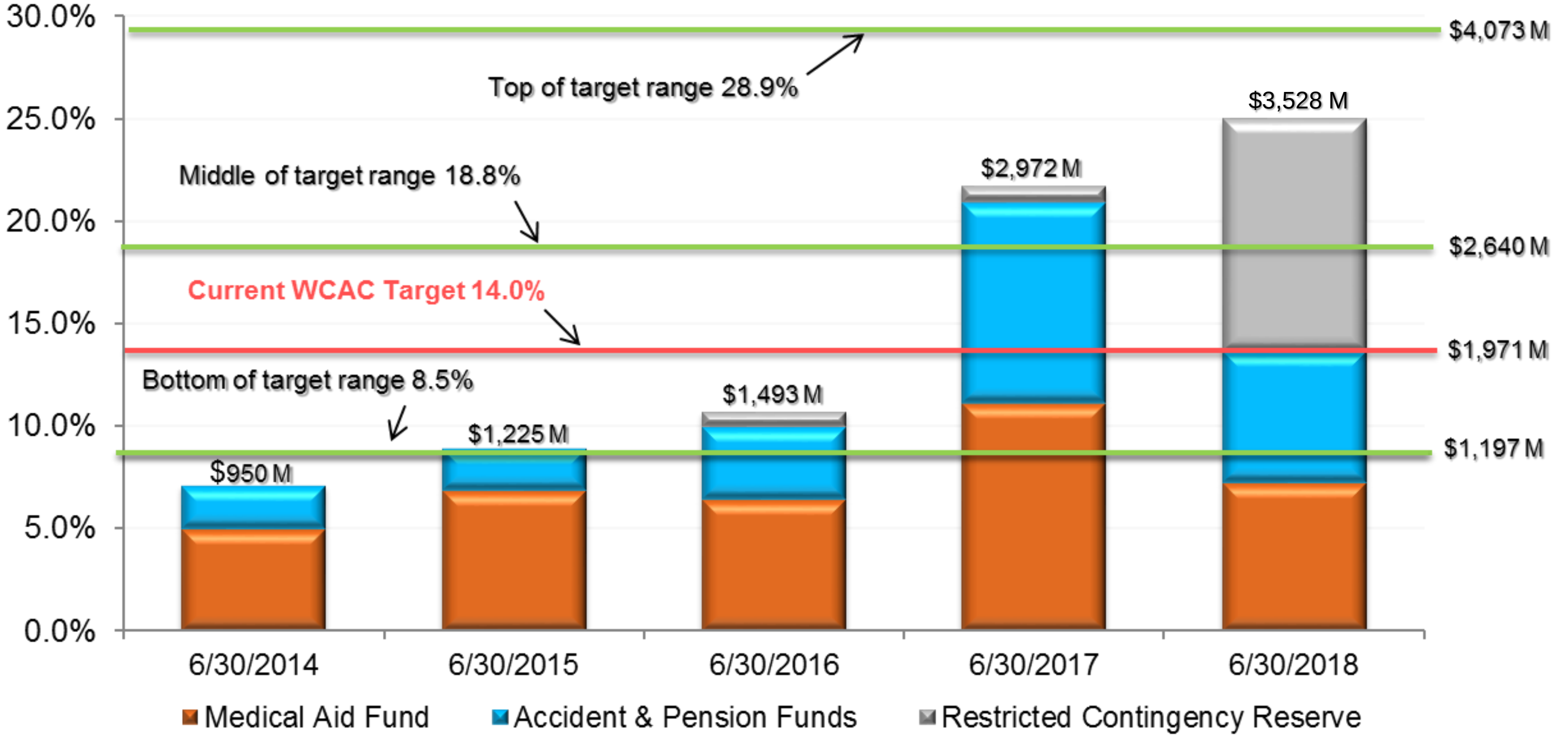
July 2017 through June 2018

Change $556 million

Beginning Contingency Reserve as of June 30, 2017	Insurance Operations	Investment Income	Other Revenue and Expense	Unrealized Capital Gain/(Loss)	Non-Admitted Assets	New Contingency Reserve as of June 30, 2018
$2,972 million	($223) million	$1,573 million	$33 million	($813) million	($14) million	$3,528 million

