Washington State Department of
Labor & Industries

Workers' Compensation Program

An Enterprise Fund of the State of Washington

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024
Olympia, Washington



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Olympia, Washington

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Keep Washington Safe and Working

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Introductory Section

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

STATE OF WASHINGTON
DEPARTMENT OF LABOR AND INDUSTRIES
P.O. Box 44000 • Olympia, Washington 98504-4000

November 7, 2024

The Honorable Jay Inslee, Governor
Honorable Members of the Legislature
Director of the Office of Financial Management
Washington State Citizens
Olympia, Washington

RE: Annual Comprehensive Financial Report

The Revised Code of Washington (RCW) 51.44.115 requires the Department of Labor & Industries (L&I) to publish an Annual Comprehensive Financial Report (ACFR) for the Workers' Compensation Program within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2024.

L&I is fully responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor has issued an unmodified ("clean") opinion on the Workers' Compensation Program's financial statements for the year ended June 30, 2024. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements the information provided in this letter of transmittal and should be read with it.

MAJOR INITIATIVES

L&I has implemented a number of major initiatives during the last several years that have significantly improved the way we partner with employers, workers, and providers to help keep Washington safe and working. Each of these changes has helped ensure that we are addressing both current and long-term needs in our state's workers' compensation system. Ultimately, L&I's focus remains on preventing injuries, when possible, and when that's not possible, helping injured workers heal and return to work. Our approach has reduced long-term disability and saved tens of millions of dollars.

L&I continues to build on the agency wide initiatives launched in the last few years to align our people, processes, and technology, with a focus on meeting the needs of our customers. We made progress in the following areas during fiscal year 2024:

1. **Workers' Compensation Systems Modernization (WCSM)** – L&I is working to replace our antiquated workers' compensation computer systems, with the ultimate goal of reducing long-term disability and improving return-to-work outcomes for injured workers throughout Washington. It's a long-term effort and will take several years to design and fully implement. In fiscal year 2024, L&I worked closely with contractors, WaTech, and others impacted by the project to develop a plan calling for eight phases of smaller, targeted technology upgrades spread over several biennia, allowing for a more flexible and quicker modernization process. A more detailed plan will be developed in fiscal year 2025, with the technology expected to be purchased and implemented after July 2025.

2. **New Interpreter Services Scheduling System** – Injured workers now have better access to interpreters because L&I replaced the online scheduling system for providers. Providers use the online system to schedule interpreters for medical exams involving injured workers. The previous system, managed by a third-party vendor, was not meeting the needs of users nor L&I. We issued a Request for Proposals and chose the vendor SOSi. The new system launched on June 17, with improved functionality and reliability. The system's added benefits have attracted more providers to sign up for it. We have more than doubled the number of providers using the system and there is a higher success rate of interpreters completing their interpreter assignments.

3. **PTSD care and improved mental health treatment** – L&I is continuing the effort to facilitate better care for injured workers in the areas of mental health and post-traumatic stress disorder (PTSD). The agency has recruited representatives from business and labor, as well as mental health experts, to staff two committees and recruited an Associate Medical Director for Psychology into a newly-created position. In addition, L&I will contract with an objective outside vendor to assess PTSD best practices, compensation benefits, and policies across the U.S. The study will aid L&I in the efforts to improve outcomes and take a look at the costs of care.

4. **Taking a deeper dive into employee feedback** –Insurance Services leadership at L&I took a new approach to enhance the division's work environment following insights gleaned from the annual employee survey. With more than 1,200 staff in the Insurance Services division, we conducted focus groups in order to better understand our work culture, what we're doing well, and where we can improve. To gather diverse perspectives, the 15 focus groups across the division involved more than 150 staff and supervisors and revealed key areas for improvement. Top priorities included finding ways to alleviate burnout,

increasing efficiency in the hiring process, creating more opportunities to gather and use their input, and increasing opportunities for meaningful connection between leaders and staff. Plans are underway to make improvements in these areas during fiscal year 2025.

PROFILE OF WORKERS' COMPENSATION PROGRAM

L&I, an agency of Washington State, is responsible for managing the state's workers' compensation system. The Workers' Compensation Program not only collects premiums and pays benefits to injured workers, but also funds the following: Insurance Services Division; Division of Occupational Safety and Health (DOSH); Safety and Health Assessment and Research for Prevention Program (SHARP); Washington State Apprenticeship Program; and Employment Standards and Workplace Rights.

L&I's headquarters is located at 7273 Linderson Way SW in Tumwater, Washington. In addition, there are 14 L&I field offices and two administrative facilities across Washington State that enable us to respond to specific needs in different localities.

The workers' compensation system has existed in Washington State for 113 years. Washington was one of the first states to enact workers' compensation laws. Our state's Workmen's Compensation Act, established on July 28, 1911, was designed to protect workers and employers from injustice and financial hardship arising from work-related injuries in extremely hazardous work. In 1923, Washington became one of only two states where workers pay a portion of the insurance premiums.

Washington's workers' compensation insurance was provided solely through the State Fund, managed by L&I, until 1971, when the Legislature created an option for qualified employers to self-insure and expanded the scope of coverage to virtually all workers. The Self-Insurance Program allows employers with sufficient financial resources to pay the cost of claims for their injured workers from their own funds and assume significant responsibility for their own claims administration. The workers of self-insured employers are entitled to the same rights and benefits as those workers insured by the State Fund. As of June 30, 2024, 340 active employers were self-insured, covering over one-fourth of all workers in Washington.

The State Fund offers an optional financial incentive program, called "Retrospective Rating," to help qualifying employers reduce their industrial insurance costs through safety and return-to-work efforts. Employers who join the Retrospective Rating Program receive partial refunds if their claim costs are lower than expected, but pay additional premiums if their claim costs are higher than expected.

The State Fund Workers' Compensation Program covers approximately 201,000 employers and 2.8 million workers statewide. Total premiums assessed in the State Fund during fiscal year 2023, including both the employer and worker portions, were $2.8 billion. Over 81,000 claims were accepted in fiscal year 2024; about 83 percent of these claims were for medical treatment only and received no compensation for time off work or disability-related benefits. A monthly average of 36,983 claims were active during fiscal year 2024, and 15,259 of these claims, many of which involve long-term disability and complex medical issues, were receiving time-loss benefits. In fiscal year 2024, vocational rehabilitation retraining plans were completed by 139 injured workers who would not otherwise have been able to return to any type of work after injury.

BUDGET CYCLE

The Workers' Compensation Program operates as an enterprise fund made up of seven accounts that are financed and operated in a manner similar to private business entities. The budget operates on a two-year cycle beginning on July 1 of each odd-numbered year. The biennial budget for administering the program is appropriated and allotted through Washington State's legislative process. The final 2023-2025 appropriated budget for administering the Workers' Compensation Program was $957,136,000, which included $884,984,000 that was appropriated for L&I and the remainder for other state agencies. This budget included $23,873,000 of federal funds dedicated to the SHARP Program, DOSH, and the Washington State Apprenticeship Program. The appropriated administering budget for fiscal year 2024 for the Workers' Compensation Program was $478,834,500, and the portion for L&I was $442,644,500.

The benefit expense portions of the accounts that make up the program are non-appropriated and non-allotted. Premiums collected from employers and workers and investment earnings finance the cost of providing medical coverage, time-loss payments, and disability benefits to qualifying individuals sustaining work-related injuries and illnesses, as well as Stay-at-Work reimbursements and settlements to workers.

LOCAL ECONOMY AND IMPACT ON LABOR & INDUSTRIES – FISCAL YEAR 2024[1]

Washington was the thirteenth most populous state as of July 2023 with an estimated population of 7.8 million,[2] and the ninth largest state economy in the U.S. (seasonally adjusted annual rate of $820 billion in 2nd Quarter, FY2024).[3] It is comprised of 11 major metropolitan areas and vast regions of wilderness and farmland. The Seattle/Tacoma/Bellevue metropolitan area alone

[1] Unless otherwise indicated, all quarters and years mentioned in this report are fiscal quarters and fiscal years.

[2] "State Population Totals and Components of Change: 2020-2023", Census Bureau. https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html note: Washington's OFM is estimating 8,035,700 as of April 1, 2024

[3] "Table 1, Gross Domestic Product by State and Personal Income by State: 4th Quarter 2023", BEA, March 29, 2024. https://www.bea.gov/news/2024/gross-domestic-product-state-and-personal-income-state-4th-quarter-2023-and-preliminary

accounts for 58.8 percent of the state's non-farm employment (April 2024),[4] and an even higher share of the state's Gross Domestic Product (70.2 percent).[5]

Workers' compensation insurance covers all industries in the state of Washington. The economy of Washington was once dominated by commercial airplane manufacturing (Boeing), logging, and agriculture. More recently, a vibrant high-tech industry has developed, including the world's first and sixth most valuable companies: Microsoft ($3.09 trillion) and Amazon ($1.84 trillion).[6] Other Washington-based Fortune 500 companies, ranked by revenue, include Costco, Starbucks, Paccar, Nordstrom, Expedia, Alaska Airline, Expeditors International, Fortive and, Weyerhaeuser.

Current Economic Situation and Outlook[7]

The U.S. economy started strong, but then weakened in the second half of FY2024. Mixed economic signals have brought warnings of recession, predictions of a soft landing, and calls to remain focused on inflation. In the first and second quarters of FY 2024, GDP rose 4.9 percent and 3.4 percent, respectively. The growth rate slowed to 1.4 percent, and 2.8 percent in the subsequent quarters.[8] Overall, the Federal Reserve (Fed) is expected to reduce rates to ease borrowing in the next few months.

Washington remains a top-ranking state in the nation for both its businesses and workforce. According to the 2024 Best States rankings by U.S. News & World Report, Washington ranks eighth overall in best places to live. Additionally, CNBC ranks Washington as the seventh best state for business and OXFAM America lists Washington as the fifth best place to work. The state economy grew faster than the national average in the first three quarters of the year. While performing better than the nation as a whole, Washington paralleled the nation, starting strong and weakening in subsequent quarters. In the first quarter, the state economy expanded by 5.1 percent. The second and third quarters saw growth of 4.1 percent and 2.0 percent respectively.[9]

Washington's labor force fell by an estimated 12,806 (0.3 percent) from the start of the fiscal year to the end ranking 41st lowest among states in percentage change over the period.[10] Nonfarm payroll employment in Washington cooled off compared to the previous year, with

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[4] BLS: https://www.bls.gov/eag/eag.wa_seattle_msa.htm.
[5] BLS: https://www.bea.gov/data/gdp/gdp-metropolitan-area, and U.S. BEA SAGDP1 State annual gross domestic product (GDP) summary". Based on the real GDP in 2022 (the latest data available for counties and metropolitan areas).
[6] Based on the market capitalization on June 3, 2024: https://www.fool.com/research/largest-companies-by-market-cap/
[7] Unless otherwise indicated, the growth rates for GDP, personal income, and inflation measures in this section are all expressed as annualized or year-over-year percent change.
[8] BEA: https://www.bea.gov/sites/default/files/2024-07/gdp2q24-adv.pdf (Table 1)

[9] BEA: https://www.bea.gov/sites/default/files/2023-12/stgdppi3q23.pdf (Table 1)
[10] BLS. "State Employment and Unemployment -July 2024." https://www.bls.gov/news.release/archives/laus_08162024.htm

employers adding an average of 3,867 jobs per month in 2023.[11] The statewide seasonally adjusted unemployment rate was 4.8 percent in June 2024, significantly higher than the 3.8 percent in the same month last year,[12] and is expected to increase to 4.9 percent by 2025 and remain at that level through 2027.[13] The jobless rate in the Seattle/Bellevue/Everett metropolitan area rose even more drastically from 3 percent in June 2023 to 3.8 percent in June 2024.[14]

Real personal income in the U.S. rose 0.9 percent in the first quarter, and 1.0 percent and 1.9 percent in the second and third quarter, respectively, then slowed to 0.8 percent in the fourth quarter. This is consistent with the overall flat performance of the economy as a whole.[15] Washington carried its strong income growth over from FY2023. With growth of 3.2 percent, 6.1 percent, and 6.1 percent for the first three quarters of FY2024, high-income industries such as Information and Professional Services being more prevalent in Washington than in the nation as a whole, help us keep up stronger income growth.[16]

Lingering concerns about inflation has resulted in the Fed holding the Federal Funds rate at 5.33 percent for the last 11 months of FY2024.[17] The U.S. Consumer Price Index (CPI) rose by 3.0 percent between June 2023 and June 2024, still holding above the Fed's preferred 2.0 percent target, but greatly improved.[18] Inflation in Washington also moderated, with the Seattle area CPI dropping from 5.3 percent in June 2023 to 4.4 percent to close this fiscal year.[19]

The national and state employment projections both show a slowdown in the coming years. Nationwide, employment is projected to only grow 1.7 percent in CY2024, and grow at no more than 0.6 percent between CY2025 and CY2029. Washington is expected to fare relatively better with employment growth projected at 1.3 percent in CY2024, and 0.9 percent to 1.0 percent CY2025 to 2029.[20]

The Fed holding rates steady was reflected in mortgage rates. The rate for 30 year fixed rate mortgages started the year at 6.71 percent and ended the fiscal year at 6.86 percent.[21] Projections indicate a gradual decrease in mortgage rates, from 5.8 percent in CY2025 to 4.9 percent in CY2029. The moderation in mortgage rates is expected to improve construction

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[11] Employment Security Department (ESD). https://esd.wa.gov/labormarketinfo/employment-estimates
[12] ESD https://esd.wa.gov/labormarketinfo/monthly-employment-report (Charts and Tables)
[13] Washington State Economic and Revenue Forecast, ERFC, https://erfc.wa.gov/sites/default/files/public/documents/forecasts/memo_0624.pdf
[14] ESD https://esd.wa.gov/labormarketinfo/monthly-employment-report (Charts and Tables)
[15] BEA: https://www.bea.gov/sites/default/files/2024-01/pi1223.pdf, and https://www.bea.gov/data/income-saving/personal-income. (Tables Only)
[16] BEA: https://www.bea.gov/data/income-saving/personal-income-by-state (Tables Only)
[17] Fed: https://fred.stlouisfed.org/series/FEDFUNDS
[18] Fed: https://fred.stlouisfed.org/series/CPIAUCSL
[19] BLS: https://www.bls.gov/regions/west/news-release/consumerpriceindex_seattle.htm
[20] "Washington Economic Forecast Summary", Washington State Economic and Revenue Forecast, ERFC, June 2024. https://erfc.wa.gov/sites/default/files/public/documents/forecasts/memo_0624.pdf
[21] Freddie Mac: https://www.freddiemac.com/pmms.

employment. The current projection data shows that construction employment in Washington will end CY2024 up only 0.8 percent, but it is expected to increase between 3.2 percent and 3.5 percent per year from CY2025 through CY2029.[22]

Washington continues to uphold its strong credit rating, as reaffirmed by the June assessments from Moody's (AAA with a stable outlook), S&P (AA+ with a positive outlook), and Fitch (AA+ with a stable outlook).[23] These rating agencies have expressed positive views on Washington's fiscal policies, which have contributed to the state's economic stability. They also highlighted the state's robust economic fundamentals, and found no indications of any unusual short or long-term risks that could jeopardize the state's credit rating stability.

In FY2024, the stock market showed steady growth. The Dow Jones Industrial Average (Dow) gained 13.7 percent, the S&P 500 gained 18.5 percent and the tech-heavy NASDAQ gained 22.2 percent.[24]

Washington has consistently been a national leader on the clean energy front. Under the Climate Commitment Act, the Dept. of Commerce has made $8 million in grants to local governments for clean buildings.[25] Upcoming in 2025 and 2026 are new standards for clean vehicles and performance standards for buildings.[26] Regarding energy prices, in June 2024, Seattle area consumers paid 7.0 percent less for gasoline than in June 2023, but 25 percent more than the national average. Seattle area consumers are paying 9.0 percent more for electricity compared to June 2023, but are paying 22.0 percent less than the national average.[27]

Economic growth is projected to be 2.0 percent in CY2024 amid higher unemployment and slightly lower inflation. The Congressional Budget Office (CBO) expects the Federal Reserve to respond by reducing interest rates, starting in early 2025. In CBO's projections, economic growth remains steady at 2.0 percent in 2025 before settling at roughly 1.8 percent in 2026 and later years.[28] The U.S. labor market will be flat for the next few years. Nonfarm payroll employment is projected to increase by less than 1.0 percent between CY2024 and CY2029. The outlook for Washington's labor market is more optimistic, with nonfarm payroll employment projected to increase by 4.9 percent between CY2024 and CY2029.[29]

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[22] "Washington Economic Forecast Summary", Washington State Economic and Revenue Forecast, ERFC, June 2024. https://erfc.wa.gov/sites/default/files/public/documents/forecasts/memo_0624.pdf
[23] https://tre.wa.gov/financing-and-debt/state-debt-information#toggle-id-5
[24] FRED, St. Louis Fed: https://fred.stlouisfed.org/categories/32255.
[25] https://www.commerce.wa.gov/news/climate-commitment-act-at-work
[26] https://climate.wa.gov/washington-climate-action-work
[27] Average Energy Prices, Seattle-Tacoma-Bellevue – June 2024 : Western Information Office : U.S. Bureau of Labor Statistics (bls.gov)
[28] An Update to the Budget and Economic Outlook: 2024 to 2034 (cbo.gov)
[29] Washington Economic Forecast Summary", Washington State Economic and Revenue Forecast, ERFC, June 2024. https://erfc.wa.gov/sites/default/files/public/documents/forecasts/memo_0624.pdf

Workers' Compensation Impacts

The slow but sustained growth in Washington's economy is reflected in the growth of L&I's active employer accounts, which exceeded 220,000 in the fourth quarter of FY2024.[30] Based on slowing, but positive income growth and employment, incremental growth is expected in the number of insured businesses for L&I.

In CY2023, Washington's average annual wage increased 5.9 percent to $89,138. There is considerable variability in annual wage growth. Wages grew 2.0 percent in 2022 and 7.5 percent in 2021.[31] This wage growth rate is the basis for L&I's cost of living adjustment (COLA) increases on time-loss and pension benefit payments for eligible workers effective July 1, 2024, and a higher growth rate may affect L&I's financial conditions in terms of a larger increase in benefit payments.

The state minimum wage increased from $15.74 per hour to $16.28 on January 1, 2024.[32] This update was based on the 3.4 percent increase from August 2022 to August 2023 in the U.S. CPI for Urban Wage Earners and Clerical Workers.[33] The increase in minimum wage will add some costs to the workers' compensation system in that the wage replacement benefit paid to eligible minimum wage earners will also increase.

Medical costs (based on the CPI for medical care) rose 3.2 percent in 2024 as opposed to 2023 when there was 0.1 percent increase.[34] While the mix of medical services provided in the workers' compensation system is somewhat different, this moderate growth in general medical care cost will be reflected in increased medical expenses in Washington's workers' compensation system.

L&I's investments posted gains in all categories in 2023 with an overall increase of 2.6 percent.[35] This should enhance the agency's overall investment performance and help build up a healthy contingency reserve that the agency needs to protect against unexpected large rate fluctuations in the future.

Washington workers' compensation rates rose an average of 4.9 percent in CY2024.[36] Reported work hours decreased by 2.6 percent in the first quarter of FY2024 compared to the same quarter of FY2023, before increasing by 1.2 percent, 0.2 percent and 1.5 percent over the prior year in the subsequent quarters.[37] Inflation is forecasted to fall to 2.5 percent in 2024 and down to 2.0

[30] Based on L&I employer data, July 2023.
[31] ESDWAGOV - Washington's average wage increases 5.9 percent in 2023
[32] FY24-141 2024 Minimum Wage Announcement
[33] https://www.bls.gov/cpi/tables/supplemental-files/home.htm (CPI-U, August 2023)
[34] Data Source: CPI for All Urban Consumers: Medical Care, https://fred.stlouisfed.org/series/CPIMEDSL.
[35] Washington State Investment Board https//:sib.wa.gov/docs/reports/annual/ar23.pdf (page 62)
[36] L&I, https://lni.wa.gov/insurance/_docs/avgstdpremrates.pdf.
[37] Based on L&I payroll data, August 2024.

percent by 2027.[38] Washington's employment growth is projected to be stronger, exceeding 3.0 percent per year. These developments will weigh on L&I's rate-setting decisions for the next few years.

LONG-TERM FINANCIAL PLANNING

The Workers' Compensation Program discounts benefit and claims administration expense reserves to reflect the time value of money. The discount rate for non-pension (Accident and Medical Aid Accounts) liabilities is based on the twenty-year U.S Treasury yield because this benchmark is closest to the Industrial Insurance Fund's liability duration. Specifically, the non-pension discount rate is based upon a benchmark rate, the five-year average of the twenty-year U.S. Treasury yield, less a risk adjustment, and then rounded to the nearest half percent. The risk adjustment is two percentage points when the benchmark rate is over four percent and half the benchmark rate when the benchmark is under four percent. The five-year average is 2.84 percent as of June 30, 2024, so the indicated non-pension discount rate is 1.5 percent. The last time L&I changed the discount rate was on June 30, 2023, when it was increased from 1.0 percent to 1.5 percent.

The Self-Insured pension liabilities are discounted at a rate of 5.5 percent per annum. This discount rate was decreased from 5.6 percent to 5.5 percent as of June 30, 2024, and the change increased the Self-Insured pension liabilities by approximately $6 million.

RELEVANT FINANCIAL POLICIES

L&I has an established investment policy designed to maintain solvency of the Workers' Compensation Program's accounts and to keep premium rates stable. The Washington State Investment Board (WSIB) manages the L&I portfolio and meets regularly to make decisions on improving investment results while striking a balance between risk and return.

On December 17, 2020, the investment policy was updated, adjusting the range allowed from the duration target for the Accident, Pension, and Medical Aid Accounts from 20.0 percent to 25.0 percent. Then, again, on June 17, 2021, the investment policy was updated to adjust the duration targets. The Accident Account duration target was changed from six to seven years; the Pension Reserve Account was changed from eight to ten years; and the Medical Aid Account was changed from five to six years. Duration targets are used to manage the interest rate risk on the fixed asset portfolio.

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[38] Congressional Budget Office, Overall Inflation and Price Growth for Various Categories of Goods and Services, https://www.cbo.gov/publication/58957.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to L&I for its ACFR for the fiscal year ended June 30, 2023. A copy of the Certificate of Achievement is included in the introductory section of this ACFR. This was the 14th consecutive year that L&I received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easy-to-read and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

As in the work and service we provide every day, this ACFR represents our commitment to maintain excellence in financial reporting, and the financial statements are in conformance with the highest standards of financial accountability. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of L&I, the Washington State Office of Financial Management, and the Washington State Investment Board.

Sincerely,

Joel Sacks
Director

Randi Warick
Deputy Director/Executive Chief
Financial Officer

Brenda Heilman
Assistant Director for
Insurance Services

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washington State Department of Labor & Industries

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

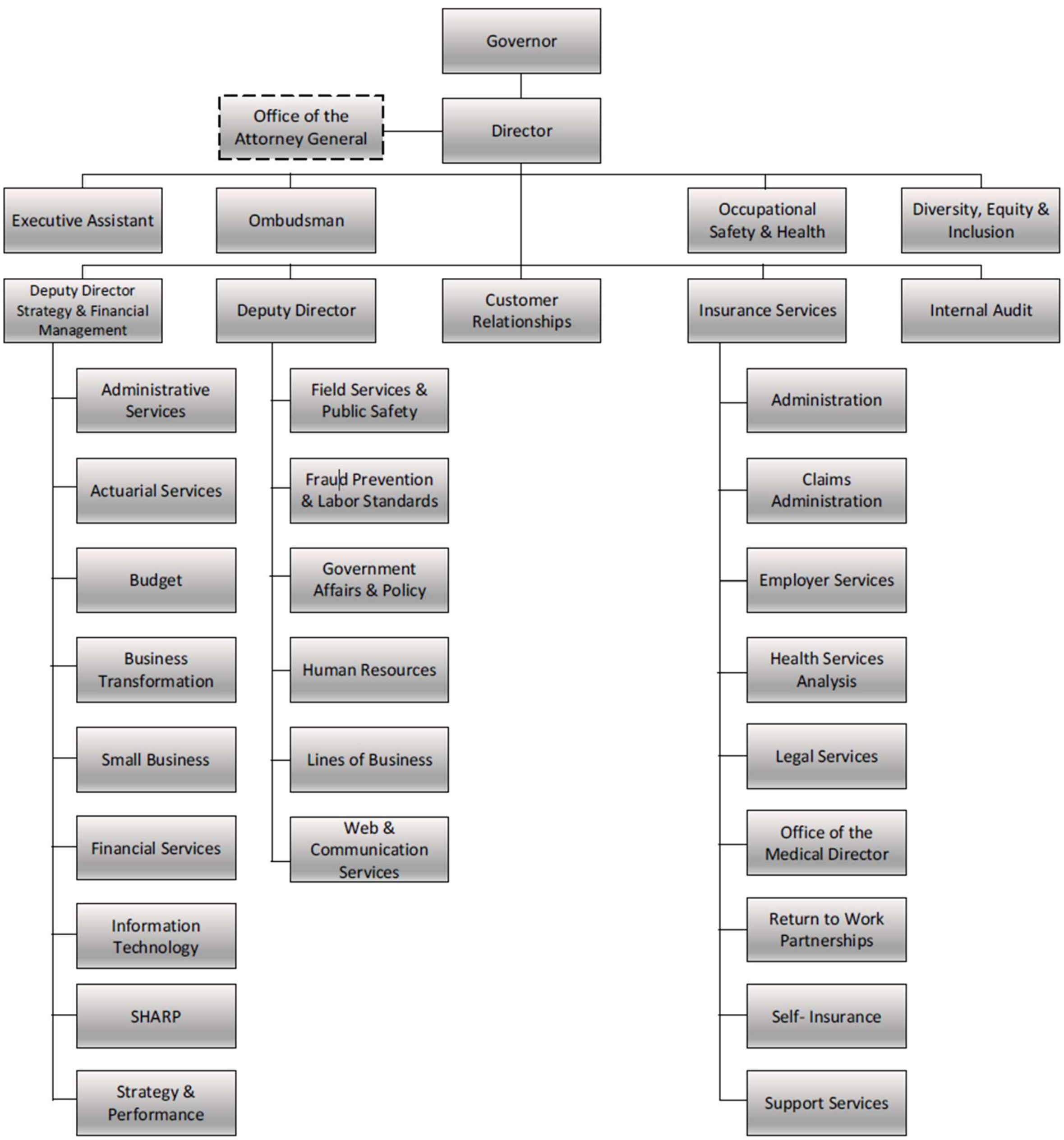
Executive Director/CEO

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Department of Labor & Industries

Organization Chart
June 30, 2024



Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Financial Section

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Office of the Washington State Auditor
Pat McCarthy

November 7, 2024

Joel Sacks, Director
Workers Compensation Program
Olympia, Washington

Report on Financial Statements

Please find attached our report on the Workers Compensation Program's financial statements.

We are issuing this report for inclusion in the Program's annual comprehensive financial report package, which will be issued by the Program under the Program's own cover.

This report is in addition to our regular financial statement audit report, which will be available on our website and includes the Program's basic financial statements.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Joel Sacks, Director
Workers Compensation Program
Olympia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Workers Compensation Program, an enterprise fund of the state of Washington, as of and for the year then ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

We did not audit the financial statements of the Labor and Industries' Funds of the state of Washington, as managed by the Washington State Investment Board, which include the investments, related investment income/loss, that represent 93 percent of the assets of the Workers Compensation Program. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Workers Compensation Program, are based solely on the report of the other auditors.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Workers Compensation Program, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Workers Compensation Program, an enterprise fund of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2024, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The combining financial statements and individual account financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The other information comprises Introductory and Statistical Sections and the Independent Actuarial Opinion but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated November 7, 2024, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

November 7, 2024

Management's Discussion and Analysis

Our management's discussion and analysis of the state of Washington's Workers' Compensation Program's Annual Comprehensive Financial Report provides an overview of the Workers' Compensation Program's financial activities for the fiscal year ended June 30, 2024. The information included here should be considered along with the transmittal letter, which can be found on pages 3-13 of this report, and the accompanying basic financial statements and notes to the basic financial statements, which follow this narrative.

Financial Highlights

- Total assets increased $985 million from the prior fiscal year, mainly due to an increase in investments of $908 million.

- Total liabilities increased $3,828 million from the prior year. The increase is largely due to an increase in claims payable of $3,982 million.

- Total revenues earned increased $626 million, mainly due to a $504 million increase in earnings on investments and a $109 million increase in premiums and assessments.

- Total expenses incurred increased $3,101 million from the prior year, primarily due to a $3,063 million increase in claims expense.

- Total net position decreased $2,874 million from prior year, mainly due to increased actual and estimated claims costs offset by a $504 million increase in earnings on investments.

Overview of the Basic Financial Statements

The Workers' Compensation Program is accounted for as an enterprise fund of the state of Washington, reporting business activities under the accrual basis of accounting, much like a private business enterprise.

These basic financial statements report the financial condition and results of operations for seven accounts: the Accident, Medical Aid, Pension Reserve, Supplemental Pension, Second Injury, Self-Insured Employer Overpayment Reimbursement, and Industrial Insurance Rainy Day Fund Accounts, known collectively as the Workers' Compensation Program. The Accident, Medical Aid, Pension Reserve, and Industrial Insurance Rainy Day Fund Accounts represent the Workers' Compensation Program Industrial Insurance Fund, or Basic Plan.

For the fiscal year ended on June 30, 2024, the basic financial statements show financial position and results of operations at the roll-up level. Detailed financial information for the individual accounts can be found in the Supplementary Information section on pages 114-117 of this report. This discussion and analysis serves as an introduction to the Workers' Compensation Program's basic financial statements, which consist of the following components:

The Statement of Net Position presents information on the program's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It reflects the program's financial position as of June 30, 2024. It can be found on page 39 of this report.

The Statement of Revenues, Expenses, and Changes in Net Position shows how the program's net position changed during the fiscal year. It presents both operating and non-operating revenues and expenses for the fiscal year. It can be found on page 40 of this report.

The Statement of Cash Flows reflects cash collections and cash payments to arrive at the net increase or decrease in cash and cash equivalents during the fiscal year. It can be found on page 41 of this report.

The Notes to the Basic Financial Statements are an integral part of the basic financial statements and provide additional information that is essential to a full understanding of the information provided in the Workers' Compensation Program's financial statements. They can be found on pages 43-94 of this report.

Financial Analysis of the Workers' Compensation Program

Statement of Net Position (dollars in millions)				
	June 30, 2024	June 30, 2023	$ Change	% Change*
Assets				
Current assets	$ 2,745	$ 2,511	$ 234	9.3%
DOE assets, noncurrent **	3	3	-	0.0%
Investments, noncurrent	18,379	17,621	758	4.3%
Restricted net pension assets	65	61	4	6.6%
Capital assets, net	102	113	(11)	(9.7%)
Total Assets	21,294	20,309	985	4.9%
Deferred outflows of resources	78	90	(12)	(13.3%)
Liabilities				
Current liabilities	2,766	2,707	59	2.2%
Noncurrent liabilities	41,357	37,529	3,828	10.2%
Total Liabilities	44,123	40,236	3,887	9.7%
Deferred inflows of resources	101	141	(40)	(28.4%)
Net Position (Deficit)				
Net investment in capital assets	83	82	1	1.2%
Restricted Pension	94	71	23	32.4%
Unrestricted	(23,028)	(20,131)	(2,897)	14.4%
Total Net Position (Deficit)	$ (22,851)	$ (19,978)	$ (2,873)	14.4%

*% Change may not calculate across as a result of dollars rounded to the nearest million

**Noncurrent assets of the U.S. Department of Energy, held in trust

Current assets - Current assets increased by $234 million during fiscal year 2024, largely due to an increase in current investments of $150 million. Current investments consist of fixed income securities that mature in one year or less and will vary from year to year. Receivables increased $57 million, and cash and cash equivalents increased $26 million. Premium receivable estimates increased partially due to an increase in reported hours of 0.6 percent for the year. Additionally, premium rate increases in the Accident, Medical Aid, and Supplemental Pension Accounts of 6.5 percent, 4.7 percent, and 2.2 percent, respectively, on January 1, 2024, contributed to the increase. Cash and cash equivalents fluctuate depending on cash flow from operations and cash needs.

Noncurrent investments - Noncurrent investments increased by $758 million during fiscal year 2024, mainly due to increases in both fixed income securities, equity investments and real estate investments. The increase was due to unrealized gains in the market, reinvestment of interest income, and realized gains from sales.

Current liabilities - Current liabilities, other than claims payable, decreased $80 million during fiscal year 2024, mainly due to an decrease in investment trades pending of $104 million, which changes based on the timing of trading activities. This was offset by an increase of $14 million in the actuarial experting for cash-funded self-insured employers with account excesses and an increase in salaries, fringe benefits, vacation and sick leave liabilities of $3 million.

Claims payable - Claims payable liabilities include benefit and claims administration expense liabilities. Claims payable, included in current and noncurrent liabilities, was $43,653 million at the end of fiscal year 2024, an increase of $3,982 million, or 2.5 percent, when compared to the previous fiscal year. The claims administration expense liability increased by $13 million, due to increases in benefit liabilities and the corresponding expenses to process the increased benefits. The remaining increase was due to a net increase in benefit liabilities. Benefit liabilities increased $3,969 million, as shown by the table below:

Schedule of Changes in Benefit Liabilities (Included in Claims Payable)*
(in millions)

	June 30, 2024	June 30, 2023
Benefit liabilities, beginning of year	$ 38,727	$ 37,771
New liabilities incurred, current year	2,840	2,561
Development on prior years		
Reserve discount accretion	742	557
Change in discount rate**	6	(822)
Other development on prior liabilities	3,083	1,262
Claim payments	(2,702)	(2,602)
Change in benefit liabilities	3,969	956
Benefit liabilities, end of year	$ 42,696	$ 38,727

***** Excludes claims administration expense liabilities
****** Includes the pension discount rate changes from 5.6% to 5.5% (Self-Insurance Program)

It is expected that benefit liabilities will change every year due to normal activities, such as adding the current accident year liabilities, discounting existing liabilities, and paying claims.

This fiscal year, benefit liabilities increased, mainly as a result of the following:

- The liabilities in the Supplemental Pension Account increased $3,717 million. The Supplemental Pension Account provides for the cost-of-living adjustments (COLAs) on workers' compensation time-loss and pension benefit payments for injured workers insured through both the State Fund and the Self-Insurance Program. By statute, the COLAs are based on the annual calendar year change in the state's average wages. The COLA for fiscal year 2024 is based on the change in the State's Average Annual Wage from the preceding calendar year, as published by the Washington State Employment Security Department. The state's average annual wage increased from $84,167 in 2022 to $89,138 in 2023, an increase of 5.9 percent.

- The liabilities in the Accident Account increased $373 million, primarily due to an increase in total permanent disability (TPD) estimates.

- The liabilities in the Medical Aid Account decreased $194 million, mainly due to a decrease in medical-only loss estimates of $172 million and a decrease in medical hearing loss estimates of $30.

- The liabilities in the Pension Account increased $73 million, mainly due to the addition of new pensions. Additionally, liability has been accrued for the Self-Insurance discount rate reduction from 5.6 percent to 5.5 percent, resulting in a $6 million increase.

- The liabilities in the Supplemental Pension Fund increased $3,717 million due to the increase in the state's average annual wage and an increase in projections of future wage changes.

Total net position (deficit) - The Workers' Compensation Program deficit increased by $2,873 million during fiscal year 2024, ending with a deficit balance of $22,851 million. This deficit consists of a $23,065 million deficit in the Supplemental Pension Account, offset by combined net position balances in the other Workers' Compensation Program accounts. Additional details regarding the Supplemental Pension Account deficit can be found in Note 10 of this report.