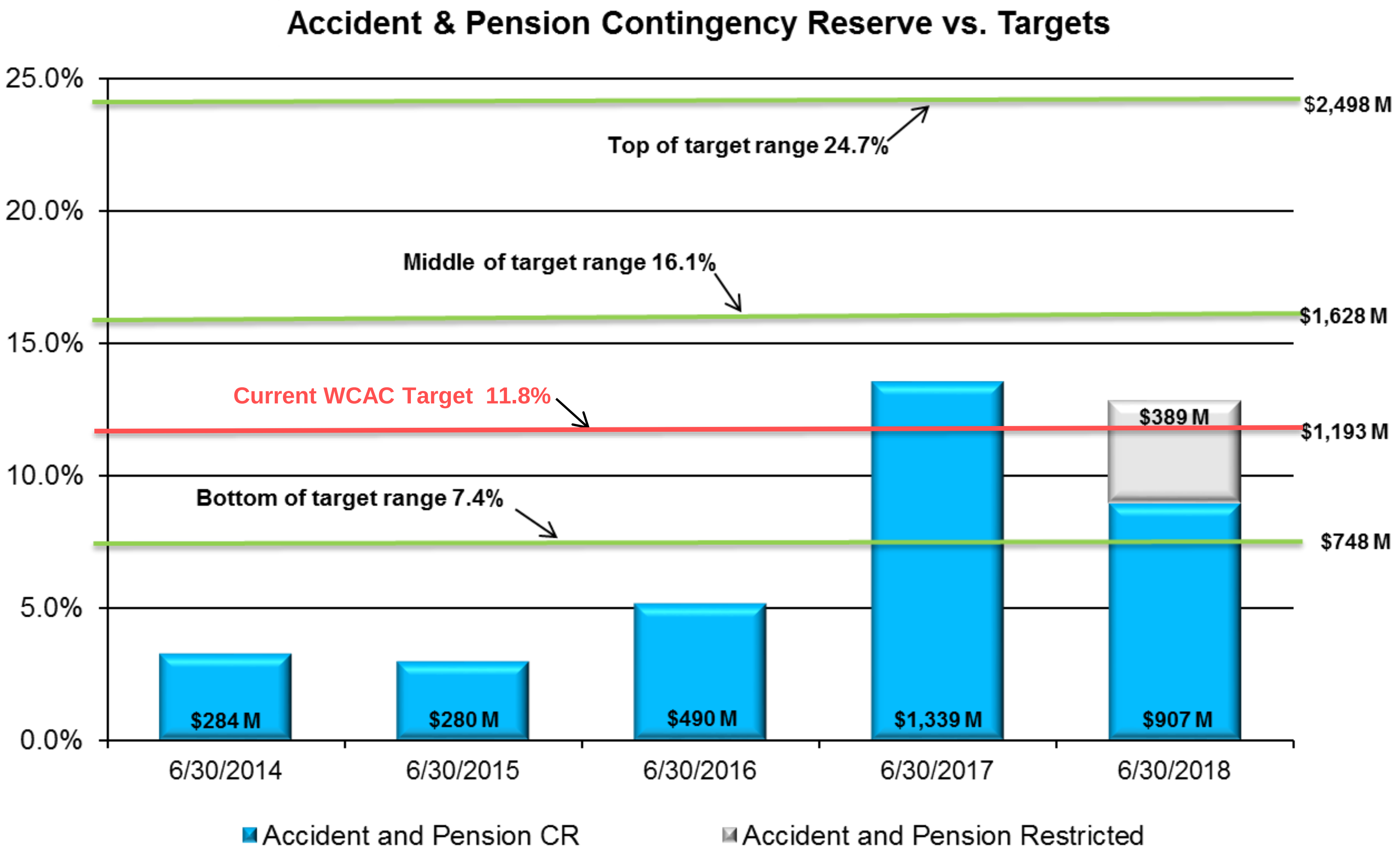
Net Income = $1,383 million

Combined Contingency Reserve vs. Targets
Combined Contingency Reserve is 25.1% of Total Liabilities

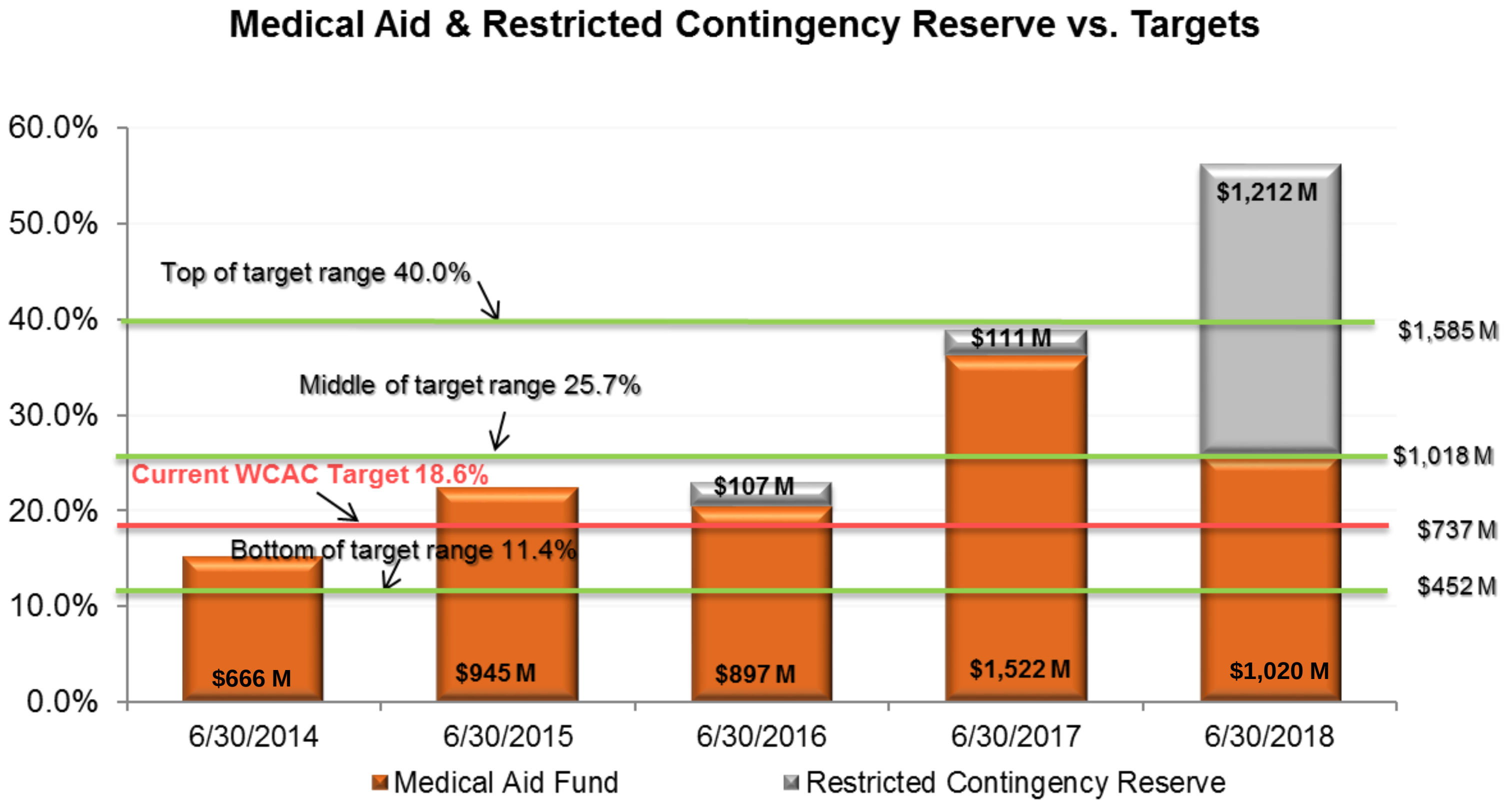


Restricted is based on final June 30, 2017 financial information and the change in the value of investments through 06-30-18.

Accident, Pension & Restricted Contingency Reserve is 12.8% of Liabilities



Medical Aid & Restricted Contingency Reserve is 56.3% of Liabilities



Restricted is based on final June 30, 2017 financial information and investment earnings through 06-30-18.

Key Financial Ratios

as a percentage of premium earned

Ratios	Quarter Ended June 30, 2018: State Fund at 4.5%	Quarter Ended June 30, 2018: State Fund at 6.1%	Quarter Ended June 30, 2018: Industry Forecast	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
Current Year Benefit (Loss Ratio)	77.8%	77.8%		78.2%	83.1%
Prior Year Benefit (Loss Ratio)	17.4%	(9.0)%		(13.1)%	14.0%
Total Benefit (Loss Ratio)	**95.2%**	**68.8%**	**50.4%**	**65.1%**	**97.1%**
Claim Administration Expense (CAE) Ratio	11.1%	11.1%	13.6%	7.9%	10.8%
Sub-Total: Benefit and Claim Administration Expense Ratios	106.3%	79.8%	64.0%	73.0%	107.9%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.5%	4.5%	26.0%	4.4%	4.5%
Combined Ratio (Industry omits dividends)	**110.8%**	**84.3%**	**90.0%**	**77.4%**	**112.4%**
Investment Income Ratio	22.9%	22.9%	18.1%	23.0%	25.4%
Operating Ratio	**87.9%**	**61.3%**	**71.9%**	**54.4%**	**87.0%**

Note: a ratio of 100% would indicate that costs = premium for the period

Questions & Comments

Contact Rob Cotton,

Workers' Compensation Accounting Manager

- Phone: 360-902-6263
- Email: cotr235@lni.wa.gov.