Changes in Net Position (dollars in millions)	Fiscal Year Ended June 30, 2024	Fiscal Year Ended June 30, 2023	$ Change	% Change
Operating Revenues				
Premiums and assessments, net	$ 3,091	$ 2,982	$ 109	3.7%
Miscellaneous revenues	67	56	11	19.6%
Total Operating Revenues	3,158	3,038	120	3.9%
Nonoperating Revenues				
Earnings on investments	1,098	594	504	84.8%
Other revenues	10	9	1	11.1%
Total Revenues	4,266	3,641	625	17.2%
Operating Expenses				
Salaries and wages	249	224	25	11.2%
Employee benefits	47	49	(2)	(4.1%)
Personal services	15	20	(5)	(25.0%)
Goods and services	98	96	2	2.1%
Travel	4	4	-	0.0%
Claims	6,646	3,583	3,063	85.5%
Depreciation	10	14	(4)	(28.6%)
Miscellaneous expenses	71	49	22	44.9%
Total Operating Expenses	7,140	4,039	3,101	76.8%
Total Expenses	7,140	4,039	3,101	76.8%
Income (Loss) before Transfers	(2,874)	(398)	(2,476)	622.1%
Net Transfers	-	-	-	0.0%
Change in Net Position (Deficit)	(2,874)	(398)	(2,476)	622.1%
Net Position (Deficit) - Beginning of Year*	(19,977)	(19,580)	(397)	2.0%
Net Position (Deficit) - End of Year	$ (22,851)	$ (19,978)	$ (2,873)	14.4%

*Net Position (Deficit) – Beginning of Year for Fiscal Year Ended June 30, 2023 is restated.

Premiums and assessments, net - Net premium and assessment revenues during fiscal year 2024 were $3,091 million, compared to $2,982 million for fiscal year 2023, an increase of $109 million. The majority of this change is derived from the increase in reported hours of 0.6 percent and the premium rate increases for fiscal year 2024. Premium rates increased in the Accident and Medical Aid Accounts 6.5 percent and 4.7 percent, respectively, on January 1, 2024, and 5.9 percent and 1.0 percent, respectively, on January 1, 2023. Increases in the Supplemental Pension Account premium rate were 2.2 percent and 12.8 percent, respectively, on January 1, 2024 and 2023.

Earnings on investments - The earnings on investments increased by $502 million from the prior fiscal year, as explained below:

Significant Changes in Investment Activity*
(dollars in millions)

	June 30, 2024	June 30, 2023	$ Change	% Change
Fixed Income				
Interest earnings	$ 598	$ 512	$ 86	16.8%
Realized gains (losses)	15	(18)	33	(183.3%)
Unrealized gains (losses)	(32)	(409)	377	(92.2%)
Fixed Income Total	581	85	496	583.5%
Equities				
Realized gains (losses)	3	164	(161)	(98.2%)
Unrealized gains (losses)	542	344	198	57.6%
Equities Total	545	508	37	7.3%
Real Estate LP				
Realized gains (losses)	-	-	-	N/A
Unrealized gains (losses)	(23)	8	(31)	(387.5%)
Equities Total	(23)	8	(31)	(387.5%)
Total Investments	$ 1,103	$ 601	$ 502	83.5%

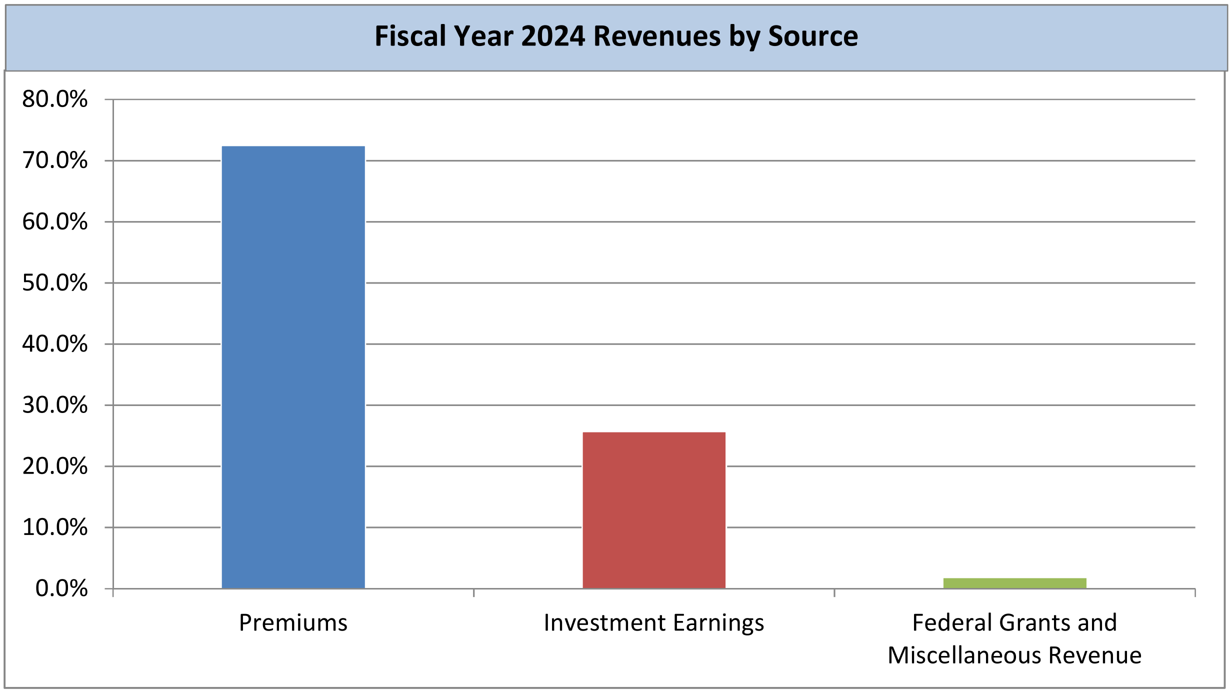
*The above does not include investment expenses.

- Earnings on fixed income security investments increased $496 million as compared to fiscal year 2023, mainly due to $377 million in unrealized gains.

- The change in equity realized and unrealized gains during the fiscal year was an increase of $37 million. In fiscal year 2024, net equity realized and unrealized gains were $545 million versus net equity realized and unrealized losses of $508 million in fiscal year 2023.

- The change in real estate limited partnership realized and unrealized gains (losses) during the fiscal year was a $23 million loss. This is a result of unrealized losses in the market. The real estate program remains in its early stages and has investment properties in Europe and the United States.

The following chart provides additional detail on the breakdown of revenues by source during fiscal year 2024:



Claims expense - Claims expense for fiscal year 2024 increased $3,063 million, or 85.5 percent, as compared to fiscal year 2023. Claims expense includes two main components: payments to beneficiaries and the change year-over-year in claims payable.

Claim payments to beneficiaries increased by $46.0 million, or 1.8 percent, when compared to the prior year. The net increase in claim payments to beneficiaries can be explained by the following:

- The Accident Account's $21.2 million increase in claim payments to beneficiaries resulted primarily from an increase in average compensation rates for time-loss payments. There was also an increase in time-loss duration.

- The Medical Aid Account's $9.2 million increase in claim payments to beneficiaries is primarily due to a higher amount, on average, paid per active claim and an increase in claim count.

- The Pension Reserve Account's claim payments to beneficiaries increased $17.3 million, mostly due to a higher number of pensioners receiving benefits along with higher average monthly benefits.

- The Supplemental Pension Account's $1.4 million increase in claim payments to beneficiaries resulted mainly from an increase in the state's average annual wage.

Operating expenses - Operating expenses for fiscal year 2024, other than claims expense, were $494 million, as compared to $465 million in fiscal year 2023.

Salaries and Employee benefits increased by $25 million compared to prior year due to:

- Salaries increased 11.2% percent in fiscal year 2024. This was partially due to a 4.0 percent wage increase on July 1, 2023. Additionally, the full time employee (FTE) count increased due to an improvement in our vacancy rate, there were job class specific pay increases, and some job classes moved to a higher pay step to help with recruitment and retention.

- The cost per employee for health, life, and disability insurance benefits decreased by 5.4% percent.

- The employer retirement contribution rate for PERS, effective July 1, 2023, decreased from 10.39 percent to 9.39 percent then increased to 9.53 percent on September 1, 2023.

- Pension expenses decreased mainly due to the actuarially determined amortization of differences between projected and actual earnings on plan investments for the fiscal year. For more information on pensions, please see Note 11.

- OPEB expenses decreased mainly due to the actuarially determined amortization of changes in assumptions for the fiscal year. For more information on OPEB, please see Note 12.

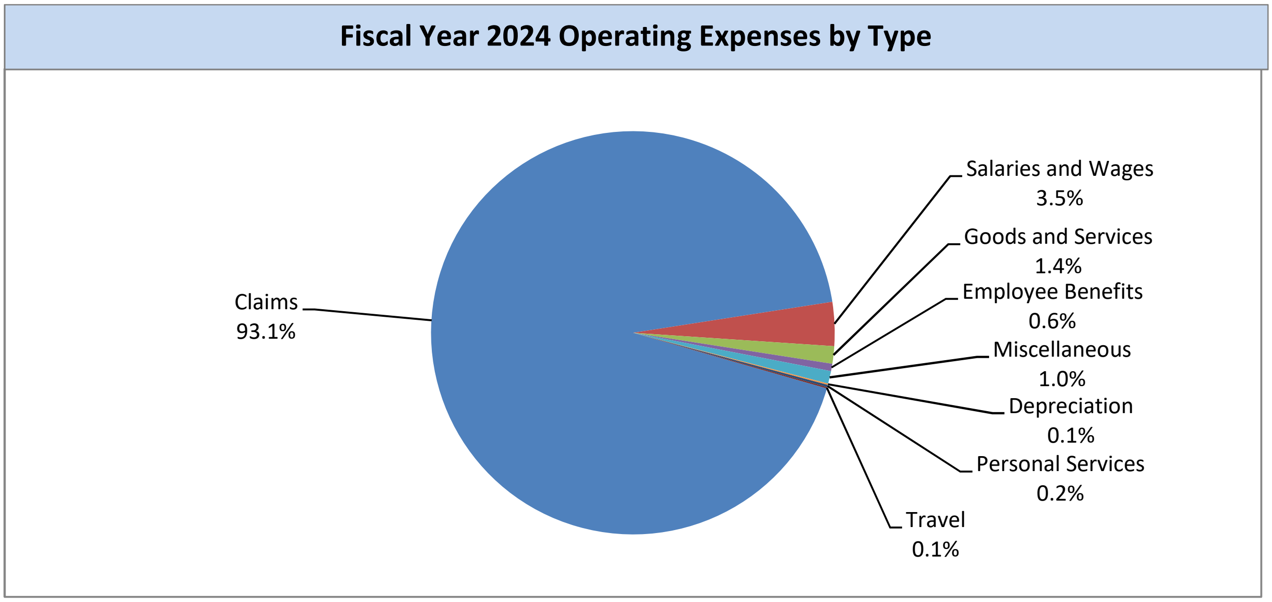
Additional items that affected the change in operating expenses:

- Miscellaneous expenses increased mainly due to Bad Debt expenses. Bad Debt expense is the difference recorded from changes in the allowance for doubtful accounts, a contra account to receivables, as well as any accounts that were officially written off during the year. In fiscal year 2024, the agency recorded higher receivables, mainly due to the increase in premium rates and the increase in worker hours.

- Personal services decreased due to less consulting expenditures for the WCSM project.

- Goods and services decreased mainly as a result of an the completion of the IT Air Handler Retrofit & Cooling Tower project, the Tumwater building redesign and the new DOSH lab.

The following chart provides additional detail on the distribution of operating expenses by type during fiscal year 2024:



Capital Assets

Capital assets - Capital assets, net of accumulated depreciation, as of June 30, 2024, were $102.4 million. This is a $10.2 million decrease from the previous year. The decrease was mainly due to current year depreciation and amortization of $10.4 million. Each year, capital and intangible assets are expensed over their useful lives. Additional information on capital assets can be found in Note 1.D.7 and Note 7 of this report.

Potentially Significant Matters with Future Impacts

One Washington (OneWA) is an Office of Financial Management (OFM) project, pursuant to Executive Order 19-04, that will modernize the state's core administrative functions for Finance, Procurement, Budget, Human Resources (HR), and Payroll. All executive level agencies are required to transition to the new system, WorkDay. The OneWA project started in the 2013-2015 biennium and is expected to be fully implemented by the year 2025. The statewide cost to modernize and implement the new system is projected to be $540 million. After deployment, agencies will be responsible for maintenance and operational costs for the system, as well as any costs incurred to modify other systems to integrate with WorkDay.

There are several Worker's Compensation systems that are used for paying benefits and collecting premiums. Many of the systems were built over thirty years ago, and the agency has a goal to replace and modernize these systems. The legislature approved a 2023-2025 biennial budget that included $13.5 million out of the total estimated cost of $361.5 million to replace the old computer systems that support the Workers' Compensation System. The WCSM project will simplify the program's technology architecture, replace manual paperwork processes with electronic features, and free up staff time to focus on further improving services to injured workers and employers.

Requests for Information

This report is designed to provide a general overview of the Workers' Compensation Program and illustrate the program's financial condition to interested parties. If you have questions about this report or need additional financial information, please contact the Chief Accounting Officer at the Department of Labor & Industries, P.O. Box 44833, Olympia, Washington 98504-4833.

In accordance with the Revised Code of Washington (RCW) 51.44.115, L&I also publishes a Statutory Financial Information Report for the Industrial Insurance Fund (State Fund) annually. This report is prepared in compliance with statutory accounting practices and principles.

The Workers' Compensation Program's Annual Comprehensive Financial Report and Statutory Financial Information Report for the Industrial Insurance Fund are also available at L&I's website at https://lni.wa.gov/insurance/state-fund-financial-reports.

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Basic Financial Statements

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Statement of Net Position
June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$	140,752,396
Investments, current		1,495,602,481
Restricted cash		653,371
Receivables, net of allowance		1,104,882,215
Receivables from other state accounts and agencies		1,907,313
Receivables from other governments		1,164,262
Prepaid expenses		168,014
Total Current Assets		2,745,130,052
Noncurrent Assets		
DOE trust receivable		2,628,996
Investments, net of current portion		18,379,596,489
Restricted net pension asset		64,905,628
Capital assets, net of accumulated depreciation and amortization		102,356,048
Total Noncurrent Assets		18,549,487,161
Total Assets		21,294,617,213
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions		65,654,717
Deferred outflow of resources on OPEB		12,802,750
Total Deferred Outflows of Resources		78,457,467
Total Assets and Deferred Outflows of Resources	$	21,373,074,680
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
Current Liabilities		
Accounts payable		8,131,845
Accrued liabilities		297,814,805
Leases and subscriptions payable, current		6,166,829
Total OPEB liabilities, current		2,385,081
Payable to other state accounts and agencies		9,463,303
Due to other governments		4
Unearned revenues		2,794,444
DOE trust liabilities, current		366,000
Claims payable, current		2,438,709,000
Total Current Liabilities		2,765,831,311
Noncurrent Liabilities		
Claims payable, net of current portion		41,214,541,000
Leases and subscriptions payable, net of current portion		12,598,606
Compensated absences		6,547,348
DOE trust liabilities, net of current portion		2,844,914
Total OPEB liabilities, net of current portion		92,265,148
Net pension liability		28,620,009
Total Noncurrent Liabilities		41,357,417,025
Total Liabilities		44,123,248,336
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions		32,754,349
Deferred inflow of resources on OPEB		67,878,917
Total Deferred Inflows of Resources		100,633,266
NET POSITION (DEFICIT)		
Net investment in capital assets		83,590,613
Restricted pension		93,835,303
Unrestricted		(23,028,232,838)
Total Net Position (Deficit)		(22,850,806,922)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	21,373,074,680

The notes to the basic financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

OPERATING REVENUES		
Premiums and assessments, net of refunds and reinsurance	$	3,091,406,191
Miscellaneous revenues		67,887,679
Total Operating Revenues		3,159,293,870
OPERATING EXPENSES		
Salaries and wages		249,294,323
Employee benefits		46,435,834
Personal services		14,658,470
Goods and services		97,886,202
Travel		4,409,005
Claims		6,646,279,416
Depreciation		10,426,056
Miscellaneous expenses		70,813,985
Total Operating Expenses		7,140,203,291
Operating Income (Loss)		(3,980,909,421)
NONOPERATING REVENUES (EXPENSES)		
Earnings on investments		1,098,010,393
Other revenues		9,509,026
Total Nonoperating Revenues (Expenses)		1,107,519,419
Change in Net Position		(2,873,390,002)
Net Position (Deficit) at July 1		(19,977,674,917)
Prior Period Adjustment		257,997
Net Position (Deficit) - July 1, as restated		(19,977,416,920)
Net Position (Deficit) - June 30	$	(22,850,806,922)

The notes to the basic financial statements are an integral part of this statement.

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	3,016,407,038
Payments to/for beneficiaries		(2,654,512,920)
Payments to employees		(331,145,777)
Payments to suppliers		(128,193,494)
Other		66,115,339
Net Cash Flows from Operating Activities		(31,329,814)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (Workers' Compensation Funds)		854,972,448
Transfers out (Workers' Compensation Funds)		(854,972,449)
Operating grants received		9,923,949
License fees collected		94,247
Net Cash Flows from Noncapital Financing Activities		10,018,195
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions of capital assets		(11,661,133)
Net Cash Flows from Capital and Related Financing Activities		(11,661,133)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of trust investments		16,523
Receipt of interest and dividends		579,405,093
Investment expenses		(6,794,875)
Proceeds from sale of investment securities		5,763,489,722
Purchases of investment securities		(6,276,712,915)
Net Cash Flows from Investing Activities		59,403,548
Net increase in cash and cash equivalents		26,430,796
Cash & cash equivalents, July 1 (includes Restricted cash of $565,395)		114,974,969
Cash & cash equivalents, June 30 (includes Restricted cash of $653,371)	$	141,405,765
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$	(3,980,909,422)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities		
Depreciation		10,426,056
Change in Assets: Decrease (Increase)		
Receivables		(20,344,774)
Prepaid expenses		(3,124)
Other assets		(3,784,741)
Change in Liabilities: Increase (Decrease)		
Claims and judgments payable		3,981,790,000
Accrued liabilities		(18,503,808)
Net Cash Flows from Operating Activities	$	(31,329,813)
NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	$	485,550,748

The notes to the basic financial statements are an integral part of this statement.