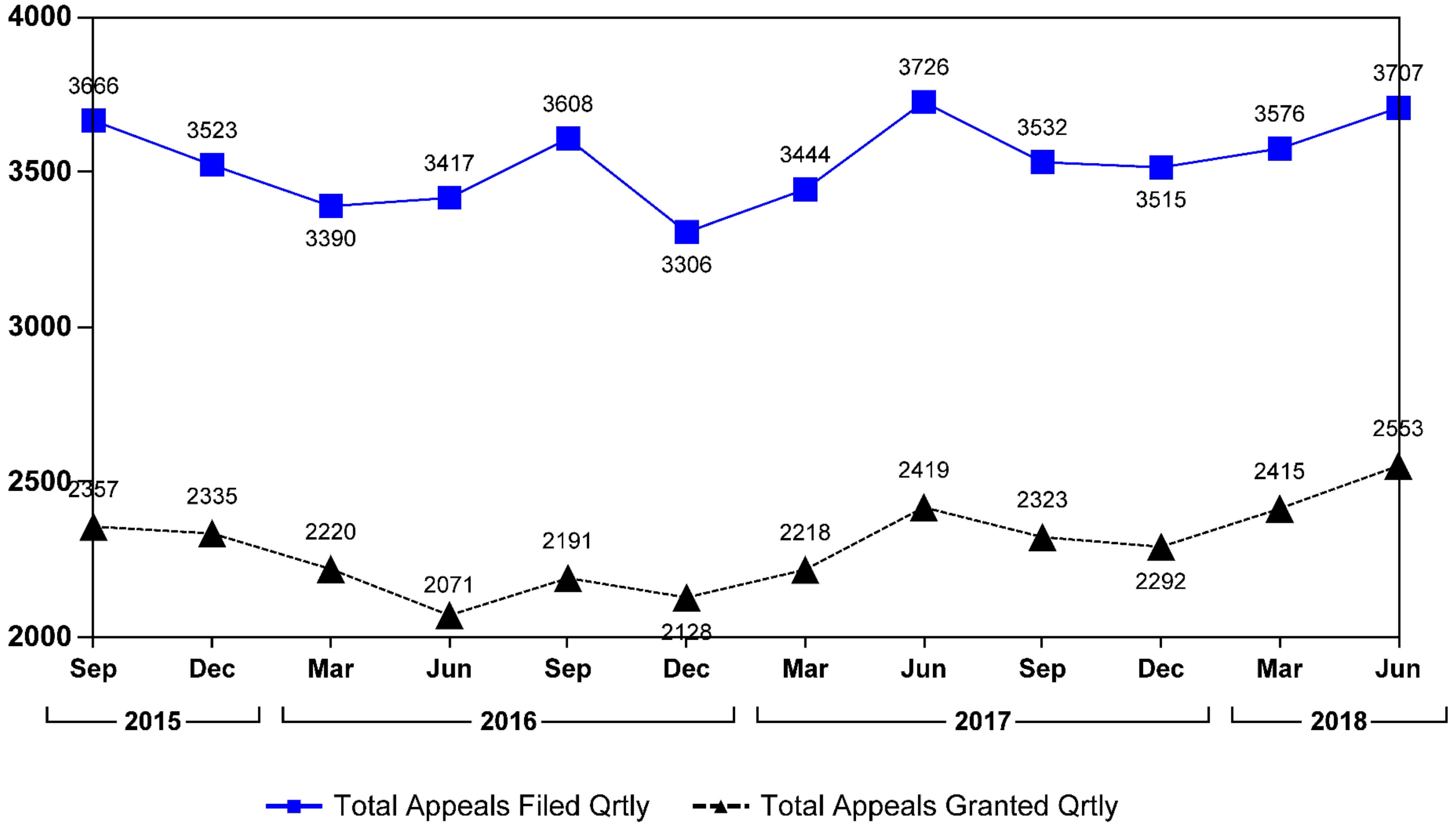
Thank You!

Washington State Department of Labor & Industries

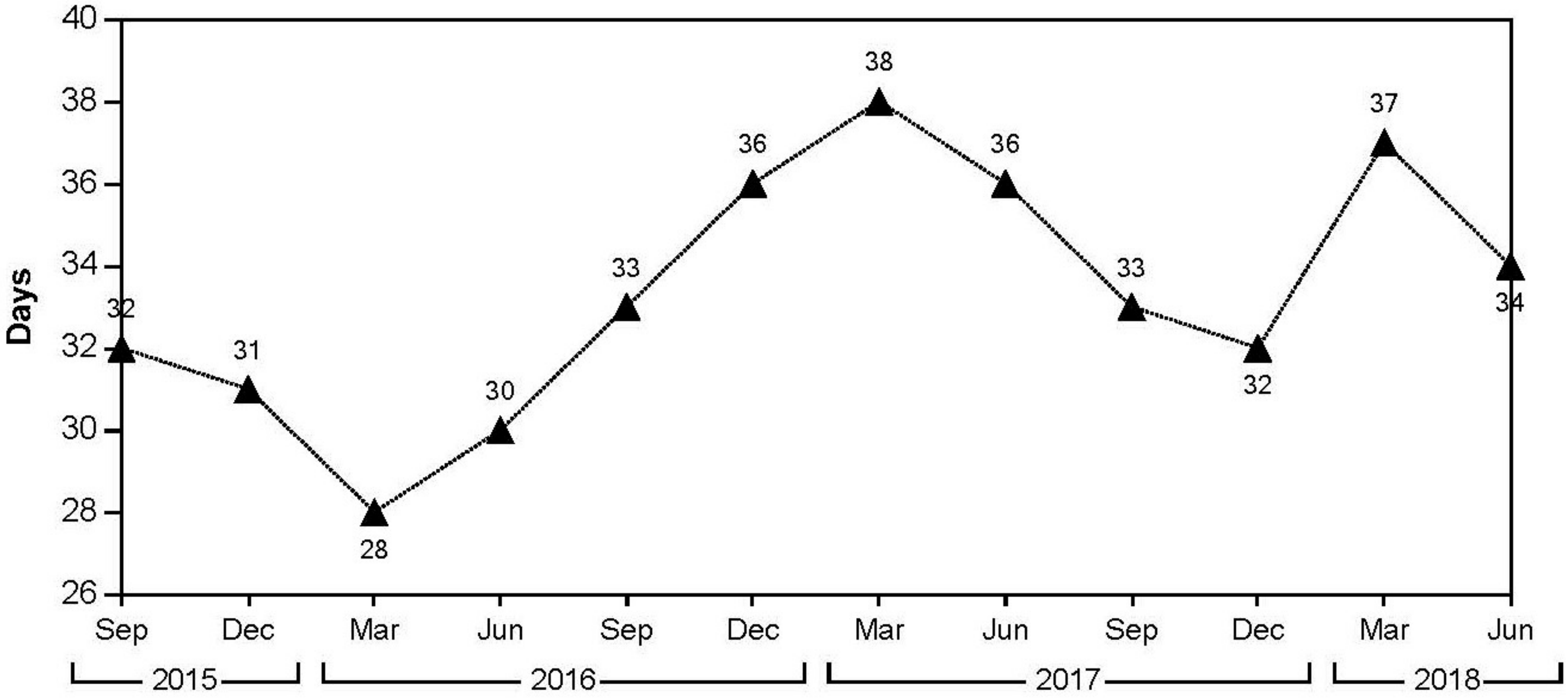
Board of Industrial Insurance Appeals (BIIA) Update

Linda Williams, Chair

Total Appeals Filed and Granted

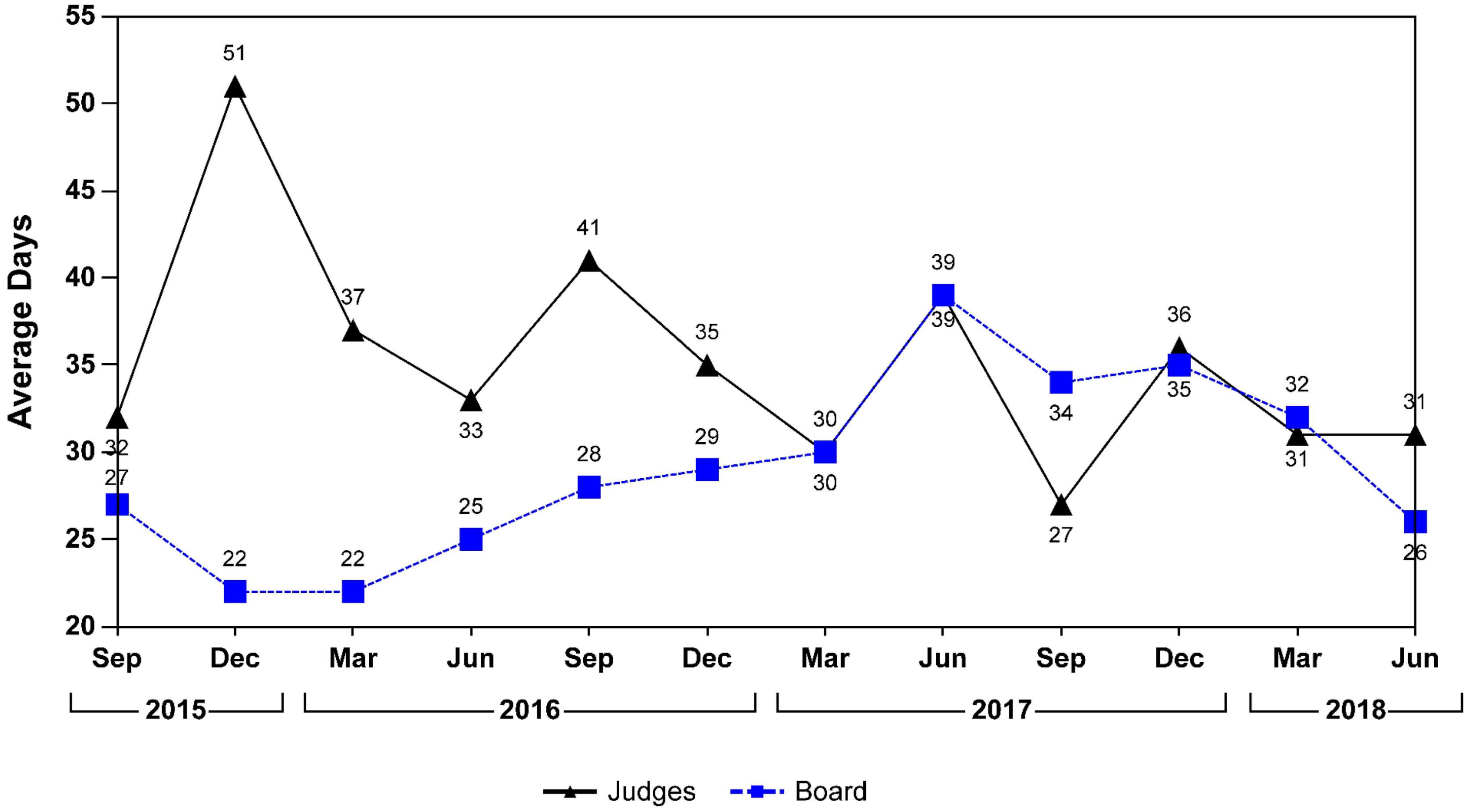


Average PD&O* Time-lag by Quarter for Hearing Judges



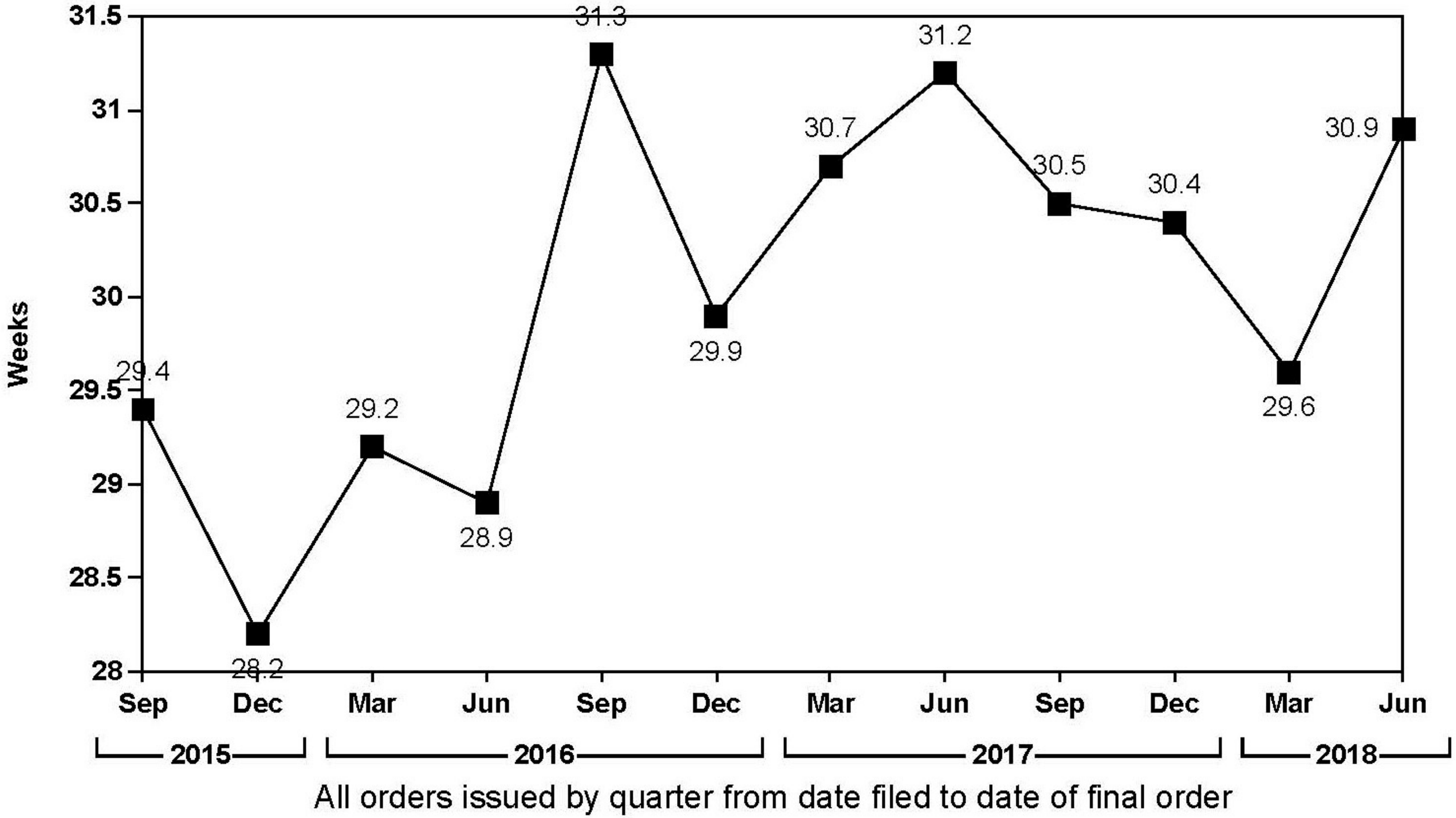
*Proposed Decision and Order

D & O* Time-Lag by Quarter

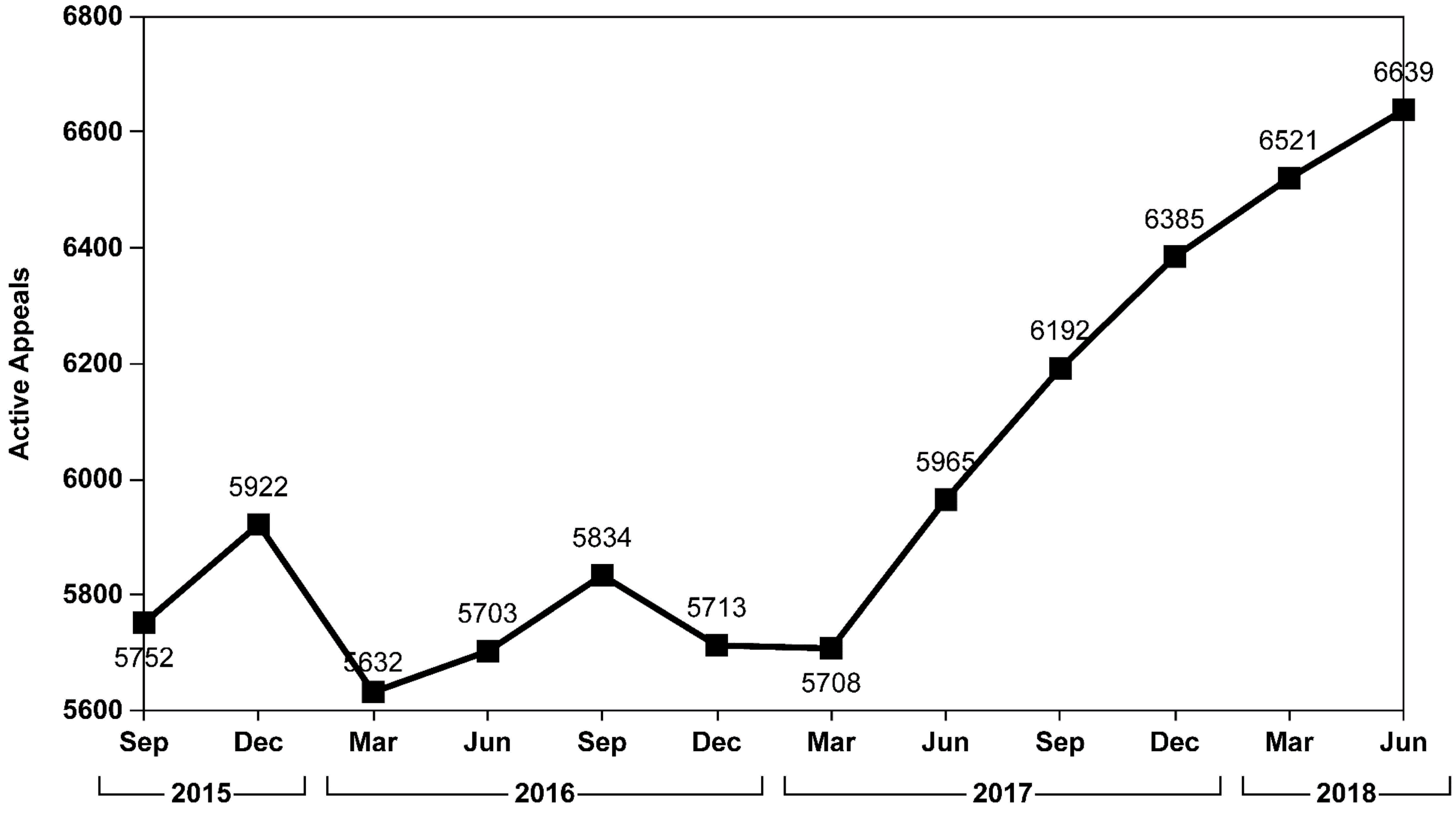


*Decision and Order

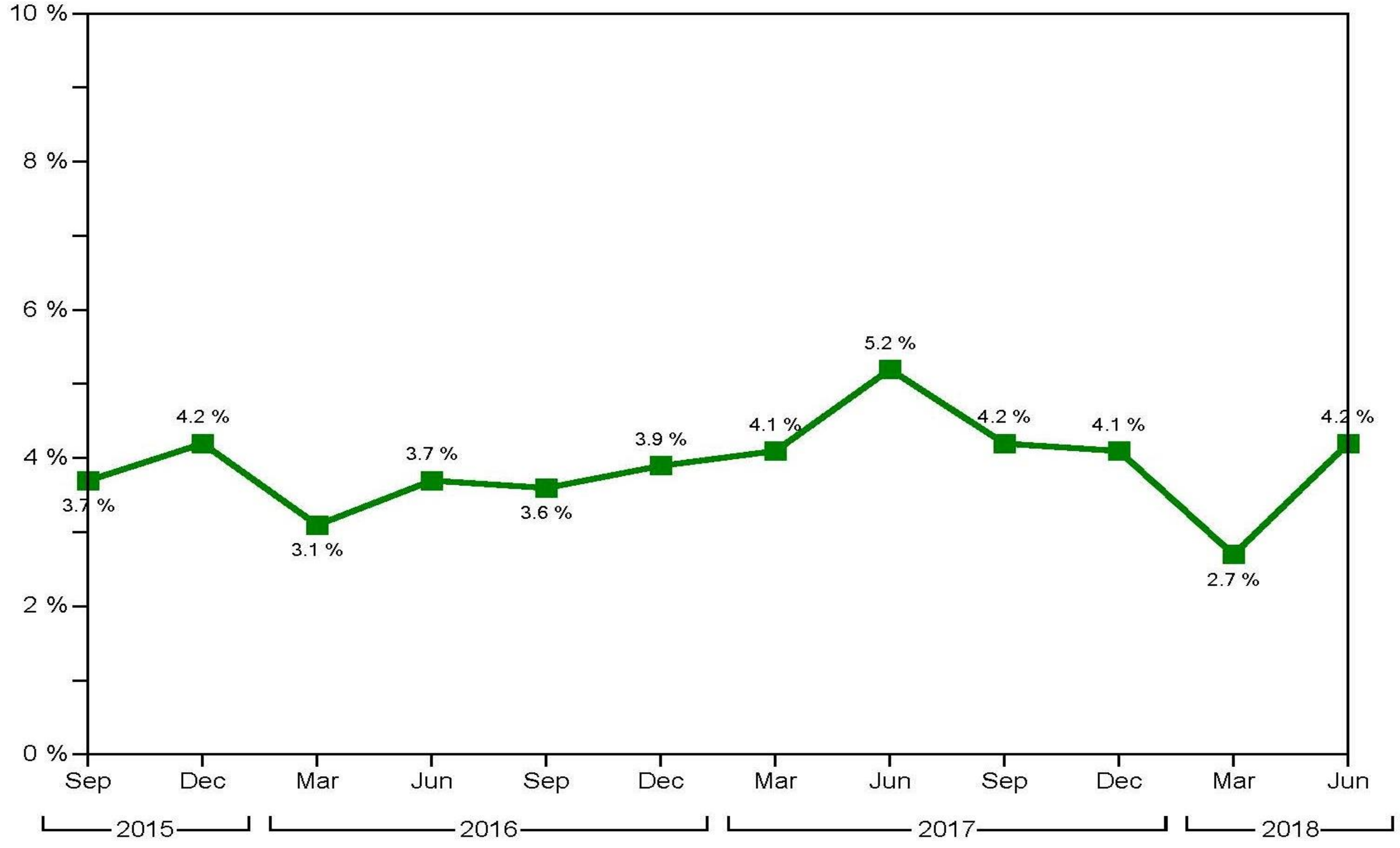
Quarterly Average Weeks to Completion



Caseload at End of Quarter