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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Note 1 - Summary of Significant Accounting Policies

The accompanying basic financial statements of the Workers' Compensation Program of the state of Washington were prepared in conformity with generally accepted accounting principles (GAAP). The Washington State Office of Financial Management (OFM) is the primary authority for the Workers' Compensation Program's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationwide. The following is a summary of the significant accounting policies:

1.A. Reporting Entity

The Department of Labor & Industries (L&I), an agency of Washington State and a part of the primary government, administers and enforces laws and regulations in accordance with Titles 43 and 51 of the Revised Code of Washington (RCW) and Title 296 of the Washington Administrative Code (WAC). The provisions of RCW Title 51 require all employers, unless excluded or exempted, to secure coverage for job-related injuries and illnesses, either by paying insurance premiums to the Workers' Compensation Program or by self-insuring. Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations.

The Workers' Compensation Fund is classified as an enterprise fund of the state of Washington. The accompanying basic financial statements present only the activity of the Workers' Compensation Program and do not present the financial position, results of operations, or cash flows of L&I or the state of Washington. The Workers' Compensation Program's financial report is included in the basic financial statements of the Annual Comprehensive Financial Report (ACFR) of the state of Washington. A copy of the report may be obtained from the Statewide Accounting Division of the Office of Financial Management at P.O. Box 43127, Olympia, WA 98504-3127. A copy can also be obtained from the OFM website at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

1.B. Basic Financial Statements

The Workers' Compensation Fund consists of the following seven enterprise accounts:

The Accident Account, established on July 1, 1947, per RCW 51.44.010, pays compensation directly to injured workers for lost wages during temporary disability and for permanent partial disability awards. It also pays costs for vocational retraining and for structured settlements. In addition, the Accident Account pays to the Pension Reserve Account the present value of pensions awarded to workers who are permanently and totally disabled and to the surviving spouse and dependents of fatally injured workers.

Revenues for this account come from employer-paid premiums based on individual employers' reported payroll hours and are reported net of refunds. Employers may elect to have their premiums retrospectively rated, with an annual adjustment for three years following the plan year, based on individual employers' actual losses incurred. This may result in either a refund of premiums paid or an assessment of additional premiums due. The premium adjustment calculation considers both the Accident and Medical Aid Accounts' experience and premiums together. However, retrospective premium adjustments are financed entirely through the Accident Account.

On behalf of injured workers, the Medical Aid Account, established on July 1, 1917, per RCW 51.44.020, pays for the cost of medical services, vocational rehabilitation services, and Stay at Work reimbursements. Revenues for this account come mostly from equal contributions by employers and employees; employers are required to withhold half of their medical aid premiums from their employees' wages.

The Pension Reserve Account, established on July 1, 1911, per RCW 51.44.030, pays benefits to the surviving spouse or dependents of fatally injured workers and to all permanently and totally disabled workers. This includes benefits for pensions awarded to employees of self-insured employers. Funding for pension payments is generated by transfers from the Accident and Second Injury Accounts and reimbursements from self-insured employers. The funds are invested in securities to cover payments for the expected life of the injured worker or survivor(s).

The Industrial Insurance Rainy Day Fund Account, established on June 15, 2011, per RCW 51.44.023, was created to hold transfers from the Accident and Medical Aid Accounts when assets for those accounts combined are between 10 and 30 percent in excess of their funded liabilities. The balance in this account will be primarily used to reduce future rate increases or aid businesses in recovering from or during economic recessions. This account was first used in fiscal year 2017. Additional information can be found in Note 14 of this report.

The four accounts described above are referred to as the Industrial Insurance Fund, the Workers' Compensation Program Basic Plan, or the State Fund. The Accident, Medical Aid, and Pension Reserve Accounts are maintained on an actuarially solvent basis; however, a cash flow basis is used for the surety bond components of the Pension Reserve Account. Self-insured employers have the option to guarantee pension-related benefits with a surety bond or to fund the benefits with cash.

The Supplemental Pension Account, established on July 1, 1971, per RCW 51.44.033, provides for a supplemental cost-of-living adjustment (COLA) to injured workers or their survivors receiving disability payments. Per RCW 51.32.073, this account operates on a current payment basis, and no assets are allowed to accumulate for the future servicing of claim payments.

COLA and time-loss payment increases are based on the increase in the state's average wage during the preceding calendar year and become effective in July of the following fiscal year. Revenues for COLA payments arise from assessments to State-Fund-insured and self-insured employers; half of the assessment is deducted from their employees' wages.

The Second Injury Account, established on July 1, 1945, per RCW 51.44.040, is used to pay pension costs on claims where a permanent total disability is at least partially caused by a prior injury and to fund job modifications for some temporarily disabled workers. It is funded by self-insured assessments for self-insured pension claims, transfers from the Accident Account to the Pension Reserve Account for State-Fund-insured pensions, and transfers from the Medical Aid Account to pay for job modification and other claims. An allowance for future second injury benefit payments is contained within the Accident and Medical Aid Accounts' claims liabilities for State-Fund-insured claims. Therefore, the Second Injury Account does not carry any claims liabilities.

The Self-Insured Employer Overpayment Reimbursement Account, established on June 12, 2008, per RCW 51.44.142, reimburses self-insured employers for benefits overpaid during the pendency of board or court appeals in which the self-insured employer prevails and has not recovered. The revenue for this account comes from self-insured employer assessments.

L&I presents the following basic financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position – This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources for the Workers' Compensation Program, ordered from least to most liquid. Net position is classified into three categories:

- **Net investments in capital assets** – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted** – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- **Unrestricted** – Consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement of Revenues, Expenses, and Changes in Net Position – This statement presents the activity and changes in net position of the Workers' Compensation Program. Activity is distinguished between operating and non-operating revenues and expenses.

Operating revenues for the Workers' Compensation Program consist mainly of premiums and assessments collected, net of refunds and reinsurance. Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating, including interest expenses and investment gains and losses.

Statement of Cash Flows – This statement reports cash collections and payments for the Workers' Compensation Program to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

1.C. Measurement Focus and Basis of Accounting

Measurement focus describes the types of transactions and events reported in an account's operating statement. The Workers' Compensation Program's seven accounts are accounted for using the economic resources measurement focus, much like that of a private-sector business. With this measurement focus, all assets and liabilities associated with the operations of the accounts are included in the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position with a focus on transactions and events that have increased or decreased the accounts' total economic resources during the period.

The basis of accounting determines the timing of the recognition of transactions and events. All accounts of the Workers' Compensation Program are reported on using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

1.D. Assets, Liabilities, and Net Position

1.D.1. Cash and Cash Equivalents

Cash and cash equivalents are reported on the accompanying Statement of Net Position and Statement of Cash Flows. Cash includes cash in banks, cash on deposit with the Office of the State Treasurer (OST), and cash on hand. Cash equivalents are pooled investments and include short-term, highly-liquid investments that are both readily convertible to cash and mature within three months of the date acquired.

Under RCW 43.08.015, OST has the statutory responsibility to ensure the effective cash management of the state's public funds. RCW 43.84.080 authorizes the Treasurer to invest available cash and includes a list of eligible investments. OST invests Workers' Compensation Program cash surpluses where funds can be disbursed at any time without prior notice or penalty. As a result, the cash balances of accounts with surplus pooled balances are not reduced for these investments.

1.D.2. DOE Trust Cash and Investments

Per RCW 51.04.130, the U.S. Department of Energy (DOE) has contracted with the Workers' Compensation Program to pay benefits to Hanford nuclear production complex workers injured on the job. Funds provided in advance by the U.S. Department of Energy to cover the pension liability determined by the Workers' Compensation Program are restricted assets and recorded as "DOE trust cash and investments." The remaining pension liability not covered by DOE trust cash and investments is recorded as "DOE trust receivable."

As of June 30, 2024, trust cash and investments of $581,918, representing the funds on deposit for the reimbursement of pension payments to Hanford injured workers, are classified as current assets on the Statement of Net Position; there were no noncurrent trust investments.

1.D.3. Investments

Current and noncurrent investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services.

1.D.4. Receivables and Payables

Current receivables arose in the ordinary course of business and consist of amounts due for workers' compensation premiums, investment interest receivable, and other miscellaneous receivables. Receivables are recorded when they can be reasonably estimated and have been earned (i.e., overpayment has occurred, service has been performed, or the time period has passed). Receivables due for workers' compensation premiums for the quarter ended June 30, 2024, are estimated. All receivables are reported net of an allowance for accounts estimated to be uncollectible. Current accounts receivable are generally expected to be collected within one year following the end of the fiscal year.

The Workers' Compensation Program uses the allowance method for establishing an allowance for uncollectible receivables. Management regularly reviews receivables and adjusts the allowance based on weighted average percentages calculated from a historical analysis of past collection activity. The allowance percentages are determined based on aging category and collection activity for each receivable. Interest accrues on overdue accounts receivable at the rate of one percent per month. When an account is deemed uncollectible, it is written off against the allowance; however, such accounts are not forgiven until allowed by law. The Workers' Compensation Program does not require collateral for its accounts receivable, except for self-insurance pension receivables.

The Workers' Compensation Program establishes claims liabilities (unpaid loss and loss adjustment expense liabilities) based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not resolved and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies, depending on the type of benefit involved. Because actual claim costs depend on complex factors, such as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the actual ultimate claim costs may differ from the estimates. In accordance with GASB Statement No.10, the claims liabilities are reported net of recoveries.

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims payable are charged or credited to claims expense in the periods in which they are made.

The benefit and claims administration expense liabilities are discounted to reflect the time value of money using an average discount rate of 1.96 percent. The amount of discount is based on an actuarially derived projected payment pattern and selected annual interest rate. The Medical Aid and Supplemental Pension Accounts are discounted at 1.5 percent; the Pension Reserve Account is discounted at two different rates: the State Fund portion is discounted at 4.0 percent and the Self-Insured portion is discounted at 5.5 percent. For the Accident Account, two discount rates are used as follows: the future total permanent disability and fatal transfer amounts made to the Pension Account assume a discount rate of 4.0 percent, and the transfer payments and all other liabilities are discounted at 1.5 percent.

The actuaries estimate accrued retrospective premium annual adjustments for unadjusted enrollment periods by reviewing historical participation and return patterns. The historical averages are used to arrive at an estimate of net retrospective return premiums for unadjusted periods. Cumulative return premiums for periods from the first annual adjustment through the third annual adjustment are system-generated, and the accruals are the difference between the cumulative returns and the amount already returned. The third annual retrospective adjustment is final. Retrospective return premiums due to employers are netted with additional premiums due from employers and recorded as a liability in the Accident Account.

1.D.5 Reinsurance

The Workers' Compensation Program purchased catastrophe reinsurance for risks in excess of its retention on the workers' compensation insurance policy to reduce its exposure to the financial risks associated with a catastrophe. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Workers' Compensation Program as the direct insurer of the risks reinsured.

Amounts that are recoverable from reinsurers and that relate to paid claims and claim adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts. Estimated amounts recoverable from reinsurers that relate to the liabilities for unpaid claims and claim adjustment expenses are deducted from those liabilities. Ceded unearned premiums are netted with related unearned premiums. Receivables and payables from the same reinsurer, including amounts withheld, are netted. Reinsurance premiums ceded and reinsurance recoveries on claims are netted against related earned premiums and incurred claim costs in the Statement of Revenues, Expenses, and Changes in Net Position.

1.D.6. Inventories and Prepaid Expenses

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the Statement of Net Position at weighted average cost if the fiscal year-end balance on hand at an inventory control point exceeds $50,000. The Workers' Compensation Program expenses consumable inventories when used.

Prepaid expenses are certain types of services that will benefit future accounting periods and are accounted for using the consumption method. The portion of services used during a period is recorded as an expense. The remaining balance is reported as an asset until consumed. As of June 30, 2024, prepaid expenses amounted to $168,014.

1.D.7. Capital Assets

Capital assets are tangible or intangible assets held and used in the Workers' Compensation Program's operations which have a service life of more than one year and meet the state's capitalization policy. In accordance with OFM policy, it is the Workers' Compensation Program's policy to capitalize:

- All land
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or greater
- Intangible assets other than lease assets, either purchased or internally developed, with a cost of $1,000,000 or greater that are "identifiable" by meeting either of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged; or
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable, including subscription-based information technology arrangements
- Lease asset with total payments over the lease term of $500,000 or greater
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, unless otherwise noted
- All capital assets acquired with a Certificate of Participation (COP)

Capital assets are recorded at cost. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use. Normal maintenance and repair costs that do not materially add to the value or extend the life of capital assets are not capitalized.

The value of assets constructed for use in the Workers' Compensation Program includes all direct construction costs and indirect costs, such as agency project management costs, that are related to the construction.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets or the lease or subscription terms. The cost and related accumulated depreciation/amortization of capital assets that have been disposed of are removed from the accounting records.

Generally, estimated useful lives are as follows:

- Buildings and building components 5 to 50 years
- Furnishings, equipment, and collections 3 to 50 years
- Intangibles 3 to 50 years
- Other improvements 3 to 50 years

1.D.8. Compensated Absences

Workers' Compensation Program employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 280 hours at the employee's anniversary date.

Employees accrue sick leave at the rate of one day per month, without limitation on the amount that can be accumulated. Sick leave is not vested; i.e., the Workers' Compensation Program does not pay employees for unused sick leave upon termination, except upon employee death or retirement. At death or retirement, the Workers' Compensation Program is liable for 25 percent of the employee's accumulated sick leave. In addition, the Workers' Compensation Program has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

The Workers' Compensation Program recognizes the expense and accrues a liability for annual leave and estimated sick leave buyout, including related payroll taxes and applicable benefits, as the leave is earned. It is the Workers' Compensation Program's policy to liquidate unpaid compensated absences outstanding at June 30 with future resources rather than advance funding it with currently available expendable financial resources.

1.E. Other Information

1.E.1. Risk Management

The state of Washington operates a Self-Insurance Liability Program pursuant to RCW 4.92.130. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. Coverage is provided up to $10 million for each claim, with no deductible. Commercial insurance is purchased for various liabilities and to limit the exposure to catastrophic losses. Otherwise, the Self-Insurance Liability Program services all claims against the state for injuries and property damage to third parties.

The Workers' Compensation Program participates in the state's Self-Insurance Liability Program, in proportion to its anticipated exposure to liability losses, to manage its various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

1.E.2. Interfund/Interagency Activities

The Workers' Compensation Program engages in reciprocal and non-reciprocal interfund/interagency activities that may include an element of indirect cost. Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions. Non-reciprocal activity is non-exchange in nature and includes both interfund transfers and reimbursements.

Note 2 - Accounting and Reporting Changes

Reporting Changes

Effective for fiscal year 2024, Higher Education Retirement Plan Supplemental Defined Benefit Plans will be conducting pension actuarial valuations on a 1-year lag. This change will have actuarial valuations, for Higher Education Plan, being done on the same cycle as other valuations. For fiscal year 2024, the Workers' Compensation Program will report Higher Educational Supplemental Retirement Plans supplemental pension plan amounts using the fiscal year 2023 actuarial valuation. This change will have the scheduled pension valuation match the schedule already in practice for the annual OPEB (or other retirement) valuations.

Cumulative Effect of Accounting Changes

The Workers' Compensation Program recorded an increase to net position/fund balance in the Accident and Medical Aid funds as result of implementing a new system to track and account for leases and subscription-based IT arrangements and to adjust the measurement date of leases to

June 30, 2021. This change impacted the lease assets, subscription assets, accumulated depreciation and amortization, and lease and subscription liabilities.

- Accident Fund, a major proprietary fund, in the amount of $155,766.
- Medical Aid Fund, a major proprietary fund, in the amount of $102,231.

The Workers' Compensation Program recorded an increase to the beginning net position as a result of these reporting changes. The Net Position (Deficit) at July 1, 2023, has been restated as follows:

Restated Net Position (Deficit)		
Net Position (Deficit) at June 30, 2023, as previously reported	$	(19,977,674,917)
Prior Period Adjustment - Reporting Changes		257,997
Net Position (Deficit) at July 1, 2023, as restated	$	(19,977,416,920)

Note 3 – Reinsurance

Catastrophic reinsurance was first purchased by the Accident and Medical Aid Accounts within the Workers' Compensation Program in February 2019 to reduce its exposure to the financial risks associated with a catastrophe. Catastrophic reinsurance allows the Workers' Compensation Program to shift some of the risk associated with providing workers' compensation insurance in exchange for a portion of the premiums that it receives.

Catastrophes are extremely rare events, and purchasing catastrophic reinsurance was a carefully considered decision by the Workers' Compensation Program. When catastrophes do occur, the amount of damages they cause can be significant. Without reinsurance, claims made after a catastrophe would come from the Workers' Compensation Program's contingency reserve, operating cash flows, debt financing, or from liquidating assets.

The existence of ceded reinsurance can add significant complexities to the evaluation of the Workers' Compensation Program's solvency and financial position. It can significantly reduce the net insurance risk faced, but can also introduce a significant amount of credit risk.

The Workers' Compensation Program purchased Workers' Compensation Excess of Loss Reinsurance to include coverage for catastrophic events and acts of terrorism in excess of $200 million. Reserves for compensation and compensation adjustment expenses will be reported gross of reinsured amounts if a qualifying event occurs. Management is not aware of any catastrophes that occurred during the coverage period, and no recoveries have been recorded. Reinsurance premiums are reflected as a reduction of premium income.