Percentage of Final Orders Appealed to Superior Court - Quarterly

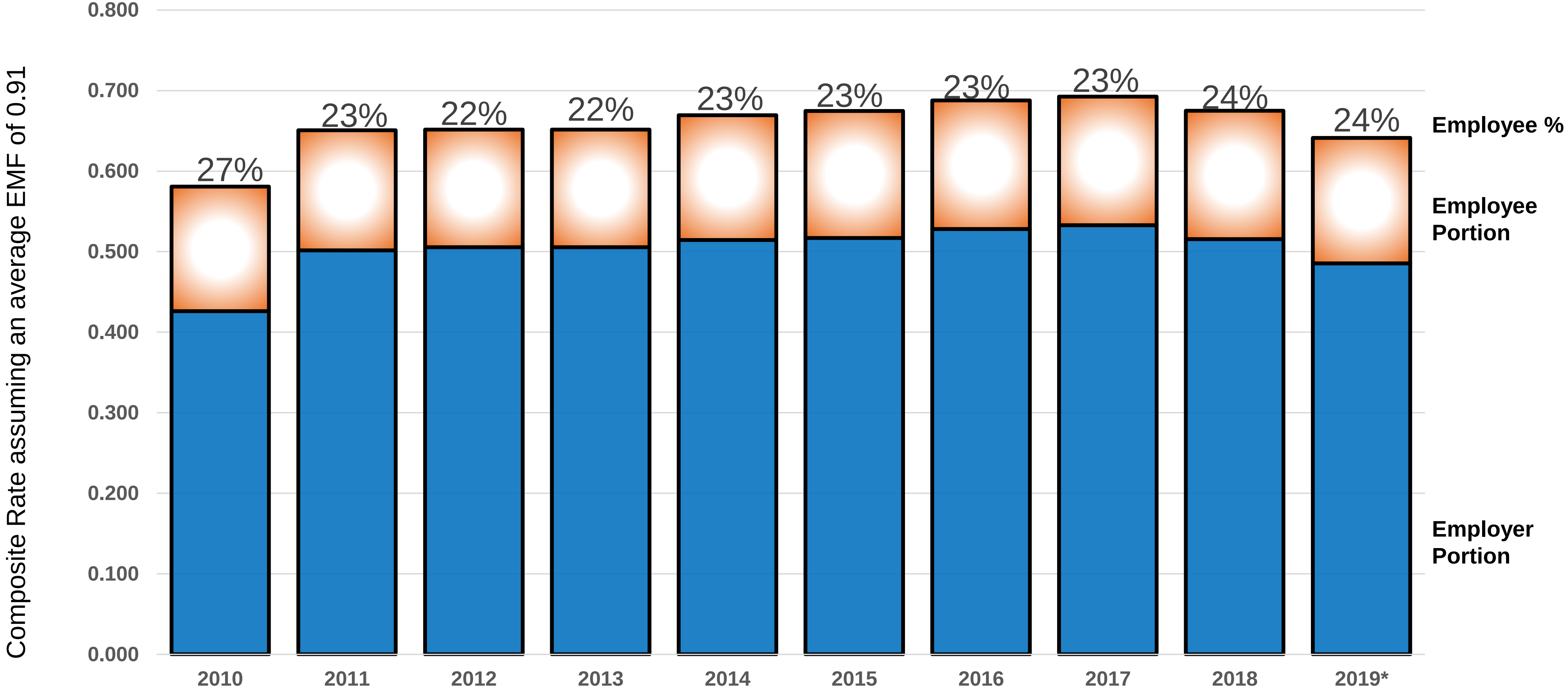


Appendix

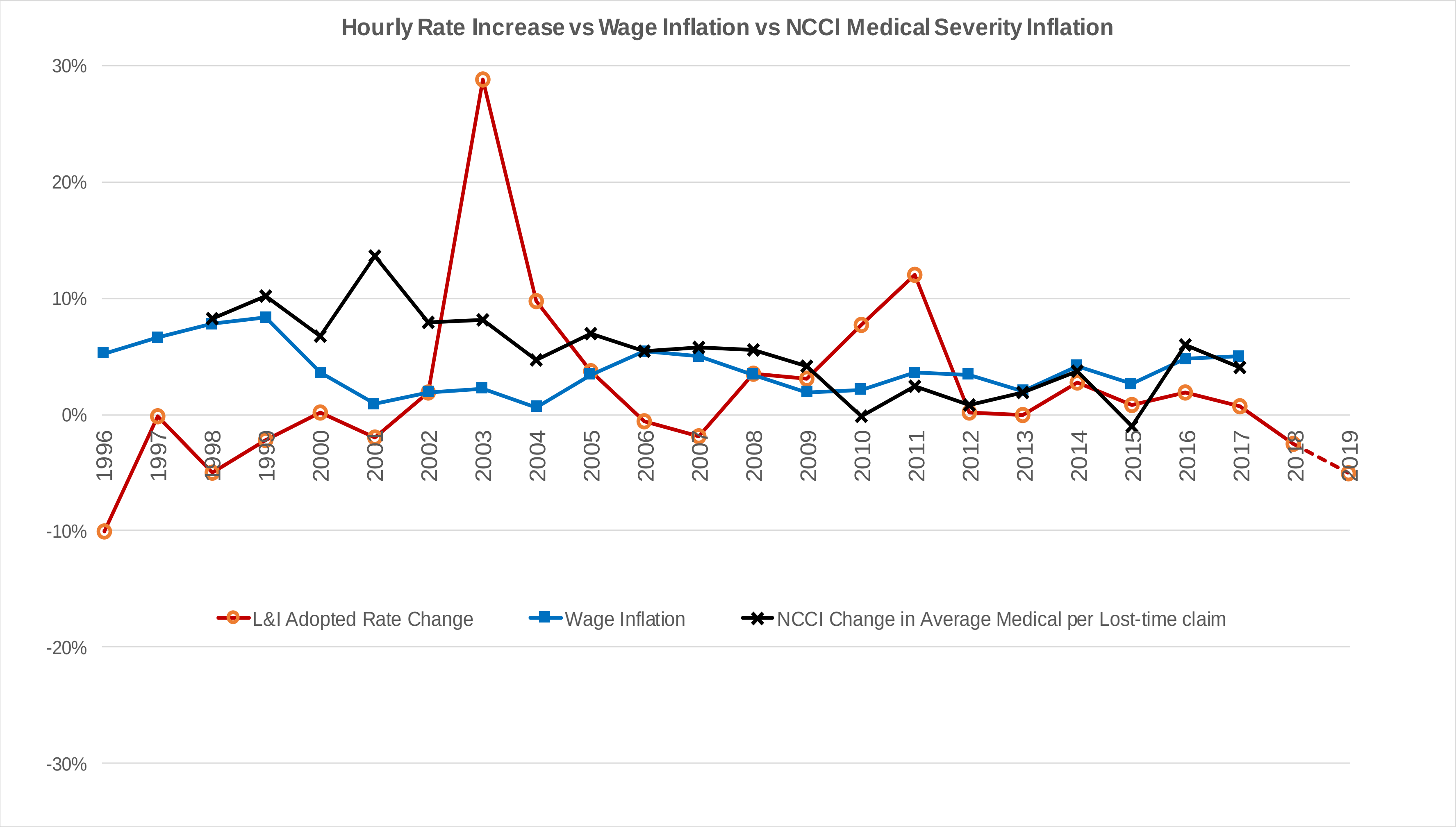
Washington State Department of
Labor & Industries

Proposed Premium Rates Appendix

Employee Portion of the Premium Rates

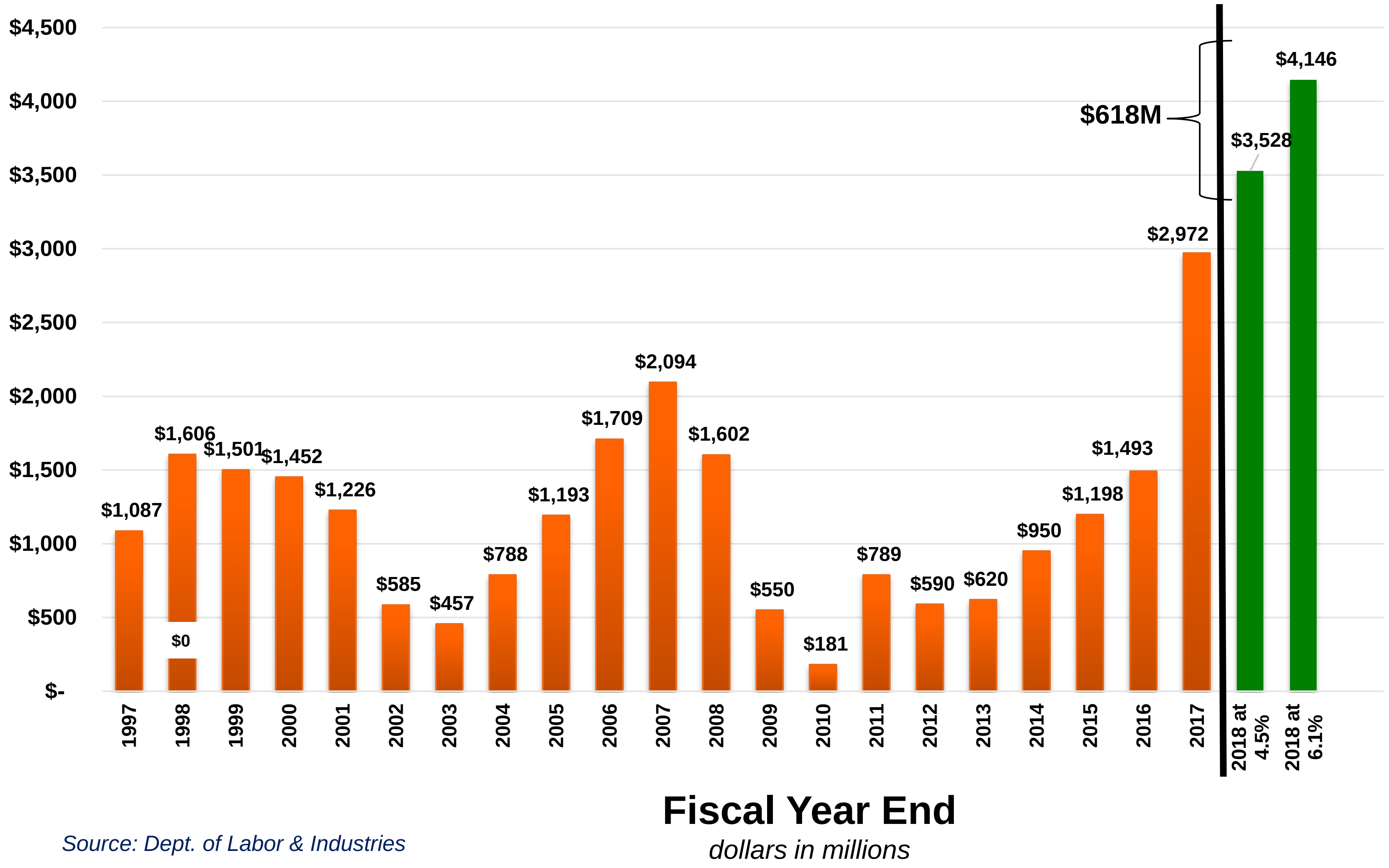


Reduce rate volatility by measuring against wage inflation



** Indicates wage inflation rate known when rates were set*

Contingency reserve continued to grow in 2018



Source: Dept. of Labor & Industries

Washington State Department of Labor & Industries

Industrial Insurance (State) Fund Financial Overview Appendix

Reconciliation of Change in Benefit Liabilities

July 1, 2017 Benefit Liability Beginning Balance	$12,726,732
Prior Year Benefit Payments	($1,341,587)
Prior Year Development (Favorable)	($941,214)
Self Insurance Prefunded Pension Transfers	$50,127
Regular reserve discount reduction	$609,053
Discount rate decrease from 6.2 to 6.1%	$28,532
Discount rate decrease from 6.1 to 4.5% for State Fund (Accident TPD)	$63,554
Discount rate decrease from 6.1 to 4.5% for State Fund (Pension Experting)	$554,041
Net Total Prior Year Benefit Liability as of June 30, 2018	$11,749,238
New Current Year Benefit Liabilities	$1,348,500
June 30, 2018 Benefit Liabilities Ending Balance	$13,097,738