The reinsurance agreement consists of two excess of loss contracts. The first excess of loss contract covers catastrophic events or acts of terrorism that exceed $200 million up to $500 million per occurrence. The second excess of loss contract covers events that exceed $500 million up to $1 billion per occurrence. All reinsurers have an AM Best rating of "A" or higher at the time of placement.

The Workers' Compensation Program reinsurance agreement clearly transfers risk and does not contain any clauses that would bring into question whether the agreement transfers risk. The reinsurers will indemnify the Workers' Compensation Program against the aggregate loss and loss adjustment expenses arising from catastrophic and terrorism events.

The Workers' Compensation Program pays a flat premium amount for the ceded reinsurance. The total annual ceded premium is $15.9 million for the January 2024 through December 2024 coverage period. Premiums ceded of $15.7 million for reinsurance coverage have been recorded in the accompanying basic financial statements for the year ended June 30, 2024, for the July 2023 through June 2024 coverage period.

The following chart shows the amounts that have been deducted from premiums in the presented financial statements as a result of reinsurance ceded for fiscal years 2024 and 2023 (expressed in millions):

	Fiscal Year 2024	Fiscal Year 2023
Premiums and assessments, net of refunds	$ 3,107	$ 2,997
Ceded premiums	(16)	(15)
Total premium and assessment income, net	$ 3,091	$ 2,982

Note 4 - Deposits and Investments

4.A. Deposits

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Workers' Compensation Program would not be able to recover its deposits. See Note 1.D.1 for more information on cash and cash equivalents.

The Workers' Compensation Program minimizes custodial credit risk by restrictions set forth in state law. Statutes require state agencies to deposit funds in financial institutions that are physically located in Washington, unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under RCW chapter 39.58, makes and enforces regulations and administers a collateral pool program to ensure that public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

The Office of the State Treasurer (OST) manages the deposits for the Workers' Compensation Program. On June 30, 2024, $141.3 million of the Workers' Compensation Program's deposits with financial institutions were either insured or collateralized. The Federal Deposit Insurance Corporation (FDIC) covers the Workers' Compensation Program's insured deposits, and the PDPC provides collateral protection.

4.B. Investments

4.B.1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the Workers' Compensation Program's investments is vested in the voting members of the Washington State Investment Board (WSIB). The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, RCW chapter 42.52, as it makes investment decisions and seeks to meet its investment objectives.

In accordance with RCW 43.33A.110, the Workers' Compensation Program's portfolios are to be managed to limit fluctuations in workers' compensation premiums and, subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the objectives are to:

- Maintain the solvency of the accounts.
- Maintain premium rate stability.
- Ensure that sufficient assets are available to fund the expected liability payments.
- Subject to the objectives above, achieve a maximum return at a prudent level of risk.

Eligible Investments - Eligible investments are securities and deposits that are in accordance with the WSIB's investment policy and RCW chapter 43.33A. Eligible investments include:

- U.S. equities
- International equities
- U.S. Treasuries and government agencies
- Credit bonds
- Mortgage-backed securities rated investment grade, as defined by Bloomberg Global Family of Fixed Income Indices

- Asset-backed securities rated investment grade, as defined by Bloomberg Global Family of Fixed Income Indices

- Commercial mortgage-backed securities rated investment grade, as defined by Bloomberg Global Family of Fixed Income Indices

- Investment grade non-U.S. dollar bonds

- Real estate

Investment Policies and Restrictions

To meet stated objectives, investments of the Workers' Compensation Program are subject to the following constraints:

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk, in accordance with RCW 43.33A.110 and RCW 43.33A.140.

- No corporate fixed income issue cost shall exceed three percent of the fund's fair value at the time of purchase, nor shall its fair value exceed six percent of the fund's value at any time.

- Total fair value of below investment grade credit bonds (as defined by Bloomberg U.S. Global Family of Fixed Income Indices) shall not exceed five percent of the total fair value of the funds.

- Although below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels may continue to be held provided their total fair value shall not exceed five percent of the total fair value of the funds.

- Asset allocations are to be reviewed every four years, or sooner if there are significant changes in funding levels or the liability durations. Asset allocations per L&I's June 2021 asset investment policy are:

Asset Allocation Targets and Ranges

Account	Fixed Income	Equity	Real Estate
Accident Account	80% ±6	15% ±4	5% ±2
Pension Reserve Account	85% ±5	10% ±3	5% ±2
Medical Aid Account	75% ±7	20% ±5	5% ±2
Supplemental Pension Account	100%	0%	0%

- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.

Equity - The benchmark and structure for global equities will be the broad Morgan Stanley Capital International (MSCI) All Country World Investable Market Index net with USA gross. The global equity portfolio will be passively managed in commingled index funds. The commingled fund managers may use futures for hedging or establishing a long position.

Fixed Income – Long term sector allocation of fixed income investments is to be managed within prescribed ranges. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded, the portfolios must be rebalanced to the target allocations as soon as it is practicable. Target allocations for the fixed income sectors include:

U.S. Treasuries and government agencies	5 to 25 percent
Credit bonds	20 to 80 percent
Asset-backed securities	0 to 10 percent
Commercial mortgage-backed securities	0 to 10 percent
Mortgage-backed securities	0 to 25 percent

Real Estate - The objectives and characteristics of the real estate portfolio are as follows:

- Generate a six percent annual investment return over a rolling 10-year period. This objective also serves as the total net return benchmark for the portfolio.
- The majority of the return will be generated by current income, and the portfolio will be intentionally constructed to focus on yield rather than total return.
- The portfolio will be diversified across geography and property type.
- No more than 15 percent of the long-term target allocation for the real estate portfolio will be invested in the equity position for a single property at the time of acquisition.

4.B.2. Valuation of Investments

Fair Value - GASB Statement No. 72 *Fair Value Measurement and Application* (Statement 72) specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates)

- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable

Inputs that are used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Workers' Compensation Program defaults to the lowest level input that is significant to the fair value measurement of each investment, with Level 3 being the lowest level. The determination of fair value of an investment within the hierarchy of classifications above is not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Workers' Compensation Program performed a detailed analysis of the assets and liabilities that are subject to Statement 72. Valuation policies and procedures are managed by the Investment Accounting and Administration unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly, and any third party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

The Workers' Compensation Program reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position.

The table below presents fair value measurements as of June 30, 2024:

Schedule of Fair Value Measurements June 30, 2024 (in thousands)				
		Fair Value Measurements Using		
Investment Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt securities				
Mortgage and other asset-backed securities	$ 568,236	$ -	$ 568,236	$ -
Corporate bonds	11,456,776	-	11,456,776	-
U.S. and foreign government and agency securities	3,935,010	-	3,935,010	-
Total Investments by Fair Value Level	$ 15,960,022	$ -	$ 15,960,022	$ -
Investments Measured at Net Asset Value (NAV)				
Commingled equity investment trusts	3,617,526			
Real Estate	198,944			
Total investments measured at the NAV	3,816,470			
Total Investments Measured at Fair Value*	$ 19,776,492			

*This total does not tie to Investments, current and noncurrent, on the Statement of Net Position. This schedule includes only WSIB investments.

Investments Classified as Level 2 - Investments classified as level 2 in the above table are comprised of publicly traded debt securities. Publicly traded debt securities have fair values derived from proprietary models using market based measurements representing the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Investments Measured at Net Asset Value (NAV) – Investments measured at net asset value in the Workers' Compensation Fund include collective investment trust funds and alternative investments. The fund is passively managed to track the investment return of a broad, global equity index, the MSCI All Country World Investable Market Index net with USA gross. The fund determines a fair value by obtaining the values of underlying holdings using reputable pricing sources and computing an overall net asset value per share. The underlying holdings within each fund are publicly traded equity securities.

The fund allows contributions and withdrawals on any business day. The fund manager may choose to delay or suspend the right to make contributions and withdrawals from the fund if it is determined necessary to prevent a material adverse impact on the fund or other investors. At their discretion, they may also require withdrawals to be made partially or wholly in kind.

Alternative Investments. The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value is determined by using the net asset value per share (or its equivalent) of the Workers' Compensation Program's ownership interest in the equity of each investment fund. These values are based on the individual investee's capital account balance reported at fair value by the general partner at the most recently available reporting period, adjusted for subsequent contributions, distributions, management fees, and changes in values of foreign currency exchange rates.

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately $198.9 million as of June 30, 2024. Because of the inherent uncertainties in estimating fair values, it is possible that these estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2024, reported net asset value.

Real Estate. L&I currently holds four real estate investments. Targeted investment structures within the Workers' Compensation Program's real estate portfolio include limited liability companies, limited partnerships, joint ventures, commingled funds, and co-investments. Real estate partnerships generally provide quarterly valuations based on the most recent capital account balance. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred.

Properties are externally appraised, generally at least every five years, depending upon the investment. Annual audits of most partnerships include a review of compliance with the partnership's valuation policies.

Securities Lending – OST

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Northern Trust as a lending agent, and Northern Trust receives a share of income earned from this activity. The lending agent lends U.S. government, U.S. agency, and supranational securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements, deposit accounts, or money market instruments, in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. During fiscal year 2024, there was no cash collateral from securities lending.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return securities and if the collateral is inadequate to replace the securities lent, or if the borrower fails to pay the OST for income distributed by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. On June 30, 2024, the fair value of securities on loan for the Workers' Compensation Program totaled $8,479,256.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2024, the OST had no credit risk exposure to borrowers, because the amounts owed to the borrowers exceeded the amounts the borrowers owed to the OST.

There were no violations of legal or contractual provisions or any losses resulting from a default of a borrower or lending agent during the fiscal year.

4.B.4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. While the Workers' Compensation Program does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Program's portfolio using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments. As of June 30, 2024, the Workers' Compensation Program's portfolio durations were within the prescribed duration targets.

The schedules below provide information about the interest rate risks associated with the Workers' Compensation Program investments as of June 30, 2024. The schedules display various asset classes held by years until maturity and effective duration and by credit ratings. All debt securities are reported using average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Schedule of Maturities and Effective Duration
June 30, 2024
(in thousands)

Investment Type	Fair Value	Maturity: Less than 1 year	Maturity: 1-5 years	Maturity: 6-10 years	Maturity: More than 10 years	Effective Duration (years)**
Mortgage and other asset-backed securities	$ 568,236	$ 20,836	$ 492,631	$ 54,769	$ -	3.5
Corporate bonds	11,456,776	821,560	3,588,417	3,331,418	3,715,381	7.2
U.S. government and agency securities	2,737,287	547,823	815,319	125,595	1,248,550	8.2
Foreign government and agencies	1,197,723	4,956	687,955	314,163	190,649	5.9
Total investments categorized	$ 15,960,022	$ 1,395,175	$ 5,584,322	$ 3,825,945	$ 5,154,580	7.1
Investments Not Required to be Categorized						
Commingled investment trusts	3,617,526					
Cash and cash equivalents	100,428					
Real estate	198,944					
Total investments not categorized	3,916,898					
Total*	$ 19,876,920					

*This total does not tie to Investments, current and noncurrent, on the Statement of Net Position. This schedule includes only WSIB investments.
**Excludes cash and cash equivalents.

Investments with multiple credit ratings on June 30, 2024, are presented using the Moody's rating scale as follows:

Multiple Credit Rating Disclosure
June 30, 2024
(in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Investment Type: Corporate Bonds	Investment Type: Foreign Government and Agency Securities	Total Fair Value
Aaa	$ 208,579	$ 320,240	$ 67,956	596,775
Aa1	359,657	196,711	192,655	749,023
Aa2	-	133,734	223,132	356,866
Aa3	-	852,134	91,957	944,091
A1	-	1,409,921	313,633	1,723,554
A2	-	2,078,941	74,305	2,153,246
A3	-	2,363,195	-	2,363,195
Baa1	-	2,084,092	-	2,084,092
Baa2	-	1,429,005	148,365	1,577,370
Baa3	-	362,956	23,622	386,578
Ba1 or lower	-	225,847	62,098	287,945
Total Fair Value	$ 568,236	$ 11,456,776	$ 1,197,723	$ 13,222,735

4.B.5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Workers' Compensation Program's investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The debt investments of the Workers' Compensation Program as of June 30, 2024, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Workers' Compensation Program's policy states that no corporate fixed income issue cost shall exceed three percent of the fund's fair value at the time of purchase, nor shall its fair value exceed six percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2024.

Custodial Credit Risk (Investments) - Custodial credit risk is the risk that in the event that a depository institution or counterparty fails, the Workers' Compensation Program would not be able to recover the value of its deposits, investments, or collateral securities. The Workers' Compensation Program does not have a policy related to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the Workers' Compensation Program.

4.B.6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Program does not have a formal policy to limit foreign currency risk. The only securities held by the Workers' Compensation Program with foreign currency exposure on June 30, 2024, consisted of $1,227 million (excludes U.S. dollar-denominated securities) invested in international commingled equity index funds.

The following schedule presents the exposure of the Workers' Compensation Program to foreign currency risk, stated in U.S. dollars:

Workers' Compensation Program
Foreign Currency Exposure by Country
June 30, 2024
(in thousands)

Foreign Currency Denomination	**Equity Securities**
Australia - Dollar	$ 64,565
Brazil - Real	16,302
Canada - Dollar	96,903
China-Yuan Renminbi	12,552
Denmark - Krone	31,493
E.M.U. - Euro	261,017
Hong Kong - Dollar	81,548
Japan - Yen	203,901
New Taiwan - Dollar	76,569
Saudi Arabia - Riyal	14,923
Singapore - Dollar	10,636
South Africa - Rand	11,288
South Korea - Won	48,171
Sweden - Krona	30,657
Switzerland - Franc	75,067
United Kingdom - Pound	124,796
Miscellaneous Foreign Currencies	66,112
Total	$ 1,226,500

4.B.7. Derivatives

To manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns, the Workers' Compensation Program is authorized to utilize various derivative financial instruments, including collateralized mortgage obligations, financial futures, forward contracts, options, and interest rate and equity swaps and options.

Derivative transactions involve, to varying degrees, market and credit risks. The Workers' Compensation Program mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

On June 30, 2024, the only derivative securities held directly by the Workers' Compensation Program were collateralized mortgage obligations (CMOs) of $187.4 million.

Note 5 - Receivables

Receivables on June 30, 2024, consisted of the following:

Receivables June 30, 2024		
Current Receivables		
Premiums receivable		
Actual premiums receivable	$	257,751,136
Estimated premiums receivable[1]		823,343,000
Estimated self-insurance premiums receivable[2]		108,390,702
Total Premiums Receivable		1,189,484,838
Other receivables		
Receivable from overpayments		3,202,836
Investment interest receivable		156,005,957
Safety fines & penalties receivable		39,180,604
Miscellaneous receivables		3,432,617
Total Current Receivables, Gross		1,391,306,852
Less: Allowance for uncollectible receivables		286,424,637
Total Current Receivables, Net of Allowance	$	1,104,882,215

[1]Estimated premiums receivable represents premiums due for the quarter ended June 30, 2024. Premium amounts were estimated by L&I actuaries, to be collected for the Accident, Medical Aid, and Supplemental Pension Accounts.

[2]Estimated self-insurance premiums receivable represents estimated assessment receivables accrued for the quarter ended June 30, 2024, based on prior employer quarterly reports. This amount also includes pension receivables, experting, and accounts receivable balances.

Note 6 - Interfund/Interagency Balances

Receivables from other state accounts and agencies as of June 30, 2024, consisted of the following:

Receivables From Other State Accounts and Agencies June 30, 2024		
General Fund	$	5,041
L&I accounts*		852,227
Other state agencies		1,050,045
Total Receivables From Other State Accounts and Agencies	$	1,907,313

*Receivables and payables between the Workers' Compensation Program accounts are not included in the above totals.

All receivables balances are expected to be received within one year from the date of the basic financial statements. These balances resulted from goods and services provided prior to June 30, 2024.

Payables to other state accounts and agencies as of June 30, 2024, consisted of the following:

Payables To Other State Accounts and Agencies June 30, 2024		
General Fund	$	-
L&I accounts*		1,222,800
Other state agencies		8,240,503
Total Payables To Other State Accounts and Agencies	$	9,463,303

*Receivables and payables between the Workers' Compensation Program accounts are not included in the above totals.

All payables balances are expected to be paid within one year from the date of the basic financial statements. These balances resulted from goods and services received prior to June 30, 2024, and paid after the fiscal year ended.

Note 7 - Capital Assets

Capital asset activity for the fiscal year ending June 30, 2024, was as follows:

Capital Asset Activity

For the Fiscal Year Ended June 30, 2024

	Beginning Balance July 1, 2023	Increases	Decreases	Ending Balance June 30, 2024
Capital Assets Not Being Depreciated:				
Land and collections	$ 3,331,639	$ -	$ -	$ 3,331,639
Construction in progress	52,114,226	1,831,365	(5,192,199)	48,753,392
Total Capital Assets Not Being Depreciated	55,445,865	1,831,365	(5,192,199)	52,085,031
Capital Assets Being Depreciated:				
Buildings and building components	65,110,518	4,648,528	-	69,759,046
Accumulated depreciation	(41,164,095)	(676,520)	-	(41,840,615)
Net Buildings and Building Components	23,946,423	3,972,008	-	27,918,431
Furnishings, equipment, and collections	59,475,865	985,283	(1,338,595)	59,122,553
Accumulated depreciation	(56,311,255)	(493,194)	1,247,022	(55,557,427)
Net Furnishings, Equipment, and Collections	3,164,610	492,089	(91,573)	3,565,126
Other improvements	1,289,263	-	-	1,289,263
Accumulated depreciation	(890,848)	(10,204)	-	(901,052)
Net Other Improvements	398,415	(10,204)	-	388,211
Total Capital Assets Being Depreciated, Net	27,509,448	4,453,893	(91,573)	31,871,768
Intangible Assets Being Amortized:				
Intangible assets - definite useful lives	47,208,593	-	-	47,208,593
Accumulated amortization - definite useful lives	(47,208,593)	-	-	(47,208,593)
Net Intangible Assets - Definite Useful Lives	-	-	-	-
Lease asset - building [1]	40,157,622	1,608,366	(10,711,158)	31,054,830
Accumulated amortization - lease asset - building [1]	(15,585,804)	(7,456,345)	6,783,384	(16,258,765)
Net Lease Asset - Building	24,571,818	(5,847,979)	(3,927,774)	14,796,065
Subscription IT assets [1]	8,049,921	-	(3,117,444)	4,932,477
Accumulated amortization - Subscription IT assets [1]	(2,656,947)	(1,789,790)	3,117,444	(1,329,293)
Net Subscription IT Assets	5,392,974	(1,789,790)	-	3,603,184
Total Intangible Assets Being Amortized, Net	29,964,792	(7,637,769)	(3,927,774)	18,399,249
Total Capital Assets, Net of Depreciation and Amortization	$ 112,920,105	$ (1,352,511)	$ (9,211,546)	$ 102,356,048

1 Beginning Balance amounts are restated due to beginning balance changes as the result of implementing a new tracking system and to adjust the measurement date of leases to June 30, 2021.