Supplemental Information No. 1

Historic Results of Operations

July through June
(in millions)

As of Quarter Ended June 30,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2018	(223)		1,573		33		1,383
2017	444		581		62		1,087
2016	(244)		637		87		480
2015	(363)		552		89		278
2014	(702)		783		54		135
2013	(805)		553		41		(211)
2012	(750)		1,030		84		364
2011	(416)		560		64		208

Supplemental Information No.2

Historical Investment Performance

Fiscal Year Ended

	Quarter Ended June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Investment Income	481,048,000	478,130,000	498,499,000	493,408,000	479,774,000
Realized Gain (Loss)	1,092,446,000	102,540,000	137,988,000	58,660,000	303,184,000
Unrealized Gain (Loss)	(812,942,000)*	380,183,000	(181,830,000)	23,691,000	200,333,000
Total Invested Assets	16,728,166,000	15,815,997,000	14,593,530,000	14,003,302,000	13,422,957,000

***Unrealized gains in prior years that increased the contingency reserve were removed from unrealized and included in realized gains when equities were sold.**

Supplemental Information No. 3

7-Year Reserve Benchmarks

06-30-18 update: $3,528 million contingency reserve or 25.1% of total liabilities.

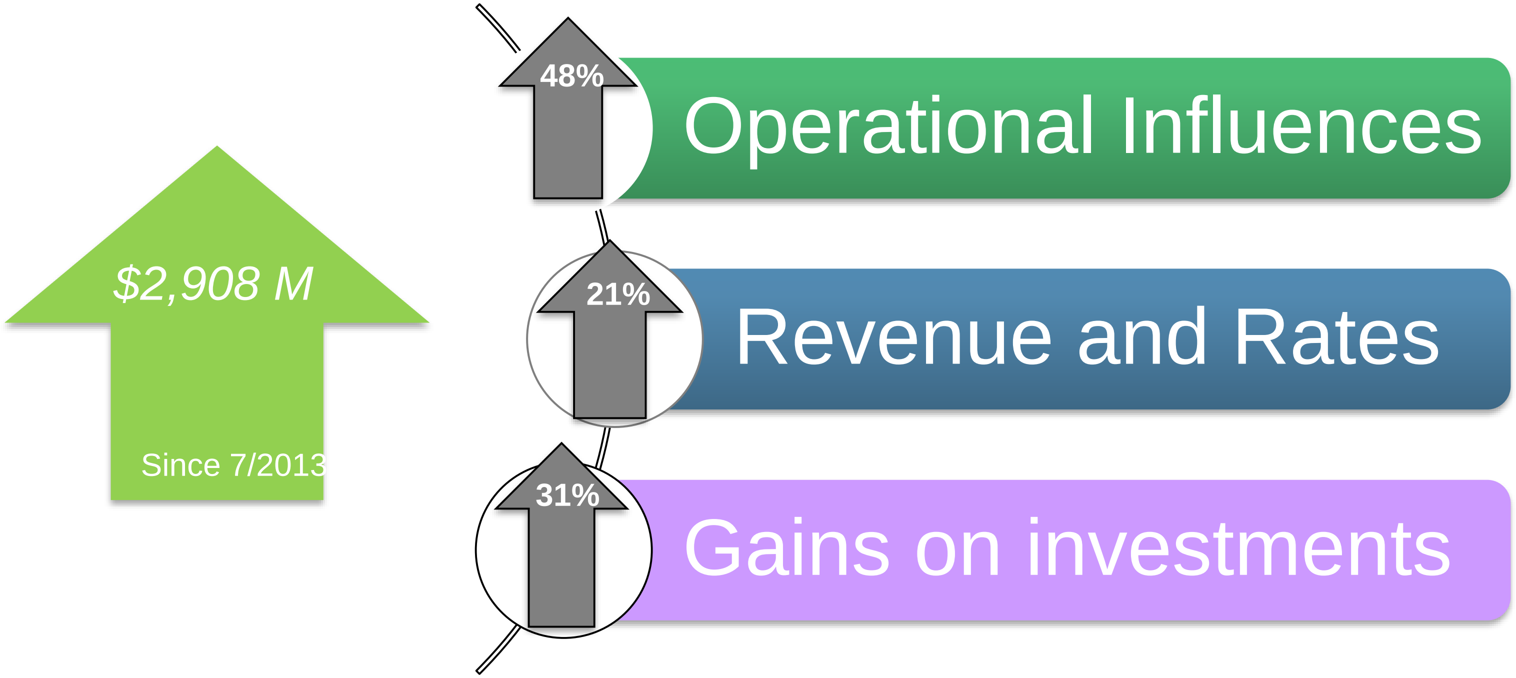
7-Year Interim Targets			
Year	**Contingency Reserve Target (range)**	**Pension Discount Rate (PDR) Target (range)**	**Contingency Reserve (CR) Yearly Goal (displays steady growth)** **dollars in millions**
Fiscal Year Ended June 2016	10.8%	6.3%	$1,493
Fiscal Year Ended June 2017	21.8%	6.2%	$2,972
4th Quarter Ended June 2018	25.1%	4.5%	$3,528
2014 Target	5-7%	6.5 - 6.3%	$652 to $902
2015 Target	6-8%	6.3 – 6.2%	$797 to $1,032
2016 Target	7 - 9%	6.4 – 6.25%	$ 884 to $1,293
2017-2018	8 - 11%	6.0 – 5.75%	$ 1,029 to $1,583
2019-2020	10 - 13%	5.5 – 5.25%	$ 1,317 to $1,879
2021-2022	13 - 15%	5.0 – 4.5%	$ 1,753 to $2,198
7-Year Contingency Reserve Goal			$2,198

Supplemental Information No. 4

When the WCAC developed the 10-year plan in Sept. 2012, the contingency reserve was at $590M and the PDR was at 6.5%

Each tenth of a percent the PDR drops, the CR could reduce between $29 to $32 million.

Contingency Reserve Drivers



As of 6/30/2018 the CR is at $3,528 M.

Supplemental Information No. 5

Washington State Department of Labor & Industries

Closing Comments & Adjourn

Vickie Kennedy, Assistant Director for Insurance Services

Joel Sacks, Agency Director