For fiscal year 2024, the total depreciation and amortization expense was $10,426,056.

Note 8 - Noncurrent Liabilities

8.A. Changes in Current and Noncurrent

Current and noncurrent liability activity for the fiscal year ended June 30, 2024, was as follows:

Current and Noncurrent Liability Activity
For the Fiscal Year Ended June 30, 2024

Current and Noncurrent Liabilities	Beginning Balance June 30, 2023	Additions	Reductions	Ending Balance June 30, 2024	Due Within One Year[2]	Noncurrent Balance June 30, 2024
Claims payable, current & noncurrent	$ 39,671,460,000	$ 4,372,100,000	$ (390,310,000)	$ 43,653,250,000	$ 2,438,709,000	$ 41,214,541,000
Other current and noncurrent liabilities						
Compensated absences[1]	23,365,963	25,443,074	(23,350,449)	25,458,588	18,911,240	6,547,348
DOE trust liabilities	3,602,808		(391,894)	3,210,914	366,000	2,844,914
Other postemployment benefits	93,114,346	(5,399,563)	6,935,446	94,650,229	2,385,081	92,265,148
Lease and subscription liabilites[3]	30,268,259	7,131,089	(18,633,913)	18,765,435	6,166,829	12,598,606
Net pension liability	36,131,437	4,883,860	(12,395,288)	28,620,009	-	28,620,009
Total Other Current and Noncurrent Liabilities	186,482,813	32,058,460	(47,836,098)	170,705,175	27,829,150	142,876,025
Total Current and Noncurrent Liabilities	$ 39,857,942,813	$ 4,404,158,460	$ (438,146,098)	$ 43,823,955,175	$ 2,466,538,150	$ 41,357,417,025

[1]Compensated absences due within one year are included in accrued liabilities on the Statement of Net Position.
[2]There are other current liabilities that are not included in the table above.
[3]Beginning balance amounts are restated due to beginning balance changes as the result of implementing a new tracking system and to adjust the measurement date of leases to June 30, 2021.

8.B. Claims Payable

The following schedule presents the changes in claims liabilities (unpaid claims and claim adjustment expense liabilities) for the past two fiscal years for the Workers' Compensation Program:

Changes in Claims Liabilities
For the Fiscal Years Ended June 30, 2024 and 2023

Claims Payable	**June 30, 2024**	**June 30, 2023**
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 39,671,460,000	$ 38,702,755,000
Incurred claims and claim adjustment expenses		
Provision for insured events of the current fiscal year	3,082,989,000	2,789,562,000
Increase in provision for insured events of prior fiscal years	3,821,851,000	978,905,000
Total Incurred Claims and Claim Adjustment Expenses	6,904,840,000	3,768,467,000
Payments		
Claims and claim adjustment expenses attributable to		
Events of the current fiscal year	350,672,000	339,476,000
Insured events of prior fiscal years	2,572,378,000	2,460,287,000
Total payments	2,923,050,000	2,799,763,000
Total Unpaid Claims and Claim Adjustment Expenses at Fiscal Year-End	$ 43,653,250,000	$ 39,671,460,000
Current portion	$ 2,438,709,000	$ 2,299,042,000
Noncurrent portion	$ 41,214,541,000	$ 37,372,418,000

At June 30, 2024, $59,783 million of unpaid loss and loss adjustment expense liabilities are presented at their net present and settlement value of $43,653 million. These claims are discounted on an actuarially derived projected payment pattern and selected annual interest rate (see Note 1.D.4).

The claims and claim adjustment liabilities of $43,653 million as of June 30, 2024, include $27,177 million for supplemental pension COLAs that are funded on a current payment basis per RCW 51.32.073. Management believes the funding is in compliance with the statute. The remaining claims liabilities of $16,476 million are fully funded by a diverse portfolio of fixed income instruments, equity index funds, and cash, managed by the WSIB.

Note 9 – Leases and Subscription-Based IT Arrangements

The Workers' Compensation Program leases several buildings under a variety of long-term, noncancelable lease arrangements. The program also has noncancelable subscription-based information technology arrangements (SBITAs) for the right-to-use information technology hardware and software. The right-to-use lease asset activity for the year ended June 30, 2024, is presented in Note 7 – Capital Assets.

The following schedule presents future annual lease payments for right-to-use lease agreements as of June 30, 2024:

Future Annual Payments for Right-To-Use Lease Agreements
June 30, 2024

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	$ 5,322,629	$ 145,053	$ 5,467,682
2026	3,660,579	97,829	3,758,408
2027	2,600,740	62,080	2,662,820
2028	1,468,120	34,717	1,502,837
2029	1,180,216	15,177	1,195,393
2030-2034	853,328	3,892	857,220
Thereafter	-	-	-
Total Future Minimum Lease Payments	$ 15,085,612	$ 358,748	$ 15,444,360

The following schedule presents future annual SBITA payments as of June 30, 2024:

Future Annual Payments for Subscription-Based IT Arrangements (SBITAs)
June 30, 2024

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	$ 844,200	$ 120,849	$ 965,049
2026	472,047	106,715	578,762
2027	356,875	93,125	450,000
2028	370,396	79,064	449,460
2029	385,551	64,449	450,000
2030-2034	1,250,214	99,786	1,350,000
Thereafter	-	-	-
Total Future Minimum SBITAs Payments	$ 3,679,283	$ 563,988	$ 4,243,271

Variable payments, other than those payments that depend on an index or rate or are fixed in substance, and other payments that are not known or certain to be exercised are excluded from the measurement of the lease and subscription IT liabilities.

During the fiscal year ended June 30, 2024, the Workers' Compensation Program had no variable and other lease payments not included in the measurement of the lease liability and the subscription IT liability.

Note 10 - Deficit

At June 30, 2024, the Workers' Compensation Program had a deficit of $22,851 million. This is the result of a $26,717 million deficit in the Supplemental Pension Account, offset by a combined $3,866 million net position in the total Basic Plan, Second Injury Account, and Self-Insured Employer Overpayment Reimbursement Account. The Workers' Compensation Program Basic Plan is funded based on rates that will keep the plan solvent in accordance with recognized actuarial principles. Supplemental cost-of-living adjustments (COLAs) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. According to RCW 51.32.073, the Supplemental Pension Account is allowed to collect only enough revenue to provide for current payments. At June 30, 2024, noncurrent claims payable in the Supplemental Pension Account totaled $26,237 million.

The following table summarizes the change in deficit balance for the Supplemental Pension Account during fiscal year 2024:

Supplemental Pension Account Net Position (Deficit)		
Balance, July 1, 2023	$	(23,064,631,787)
Fiscal year 2024 activity	$	(3,652,327,211.00)
Balance, June 30, 2024	$	(26,716,958,998)

Note 11 - Retirement Plans

Workers' Compensation Program employees participate in the Washington State Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS), administered by the Department of Retirement Systems (DRS), and a Higher Education Defined Contribution Retirement Plan, which is privately administered.

The table below shows the net pension liability/(asset), deferred outflows of resources, deferred inflows of resources, and pension expense reported on June 30, 2024, for the Workers' Compensation Program's proportionate share of the liabilities/(assets) for the PERS and TRS employee retirement plans and the Higher Education Retirement Plan Supplemental Defined Benefit Plans. Additional detail is provided later in this note.

Workers' Compensation Program's Proportionate Share June 30, 2024				
	Net Pension Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERS 1	$ 28,252,699	$ 7,549,686	$ (3,187,028)	$ (8,912,544)
PERS 2/3	(64,901,504)	57,644,195	(28,776,510)	(23,044,863)
TRS 1	83,655	14,238	(12,111)	32,552
TRS 2/3	(4,124)	95,300	(33,311)	(14,222)
Higher Ed	283,655	351,298	(745,389)	(706,389)
Total	$ (36,285,619)	$ 65,654,717	$ (32,754,349)	$ (32,645,466)

The DRS prepares a stand-alone financial report of the retirement plans that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380 or online at https://www.drs.wa.gov/employer/ch15/

11.A. Public Employees' Retirement System

Plan Descriptions

The Legislature established the PERS in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college, and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans, and Plan 3 is a combination defined benefit/defined contribution plan. The defined benefit portions of Plans 2 and 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, are Plan 2 members, unless they exercised an option to transfer their membership to Plan 3.

PERS participants joining the system on or after March 1, 2002, have the irrevocable option of choosing membership in either Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to make a selection within 90 days default to Plan 2.

Benefits Provided

PERS plans provide retirement, disability, and death benefits to eligible members. The monthly retirement benefit is two percent of the average final compensation (AFC) per year of service for Plan 1 and Plan 2, and one percent of the AFC per year of service for the defined benefit portion of Plan 3.

PERS Plan 1 and Plan 2 members are vested after the completion of five years of eligible service. Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service, or after five years of service if 12 months of that service are earned after age 44. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contributions rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute, in accordance with RCW chapters 41.40 and 41.45.

The employer contribution rate for the Workers' Compensation Program at the close of fiscal year 2024 for each of Plans 1, 2, and 3 was 9.53 percent.

The member contribution rate for Plan 1 is established by statute at six percent for employees of state agencies. Contributions for Plan 2 members are determined by the aggregate method and may vary over time. The contribution rate for Plan 2 state agency employees at June 30, 2024, was 6.36 percent of the employee's annual covered salary. Under Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the DRS sets Plan 3 employee contribution rate options. Members can choose from six rate options ranging from 5 to 15 percent. Two of the options are graduated rates dependent on the employee's age.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, with the results rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%
Investment rate of return	7.00%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

The OSA selected a 7.00 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by WSIB.

The WSIB's Capital Market Assumptions (CMAs) contain the following three pieces of information for each class of assets the WSIB currently invests in:

• Expected annual return
• Standard deviation of the annual return
• Correlations between the annual returns of each asset class with every other asset class

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Rates of Return		
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
Total	100%	

The inflation component used to create the above table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation. There were no material changes in assumptions, benefit terms, or methods for the reporting period.

The discount rate of 7.00 percent was also used to measure the total pension liability. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Based on the assumptions in the OSA's Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on pension plan investments was applied to determine the total pension liability.

The following table presents the net pension liability/(asset) of the employers, calculated using the discount rate of 7.00 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

Employers' Proportionate Share of Net Pension Liability/(Asset)		
	PERS 1	PERS 2/3
1% Decrease	$ 39,471,154	$ 70,588,164
Current Discount Rate	$ 28,252,699	$ (64,901,504)
1% Increase	$ 18,461,624	$ (176,214,829)

Net Pension Liability/Asset

At June 30, 2024, the Workers' Compensation Program reported a liability of $28,252,699 for its proportionate share of the collective net pension liability for PERS 1 and a net pension asset of $64,901,504 for PERS 2/3. The Workers' Compensation Program's proportion for PERS 1 was 2.90 percent, a decrease of 0.15 percent since the prior reporting period, and 3.10 percent for PERS

2/3, a decrease of 0.13 percent since the prior reporting period. The proportions are based on the Workers' Compensation Program's contributions to the pension plan relative to the contributions of all participating employers.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2024, the Workers' Compensation Program recognized a pension expense of ($8,912,544) for PERS 1, and a pension expense of ($23,044,863) for PERS 2/3.

At June 30, 2024, PERS 1 and PERS 2/3 reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflows of Resources
June 30, 2024

	PERS 1	PERS 2/3	Total
Difference between expected and actual experience	$ -	$ 13,220,362	$ 13,220,362
Changes of assumptions	-	27,247,897	27,247,897
Net difference between projected and actual earnings on pension plan investments	-	-	-
Change in proportionate share of contributions	-	1,118,051	1,118,051
Contributions subsequent to measurement date	7,549,686	16,057,885	23,607,571
Total	$ 7,549,686	$ 57,644,195	$ 65,193,881

At June 30, 2024, PERS 1 and PERS 2/3 reported deferred inflows of resources related to pensions from the following sources:

Deferred Inflows of Resources
June 30, 2024

	PERS 1	PERS 2/3	Total
Difference between expected and actual experience	$ -	$ 725,149	$ 725,149
Changes of assumptions	-	5,938,969	5,938,969
Net difference between projected and actual earnings on pension plan investments	3,187,028	24,458,809	27,645,837
Change in proportionate share of contributions	-	(2,346,417)	(2,346,417)
Contributions subsequent to measurement date	-	-	-
Total	$ 3,187,028	$ 28,776,510	$ 31,963,538

Pension contributions made subsequent to the measurement date in the amount of $7,549,686 and $16,057,885 for PERS 1 and PERS 2/3, respectively, were reported as deferred outflows of resources at June 30, 2024, and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the fiscal years ending June 30 as follows:

Net Deferred Outflows and (Inflows) of Resources				
Fiscal Year ending June 30,		**PERS 1**		**PERS 2/3**
2025	$	(2,168,319)	$	(10,810,267)
2026	$	(2,726,919)	$	(13,433,585)
2027	$	1,681,375	$	20,822,591
2028	$	26,835	$	7,884,063
2029	$	-	$	7,698,417
Thereafter	$	-	$	648,581

11.B. Teachers' Retirement System

Plan Description

The Legislature established the TRS in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state-agency employees. There are University of Washington employees paid from Workers' Compensation Program funds that are members of TRS Plan 3. The University of Washington promotes health and helps to minimize occupational disease or injury through teaching, research, and service for the Workers' Compensation Program.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans, and Plan 3 is a defined benefit plan with a defined contribution component. The defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of the Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members, unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are Plan 3 members. Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 2.

Benefits Provided

TRS plans provide retirement, disability, and death benefits to eligible members. The monthly retirement benefit is two percent of the average final compensation (AFC) per year of service for Plan 1 and Plan 2, and one percent of the AFC per year of service for the defined benefit portion of Plan 3.

TRS Plan 1 and Plan 2 members are vested after the completion of five years of eligible service. TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service, or after five years of service if 12 months of that service are earned after age 44. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contributions rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established under state statute.

All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute, in accordance with RCW chapters 41.32 and 41.45.

The employer contribution rate for the Workers' Compensation Program at the close of fiscal year 2023 for each of Plans 1, 2, and 3 was 9.70 percent.

The member contribution rate for Plan 1 is established by statute at 6.0 percent for employees of state agencies and higher education employees. Contributions for Plan 2 members are determined by the aggregate method and may vary over time. The contribution rate for Plan 2 state agency and higher education employees at June 30, 2023, was 8.06 percent of the covered payroll. Under Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the DRS sets Plan 3 employee contribution rate options. Members can choose from six rate options ranging from 5 to 15 percent. Two of the options are graduated rates dependent on the employee's age.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, with the results rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%
Investment rate of return	7.00%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

The OSA selected a 7.00 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by WSIB.

The WSIB's Capital Market Assumptions (CMAs) contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Rates of Return		
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
Total	100%	

The inflation component used to create the above table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

The discount rate of 7.00 percent was also used to measure the total pension liability. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Based on the assumptions in the OSA's Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on pension plan investments was applied to determine the total pension liability.

The following presents the net pension liability/(asset) of the employers, calculated using the discount rate of 7.00 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

Employers' Proportionate Share of Net Pension Liability/(Asset)		
	TRS 1	TRS 2/3
1% Decrease	$ 127,337	$ 133,160
Current Discount Rate	$ (83,655)	$ (4,124)
1% Increase	$ 45,471	$ (115,734)

Net Pension Liability/Asset

At June 30, 2024, the Workers' Compensation Program reported a liability of $83,655 for its proportionate share of the collective net pension liability for TRS 1 and a net pension asset of

$4,124 for TRS 2/3. The Workers' Compensation Program's proportion for TRS 1 was 0.46 percent, an increase of 0.23 percent since the prior reporting period, and 0.24 percent for TRS 2/3, an increase of 0.01 percent since the prior reporting period. The proportions are based on the Workers' Compensation Program's contributions to the pension plan relative to the contributions of all participating employers.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2024, a pension expense of $32,552 was recognized for TRS 1, and a pension expense of ($14,222) was recognized for TRS 2/3.

At June 30, 2024, TRS 1 and TRS 2/3 reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflows of Resources
June 30, 2024

	TRS 1	TRS 2/3	Total
Difference between expected and actual experience	$ -	$ 35,913	$ 35,913
Changes of assumptions	-	32,762	32,762
Net difference between projected and actual earnings on pension plan investments	-	-	-
Change in proportionate share of contributions	-	2,447	2,447
Contributions subsequent to measurement date	14,238	24,178	38,416
Total	$ 14,238	$ 95,300	$ 109,538

At June 30, 2024, TRS 1 and TRS 2/3 reported deferred inflows of resources related to pensions from the following sources:

Deferred Inflows of Resources
June 30, 2024

	TRS 1	TRS 2/3	Total
Difference between expected and actual experience	$ -	$ 581	$ 581
Changes of assumptions	-	3,247	3,247
Net difference between projected and actual earnings on pension plan investments	12,111	19,781	31,892
Change in proportionate share of contributions	-	9,702	9,702
Contributions subsequent to measurement date	-	-	-
Total	$ 12,111	$ 33,311	$ 45,422

Pension contributions made subsequent to the measurement date in the amount of $14,238 and $24,178 for TRS 1 and TRS 2/3, respectively, were reported as deferred outflows of resources at June 30, 2024, and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Net Deferred Outflows and (Inflows) of Resources				
Fiscal Year ending June 30,		**TRS 1**		**TRS 2/3**
2024	$	(8,463)	$	(5,288)
2025	$	(10,699)	$	(8,380)
2026	$	6,837	$	19,542
2027	$	214	$	8,072
2028	$	-	$	7,597
Thereafter	$	-	$	16,268

11.C. Higher Education Retirement Plan Supplemental Defined Benefit Plans

Plan Description

The Higher Education Retirement Plans are privately administered single-employer defined contribution plans with a supplemental defined benefit plan component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangements.

There are University of Washington employees paid from Workers' Compensation Program funds that are members of the Higher Education Retirement Plans. The University of Washington promotes health and helps to minimize occupational disease or injury through teaching, research, and service for the Workers' Compensation Program.

The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participated in a separate plan. As authorized by RCW chapter 28B.10, the plans cover faculty and other positions as designated by each participating employer.

RCW 28B.10.400, et seq., assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the State Board for Community and Technical Colleges, and the Student Achievement Council.

Benefits Provided

The Higher Education Supplemental Retirement Plans (SRP) provide retirement, disability, and death benefits to eligible members. As of July 1, 2011, all Higher Educational Retirement Plans were closed to new entrants. Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount that a member's goal income exceeds their assumed income. The goal income is equal to two percent of the member's highest two-year average annual salary multiplied by the number of years of service. Benefit service is capped at 25 years. The member's assumed income is an annuity benefit the retired member would receive had they invested their contribution equally between a fixed income and a variable income annuity investment. Plan members have the option to retire early with reduced benefits.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation measurement date of June 30, 2023, using the following actuarial assumptions:

Salary increases	3.50% - 4.00%
Fixed Income and Variable Income Investment Returns	N/A

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Most actuarial assumptions used in the June 30, 2022, valuation were based on the results of the August 2021 Supplemental Plan Experience Study. Additional assumptions related to salary growth were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes

Changes in methods and assumptions that occurred between the measurement of the June 30, 2022, TPL and the June 30, 2023, TPL:

- The valuation date was changed from June 30 to January 1. This corresponds with the new data file being provided with participant information as of January 1, 2023.

• Annuity conversion assumptions were updated for the Teachers Insurance and Annuity Association (TIAA) investments based on input from TIAA and OSA's professional judgment. TIAA contributions and investment earnings annuity conversion changed from contributions made pre-2002/post-2001 converted at 6.00 percent/3.25 percent to contributions pre-2006/post-2005 converted at 7.00 percent/4.00 percent.

Additionally, the OSA recently completed an experience study which modified multiple assumptions to estimate future plan experience.

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Index, which was 7.00 percent for the June 30, 2024, measurement date.

Plan Membership

The Workers' Compensation Program's proportionate share of the membership in the Higher Education Supplemental Retirement Plans consisted of the following at June 30, 2024, the date of the latest actuarial valuation for all plans. The Workers' Compensation Program comprises less than one percent of the membership.

Proportionate Share of Participating Members

Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
2	1	7	10

Net Pension Liability

The following table presents the changes in net pension liability/(asset) of Higher Educational Supplemental Retirement Plans for the fiscal year ended June 30, 2024:

Changes in Net Pension Liability/(Asset) June 30, 2024		
Net Pension Liability		
Service cost	$	35,065
Interest		152,949
Changes of benefit terms		-
Differences between expected and actual experience		(216,977)
Changes in assumptions		(184,340)
Benefit payments		(76,032)
Other		-
Change in Net Pension Liability		(289,335)
Net Pension Liability - Beginning		981,772
Net Pension Liability - Ending	$	692,437
Plan Fiduciary Net Postion		
Contributions - Employer	$	57,828
Contributions - Member		-
Net investment income		49,740
Benefit payments, including refunds of member contributions		-
Administrative expense		-
Net Change in Plan Fiduciary Net Position		107,568
Plan Fiduciary Net Position - Beginning		301,214
Plan Fiduciary Net Position - Ending		408,782
Plan's Net Position Liability/(Asset) - Ending	$	283,655

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2024, the Higher Education Supplemental Retirement Plans reported a proportionate share pension expense of ($706,389).

The following table presents the net pension liability/(asset), calculated using the discount rate of 7.00 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

Employers' Proportionate Share of Net Pension Liability/(Asset)		
1% Decrease	$	337,945
Current Discount Rate	$	283,655
1% Increase	$	237,187

At June 30, 2024, the Higher Education Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows and Inflows of Resources June 30, 2024				
	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference between expected and actual experience	$	176,478	$	454,177
Changes of assumptions		167,642		278,779
Net difference between projected and actual earnings		7,178		12,435
Total	$	351,298	$	745,391

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Net Deferred Outflows and (Inflows) of Resources		
Fiscal Year ending June 30,		
2025	$	(105,040)
2026	$	(81,228)
2027	$	(64,890)
2028	$	(125,045)
2029	$	(14,610)
Thereafter	$	(3,281)

Note 12 - Other Postemployment Benefits

The Workers' Compensation Program is administered by L&I, an agency of the state of Washington and part of the primary government. Employees of the Workers' Compensation Program are eligible to participate in the state of Washington's defined benefit Other Postemployment Benefit (OPEB) plan, a single-employer defined benefit plan, as administered by the state through the Washington State Health Care Authority (HCA).

Plan Description and Funding Policy

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life, and long-term disability insurance.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this note assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: Public Employees' Retirement System, Public Safety Employees' Retirement System, Teachers' Retirement System, Service Employees' Retirement System, Washington State Patrol Retirement System, Higher Education Retirement Plans, Judicial Retirement System, and Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claim costs and the premium.

In calendar year 2023, the average weighted implicit subsidy was valued at $420 per adult unit per month. In calendar year 2024, the average weighted implicit subsidy is projected to be $445 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2024, the explicit subsidy was up to $183 per member per month, and it will remain $183 per member per month in calendar year 2025.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical benefits. Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis. L&I contributed $41,269,689 during fiscal year 2023.

The plan has no investments or other assets. Accordingly, the PEBB OPEB plan is not reported in the financial statements of the state, nor is a separate financial report publicly available. For information on the results of the most recent actuarial valuation for the OPEB plan, refer to the Office of the State Actuary's website: https://leg.wa.gov/osa/additionalservices/pages/OPEB.aspx.

Actuarial Assumptions

The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	June 30, 2022
Actuarial Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A – No Assets

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (i.e., the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.35%
Projected salary increases	3.25% plus service-based salary increases
Healthcare trend rates	Initial trend rate ranges from 2 to 11%, reaching an ultimate rate of approximately 3.8% in 2080.
Post-retirement participation	60.00%
Percentage with spouse coverage	45.00%

Based on trend assumptions, no change in the explicit subsidy cap of $183 per month is expected through the end of calendar year 2025. The Legislature determines the value of the cap, and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are expected to grow with the assumed health care trend.

Sensitivity of the Healthcare Cost Trend Rates		
1% Decrease	$	79,534,970
Current Healthcare Cost Trend Rate	$	94,650,229
1% Increase	$	114,104,994

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2023 PEBB OPEB Demographic Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2021 Report on Financial Condition and Economic Experience Study.

Discount Rate

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.54 percent for the June 30, 2022, measurement date, and 3.65 percent for the June 30, 2023, measurement date.

The increase in the total OPEB liability is due to changes in assumptions resulting primarily from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate.

The following represents the Workers' Compensation Program's proportionate share of the total OPEB liability, calculated using the health care trend rates of 2-11 percent reaching an ultimate range of approximately 3.80 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are one percentage point lower (1-10 percent) or one percentage point higher (3-12 percent) than the current rate:

Sensitivity of the Discount Rate OPEB Liability	
1% Decrease	$ 110,747,168
Current Discount Rate	$ 94,650,229
1% Increase	$ 81,701,998

Total OPEB Liability

As of June 30, 2024, the Workers' Compensation Program reported a total OPEB liability of $94,650,229. This liability was determined based on a measurement date of June 30, 2023.

The following table shows changes in the Workers' Compensation Program's total OPEB liability as of the June 30, 2024, reporting date.

Changes in Total OPEB Liability For the Fiscal Year Ended June 30, 2024		
Total OPEB Liability - Beginning	$	93,114,346
Changes for the year:		
Service cost		3,315,889
Interest cost		3,330,830
Changes of assumptions*		(2,790,791)
Benefit payments		(2,320,045)
Net Changes in Total OPEB Liability		1,535,883
Total OPEB Liability - Ending	$	94,650,229

*The recognition period for these changes is nine years. This is equal to the average remaining service lives of all active and inactive members

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The Workers' Compensation Program will recognize OPEB expense of ($6.8) million.

For fiscal year 2024, L&I reported its proportionate share of the state-reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows and Inflows of Resources June 30, 2024	Outflows	Inflows
Difference between expected and actual	$ 1,437,230	$ 2,810,751
Changes of assumptions	6,150,398	56,708,989
Changes in proportionate share of contributions	2,830,041	8,359,177
Transactions subsequent to the measurement date	2,385,081	-
Total	$ 12,802,750	$ 67,878,917

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2025.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense in the fiscal years ending June 30 as follows:

Future OPEB Expense	
Fiscal Year ending June 30,	
2025	$ (11,074,152)
2026	$ (11,074,152)
2027	$ (8,385,224)
2028	$ (6,008,911)
2029	$ (6,865,303)
Thereafter	$(14,053,503)

A complete description of the funded status and actuarial assumptions of the state of Washington's OPEB plan is included in the Annual Comprehensive Financial Report for the state of Washington. A copy of this report may be obtained by contacting the Statewide Accounting Division of the Office of Financial Management at P.O. Box 43127, Olympia, Washington 98504-3127, or online at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

Note 13 - Commitments and Contingencies

13.A. Federal Assistance

The Workers' Compensation Program has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations. Any disallowance resulting from a review or audit may become a liability of the Workers' Compensation Program. The Workers' Compensation Program does estimate and recognize a claims liability for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the Workers' Compensation Program's overall financial condition. The total federal assistance for fiscal year 2024 was $9.74 million.

13.B. Contingencies

The Workers' Compensation Program is party to numerous routine legal proceedings that normally occur in the course of operations. At any given point, there may be numerous lawsuits that could financially impact the program. Although the outcome of these lawsuits is not currently determinable, the resolution of these matters is not likely to have a material impact on the Workers' Compensation Program's financial position, revenues, or expenses.

13.C. Financial Guarantees

Effective July 1, 1992, the Washington State Legislature requires the Workers' Compensation Program, under RCW 48.22.070, to participate in an assigned risk pool, the Washington United States Longshore and Harbor Workers' Compensation Act Assigned Risk Plan (WARP), providing workers' compensation coverage under the United States Longshoreman and Harbor Workers' Act (USL&H). The Workers' Compensation Program is obligated to participate 50 percent in the underwriting losses or surpluses of the assigned risk pool. This participation is scheduled to continue indefinitely due to amending legislation passed in 1997.

The WARP was authorized to provide USL&H coverage to those unable to purchase it through the normal market. The rules governing the plan are contained in chapter 284-22 of the Washington Administrative Code. It is administered by a governing committee appointed by the Insurance Commissioner and made up of the Director of L&I and three members representing each of the following stakeholder groups: labor, maritime employers, and insurers and insurance producers. The plan has been operating profitably, and the Workers' Compensation Program has not made any payments to this risk pool since enactment of this indefinite commitment. It is unlikely that the Workers' Compensation Program will be required to make any payments in the near future; therefore, there are no guarantees extended that are outstanding at the reporting date. No payment recovery arrangements were authorized from other parties under the law.

Note 14 - Subsequent Events

14.A. Proposed Rate Announcement

Each year, the Director of L&I adopts new workers' compensation insurance premium rates for the next calendar year. On September 17, 2024, the director announced a proposed 3.8 percent increase in the average premium rate for 2025. This rate increase will raise the overall hourly rate from $0.7167 to $0.7441, or $0.0274 per hour, which equates to an average cost increase of $1 a week, on average, for each full-time employee.

The proposed rate increase is below what L&I expects to pay for 2025 claims, so the agency will augment the premiums with funds from the workers' compensation contingency reserve. L&I has reduced the impact on employers and workers by drawing from the contingency reserve to avoid larger increases in premiums. This move is in line with the agency's principles of keeping rates stable. Without using the reserve, the agency would need to raise average rates nearly 5.5 percent to collect enough premiums to cover expected new claims in 2025.

The final rates will be adopted on November 26, 2024, and go into effect January 1, 2025.

14.B. Industrial Insurance Rainy Day Fund Account

RCW 51.44.023 was enacted during the 2011 Legislative session, creating an Industrial Insurance Rainy Day Fund Account to hold transfers from the Accident and Medical Aid Accounts when assets for those accounts combined are between 10 and 30 percent of total liabilities for the Industrial Insurance Fund. Money from the Industrial Insurance Rainy Day Fund Account should be applied to reduce a rate increase or aid businesses during or recovering from economic recessions. Based on the June 30, 2024, Statutory Financial Information Report for the Industrial Insurance Fund, the combined contingency reserve is 32.47 percent of total liabilities. As a part of the 2025 rate-making process, the director will determine the timing and amount of a transfer.

Note: Statutory Financial Information is based on Statutory Accounting Principles (SAP) as promulgated by the National Association of Insurance Commissioners (NAIC).

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Required Supplementary Information

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Reconciliation of Claims Liabilities by Plan
Fiscal Years 2024 and 2023
(in thousands)

The schedule below presents the changes in claims liabilities for the past two fiscal years for the Workers' Compensation Basic and Supplemental Pension Plans:

	Basic Plan		Supplemental Pension Plan		Total	
Claims Payable	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Unpaid loss and loss adjustment expenses at beginning of fiscal year	$ 16,234,886	$ 15,699,756	$ 23,460,000	$ 23,003,000	$ 39,694,886	$ 38,702,756
Incurred claims and claim adjustment expenses						
Provision for insured events of the current fiscal year	2,251,380	2,175,056	836,033	614,506	3,087,413	2,789,562
Increase (decrease) in provision for insured events of prior fiscal years	47,700	266,181	3,770,806	712,724	3,818,506	978,905
Total incurred claims and claim adjustment expenses	2,299,080	2,441,237	4,606,839	1,327,230	6,905,919	3,768,467
Less payments						
Claims and claim adjustment expenses attributable to						
Events of the current fiscal year	350,672	339,476	-	-	350,672	339,476
Insured events of prior fiscal years	1,682,539	1,590,057	889,838	870,230	2,572,377	2,460,287
Total payments	2,033,211	1,929,533	889,838	870,230	2,923,049	2,799,763
Total Unpaid Loss and Loss Adjustment Expenses at Fiscal Year End	$ 16,500,754	$ 16,211,460	$ 889,838	$ 23,460,000	$ 43,653,250	$ 39,671,460
Current portion	$ 1,502,664	$ 1,429,544	$ 939,561	$ 869,498	$ 2,438,709	$ 2,299,042
Noncurrent portion	$ 14,998,090	$ 14,781,916	$ 26,237,439	$ 22,590,502	$ 41,214,541	$ 37,372,418

Source: Washington State Department of Labor & Industries Actuarial Services

Schedule of the Workers' Compensation Program's Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Workers' Compensation Program's employers' proportion of the net pension liability*	2.90%	3.05%	3.09%	3.10%	3.15%	3.15%	3.10%	3.22%	3.26%	3.24%
Workers' Compensation Program's employers' proportionate share of the net pension liability (asset)	$ 28,252,699	$ 35,791,212	$ 16,378,389	$ 46,020,552	$ 50,676,170	$ 58,964,003	$ 61,659,391	$ 72,577,582	$ 70,982,707	$ 69,146,130
Workers' Compensation Program's covered payroll of employees participating in PERS plan 1	$ 631,997	$ 816,546	$ 1,085,146	$ 1,361,179	$ 1,725,539	$ 2,183,895	$ 2,645,571	$ 3,324,167	$ 3,934,364	$ 4,660,286
Workers' Compensation Program's covered payroll of employees participating in PERS plan 2/3	217,984,529	202,312,504	202,391,391	193,024,372	178,843,396	169,694,838	156,736,031	153,876,703	145,729,911	139,125,855
Workers' Compensation Program's employers' covered payroll*	$ 218,616,526	$ 203,129,050	$ 203,476,537	$ 194,385,551	$ 180,568,935	$ 171,878,733	$ 159,381,602	$ 157,200,870	$ 149,664,275	$ 143,786,141
Workers' Compensation Program's employers' proportionate share of the net pension liability as a percentage of its covered payroll*	4470.38%	4383.25%	1509.33%	3380.93%	2936.83%	2699.95%	2330.66%	2183.33%	1804.35%	1483.82%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

*Updated 2014 to employer contribution percent provided by the Office of Financial Management

Schedule of the Workers' Compensation Program's Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Workers' Compensation Program's employers' proportion of the net pension liability*	3.10%	3.23%	3.29%	3.27%	3.27%	3.24%	3.18%	3.31%	3.34%	3.30%
Workers' Compensation Program's employers' proportionate share of the net pension liability (asset)	$ (64,901,504)	$ (61,114,944)	$ (167,927,537)	$ 21,154,035	$ 16,053,547	$ 27,874,638	$ 55,546,159	$ 82,761,762	$ 58,566,959	$ 32,912,727
Workers' Compensation Program's employers' covered payroll*	$ 217,984,529	$ 202,312,504	$ 202,391,391	$ 193,024,372	$ 178,843,396	$ 169,694,838	$ 156,736,031	$ 153,876,703	$ 145,729,911	$ 139,125,855
Workers' Compensation Program's employers' proportionate share of the net pension liability as a percentage of its covered payroll*	-29.77%	-30.21%	-82.97%	10.96%	8.98%	16.43%	35.44%	53.78%	40.19%	23.66%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

*Updated 2014 to employer contribution percent provided by the Office of Financial Management

Schedule of the Workers' Compensation Program's Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Workers' Compensation Program's employers' proportion of the net pension liability*	0.460%	0.230%	0.170%	0.180%	1.110%	0.200%	0.190%	0.210%	0.380%	0.800%
Workers' Compensation Program's employers' proportionate share of the net pension liability (asset)	$ 83,655	$ 56,570	$ 15,308	$ 52,574	$ 300,182	$ 64,554	$ 59,122	$ 70,402	$ 104,621	$ 183,886
Workers' Compensation Program's covered payroll of employees participating in TRS plan 1	$ 3,521	$ 1,799	$ 2,261	$ 2,576	$ 17,283	$ 3,786	$ 4,703	$ 12,044	$ 14,869	$ 36,888
Workers' Compensation Program's covered payroll of employees participating in TRS plan 2/3	263,411	224,098	171,875	158,034	86,164	128,713	110,321	104,508	161,784	282,403
Workers' Compensation Program's employers' covered payroll*	$ 266,932	$ 225,897	$ 174,136	$ 160,610	$ 103,447	$ 132,499	$ 115,024	$ 116,552	$ 176,653	$ 319,291
Workers' Compensation Program's employers' proportionate share of the net pension liability as a percentage of its covered payroll*	2376.17%	3145.22%	677.05%	2041.08%	1736.89%	1705.07%	1257.24%	584.57%	700.00%	497.30%
Plan fiduciary net position as a percentage of the total pension liability	85.09%	78.24%	91.42%	70.55%	70.37%	66.52%	65.58%	62.07%	65.70%	68.77%

*Updated 2014 to employer contribution percent provided by the Office of Financial Management

Schedule of the Workers' Compensation Program's Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Workers' Compensation Program's employers' proportion of the net pension liability*	0.240%	0.230%	0.180%	0.190%	0.200%	0.210%	0.210%	0.250%	0.480%	1.100%
Workers' Compensation Program's employers' proportionate share of the net pension liability (asset)	$ (4,124)	$ (5,943)	$ (62,756)	$ 33,970	$ 12,948	$ 10,164	$ 18,413	$ 29,456	$ 29,388	$ 21,139
Workers' Compensation Program's employers' covered payroll*	$ 263,411	$ 224,098	$ 171,875	$ 158,034	$ 86,164	$ 128,713	$ 110,321	$ 104,508	$ 161,784	$ 282,403
Workers' Compensation Program's employers' proportionate share of the net pension liability as a percentage of its covered payroll*	-1.57%	-2.65%	-36.51%	21.50%	15.03%	7.90%	16.69%	28.19%	17.90%	7.45%
Plan fiduciary net position as a percentage of the total pension liability	100.49%	100.86%	113.72%	91.72%	96.36%	96.88%	93.14%	88.72%	92.48%	96.81%

*Updated 2014 to employer contribution percent provided by the Office of Financial Management

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Workers' Compensation Program's contractually-required contributions	$ 7,558,618	$ 8,431,373	$ 7,884,616	$ 9,978,568	$ 9,450,964	$ 9,441,964	$ 8,836,133	$ 7,552,340	$ 7,431,555	$ 6,064,083
Less:										
Workers' Compensation Program's employer contributions related to covered payroll of employees participating in PERS plan 1	46,748	63,713	84,760	140,966	175,618	223,396	276,209	295,632	366,587	360,952
Workers' Compensation Program's employer UAAL contributions related to covered payroll of employees participating in PERS plan 2/3	7,511,870	8,367,660	7,799,857	9,837,602	9,275,346	9,218,568	8,559,924	7,256,708	7,064,968	5,703,131
Workers' Compensation Program's contributions in relation to the actuarially determined contributions	7,558,618	8,431,373	7,884,616	9,978,568	9,450,964	9,441,964	8,836,133	7,552,340	7,431,555	6,064,083
Workers' Compensation Program's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Workers' Compensation Program's covered payroll of employees participating in PERS plan 1	$ 499,525	$ 631,997	$ 816,546	$ 1,085,146	$ 1,361,179	$ 1,725,539	$ 2,183,895	$ 2,645,571	$ 3,324,167	$ 3,934,364
Workers' Compensation Program's covered payroll of employees participating in PERS plan 2/3	241,130,958	217,984,529	202,312,504	202,391,391	193,024,372	178,843,396	169,694,838	156,736,031	153,876,703	145,729,911
Workers' Compensation Program's covered payroll	$ 241,630,483	$ 218,616,526	$ 203,129,050	$ 203,476,537	$ 194,385,551	$ 180,568,935	$ 171,878,733	$ 159,381,602	$ 157,200,870	$ 149,664,275
Workers' Compensation Program's contributions as a percentage of covered payroll	3.13%	3.86%	3.88%	4.90%	4.86%	5.23%	5.14%	4.74%	4.73%	4.05%

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Workers' Compensation Program's contractually-required contribution	$ 15,887,965	$ 13,931,710	$ 13,232,050	$ 15,972,128	$ 15,238,347	$ 13,487,652	$ 12,603,647	$ 9,749,591	$ 9,501,317	$ 7,327,801
Less:										
Workers' Compensation Program's contributions in relation to the contractually-required contribution	15,887,965	13,931,710	13,232,050	15,972,128	15,238,347	13,487,652	12,603,647	9,749,591	9,501,317	7,327,801
Workers' Compensation Program's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Workers' Compensation Program's covered payroll	$241,130,958	$217,984,529	$202,312,504	$202,391,391	$193,024,372	$178,843,396	$169,694,838	$156,736,031	$153,876,703	$145,729,911
Workers' Compensation Program's contributions as a percentage of covered payroll	6.59%	6.39%	6.54%	7.89%	7.89%	7.54%	7.43%	6.22%	6.17%	5.03%

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Workers' Compensation Program's contractually required contributions	$ 14,660	$ 35,866	$ 15,479	$ 12,209	$ 11,187	$ 60,344	$ 9,164	$ 6,855	$ 6,174	$ 7,297
Less:										
Workers' Compensation Program's employer contributions related to covered-payroll of employees participating in TRS plan 1	285	506	239	299	405	2,678	543	619	775	1,475
Workers' Compensation Program's employer UAAL contributions related to covered-payroll of employees participating in TRS plan 2/3	14,375	35,360	15,240	11,910	10,782	57,666	8,621	6,236	5,399	5,822
Workers' Compensation Program's contributions in relation to the actuarially determined contributions	14,660	35,866	15,479	12,209	11,187	60,344	9,164	6,855	6,174	7,297
Workers' Compensation Program's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Workers' Compensation Program's covered payroll of employees participating in TRS plan 1	$2,460	$3,521	$1,799	$2,261	$2,576	$17,283	$3,786	$4,703	$12,044	$14,869
Workers' Compensation Program's covered-payroll of employees participating in TRS plan 2/3	302,351	263,411	224,098	171,875	158,034	86,164	128,713	110,321	104,508	161,784
Workers' Compensation Program's covered payroll	$ 304,811	$ 266,932	$ 225,897	$ 174,136	$ 160,610	$ 103,447	$ 132,499	$ 115,024	$ 116,552	$ 176,653
Workers' Compensation Program's contributions as a percentage of covered payroll	4.81%	13.44%	6.85%	7.01%	6.97%	58.33%	6.92%	5.96%	5.30%	4.13%

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Workers' Compensation Program's contractually-required contribution	$ 27,840	$ 23,119	$ 19,267	$ 13,936	$ 12,788	$ 11,084	$ 9,868	$ 7,439	$ 7,069	$ 9,233
Less:										
Workers' Compensation Program's contributions in relation to the contractually-required contribution	27,840	23,119	19,267	13,936	12,788	11,084	9,868	7,439	7,069	9,233
Workers' Compensation Program's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Workers' Compensation Program's covered payroll	$ 302,351	$ 263,411	$ 224,098	$ 171,875	$ 158,034	$ 86,164	$ 128,713	$ 110,321	$ 104,508	$ 161,784
Workers' Compensation Program's contributions as a percentage of covered payroll	9.21%	8.78%	8.60%	8.11%	8.09%	12.86%	7.67%	6.74%	6.76%	5.71%

Schedule of Contributions
Higher Education Supplemental Defined Benefit Plans
Fiscal Years Ended June 30

	2024	2023	2022	2021
Actuarially determined contributions	$ 57,828	$ 57,828	$ 20,336	$ 22,065
Contributions in relation to the actuarially determined contributions	$ 57,828	$ 57,828	$ 20,336	$ 22,065
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 20,849	$ 20,849	$ 86,552	$ 49,913
Contributions as a percentage of covered payroll	277.37%	277.37%	23.50%	44.21%

This schedule is to be built prospectively until it contains ten years of data.

* Effective for fiscal year 2024, Higher Education Retirement Plan Supplemental Defined Benefit Plans will be conducting pension actuarial valuations on a 1-year lag. For fiscal year 2024, the Workers' Compensation Program will report Higher Educational Supplemental Retirement Plans supplemental pension plan amounts using the fiscal year 2023 actuarial valuation.

Source: Washington State Office of the State Actuary

Schedule of Changes in Net Pension Liability and Related Ratios
Higher Education Supplemental Defined Benefit Plans
Fiscal Years Ended and Measurement Date of June 30

	2024	2023	2022	2021		2020	2019	2018
Net Pension Liability								
Service cost	$ 35,065	$ 35,065	$ 11,489	$ 71,047		$ 27,955	$ 53,040	$ 33,074
Interest	152,949	152,949	49,482	54,898		35,543	73,022	36,072
Changes of benefit terms	-	-	-	-		-	-	-
Differences between expected and actual experience	(216,977)	(216,977)	211,138	(1,157,312)		52,609	460,792	(292,464)
Changes in assumptions	(184,340)	(184,340)	68,789	(693,568)		212,184	261,223	(110,437)
Benefit payments	(76,032)	(76,032)	(32,028)	(30,227)		(13,921)	(33,566)	(13,710)
Other	-	-	-	-		-	-	-
Change in Net Pension Liability	(289,335)	(289,335)	308,870	(1,755,162)		314,370	814,511	(347,465)
Net Pension Liability - Beginning	981,772	981,772	672,902	2,428,064	**	1,737,068	922,557	1,270,022
Net Pension Liability - Ending	$ 692,437	$ 692,437	$ 981,772	$ 672,902		$ 2,051,438	$ 1,737,068	$ 922,557
Plan Fiduciary Net Postion*								
Contributions - Employer	$ 57,828	$ 57,828	$ 20,335	$ 22,065		N/A	N/A	N/A
Contributions - Member	-	-	-	-		N/A	N/A	N/A
Net Investment Income	49,740	49,740	314	69,178		N/A	N/A	N/A
Benefit Payments, Including Refunds of Member Contributions	-	-	-	-		N/A	N/A	N/A
Administrative Expense	-	-	-	-		N/A	N/A	N/A
Others	-	-	-	-		N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	107,568	107,568	20,649	91,243		N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	301,214	301,214	280,565	189,322	**	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending	408,782	408,782	301,214	280,565		N/A	N/A	N/A
Plan's Net Position Liability/(Asset) - Ending	$ 283,655	$ 283,655	$ 680,558	$ 392,337		N/A	N/A	N/A

This schedule is to be built prospectively until it contains ten years of data.

* Due to changes in legistation, assets from higher education institution plans that were previously not administered through trust were placed into a trust or similar arrangement. As a result, plans prevously reported under GASB Statement No. 73 are now reported under GASB Statements Nos. 67/68. The change is effective for fiscal year 2021.

** Beginning balance adjusted to account for changes due to GASB 67/68 reporting changes.

**** Effective for fiscal year 2024, Higher Education Retirement Plan Supplemental Defined Benefit Plans will be conducting pension actuarial valuations on a 1-year lag.

For fiscal year 2024, the Workers' Compensation Program will report Higher Educational Supplemental Retirement Plans supplemental pension plan using the fiscal year 2023 actuarial valuation.

Source: Washington State Office of the State Actuary

Notes to Required Supplementary Information

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions for PERS and TRS

The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 of the Revised Code of Washington (RCW). Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered-year valuation date determine the ADC for the biennium that ensues two years later. The actuarial valuation with a June 30, 2019, valuation date, completed in the fall of 2020, plus any supplemental contribution rates from the preceding legislative session, determined the ADC for the period beginning July 1, 2021, and ending June 30, 2023.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different, pending the actions of the governing bodies.

For cost-sharing plans, the OSA calculates the Contractually Required Contributions (CRC) using the same assumptions and methods as the ADC, except the CRC reflect the adopted contribution rates for the time period shown, which may differ from the contribution rates produced for the ADC.

Schedule of the Workers' Compensation Program's Changes in Total Other Postemployment Benefits (OPEB) Liability and Related Ratios As of the Measurement Date of June 30

(dollars in thousands)

	2023	2022	2021	2020	2019	2018	2017
Changes in OPEB Liability							
Service cost	$ 3,316	$ 6,869	$ 7,266	$ 5,571	$ 5,354	$ 7,258	$ 8,764
Interest cost	3,331	3,187	3,140	4,661	4,645	4,990	4,105
Difference between expected and actual experience	-	(3,156)	-	(714)	-	4,555	-
Changes in benefit terms	-	-	-	-	-	-	-
Changes in assumptions	(2,791)	(56,826)	3,107	(527)	8,268	(27,871)	(20,024)
Benefit payments	(2,320)	(2,342)	(2,393)	(2,219)	(2,125)	(2,108)	(2,092)
Other*	-	-	-	(4,747)	-	-	-
Net Change in Total OPEB Liability	1,536	(52,268)	11,120	2,025	16,142	(13,176)	(9,247)
Total OPEB Liability - Beginning	93,114	145,382	134,262	132,237	116,095	129,271	138,518
Total OPEB Liability - Ending	$ 94,650	$ 93,114	$ 145,382	$ 134,262	$ 132,237	$ 116,095	$ 129,271
Covered-employee payroll	$ 241,935	$ 218,883	$ 203,355	$ 203,651	$ 194,546	$ 180,672	$ 172,011
Total OPEB Liability as a Percentage of Covered-Employee Payroll	39.1%	42.5%	71.5%	65.9%	68.0%	64.3%	75.2%

This schedule is to be built prospectively until it contains ten years of data.
*Impact of removing trends that include excise tax. Legislation under H.R. 1865 repealed the excise tax after the previous measurement date.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Notes to Required Supplementary Information

The Public Employees Benefits Board (PEBB) OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, healthcare trend rates, salary projections, and participation percentages.

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Supplementary and Other Information

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Combining Schedule of Net Position
June 30, 2024

	Accident Account	Medical Aid Account	Pension Reserve Account	Industrial Insurance Rainy Day Fund	Total Basic Plan	Supplemental Pension Account	Second Injury Account	Self-Insured Overpayment Reimbursement Account	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
Current Assets									
Cash and cash equivalents	$ 14,130,948	$ 5,432,134	$ 11,937,683	$ -	$ 31,500,765	$ 8,727,782	$ 98,868,955	$ 1,654,894	$ 140,752,396
Investments, current	465,836,475	663,687,768	171,715,937	-	1,301,240,180	194,362,301	-	-	1,495,602,481
Restricted cash	54,375	17,078	581,918	-	653,371	-	-	-	653,371
Receivables, net of allowance	489,852,984	274,071,305	71,562,497	-	835,486,786	259,594,678	9,652,509	148,242	1,104,882,215
Receivables from workers' compensation accounts	50,250,652	2,138,950	16,643,955	-	69,033,557	-	-	-	69,033,557 *
Receivables from other state accounts and agencies	623,666	494,596	51,524	-	1,169,786	58,711	678,816	-	1,907,313
Receivables from other governments	901,202	263,060	-	-	1,164,262	-	-	-	1,164,262
Prepaid expenses	85,069	82,945	-	-	168,014	-	-	-	168,014
Total Current Assets	1,021,735,371	946,187,836	272,493,514	-	2,240,416,721	462,743,472	109,200,280	1,803,136	2,814,163,609
Noncurrent Assets									
Due from other funds, net of current portion	-	-	-	3,230,016,921	3,230,016,921	-	-	-	3,230,016,921 *
DOE trust receivable	-	-	2,628,996	-	2,628,996	-	-	-	2,628,996
Investments, net of current portion	6,641,527,623	6,609,639,838	5,126,998,975	-	18,378,166,436	2,647,762	(1,217,709)	-	18,379,596,489
Restricted net pension asset	32,185,325	32,720,303	-	-	64,905,628	-	-	-	64,905,628
Capital assets, net of accumulated depreciation and amortization	69,998,791	32,357,257	-	-	102,356,048	-	-	-	102,356,048
Total Noncurrent Assets	6,743,711,739	6,674,717,398	5,129,627,971	3,230,016,921	21,778,074,029	2,647,762	(1,217,709)	-	21,779,504,082
Deferred Outflows of Resources									
Deferred outflows from pensions	33,132,421	32,522,296	-	-	65,654,717	-	-	-	65,654,717
Deferred outflow of resources on OPEB	5,996,364	6,806,386	-	-	12,802,750	-	-	-	12,802,750
Total Deferred Outflows of Resources	39,128,785	39,328,682	-	-	78,457,467	-	-	-	78,457,467
Total Assets and Deferred Outflows of Resources	$ 7,804,575,895	$ 7,660,233,916	$ 5,402,121,485	$ 3,230,016,921	$ 24,096,948,217	$ 465,391,234	$ 107,982,571	$ 1,803,136	$ 24,672,125,158

*Receivables from and payables to the workers' compensation accounts are not included in the Statement of Net Position.

Combining Schedule of Net Position
June 30, 2024

	Accident Account	Medical Aid Account	Pension Reserve Account	Industrial Insurance Rainy Day Fund	Total Basic Plan	Supplemental Pension Account	Second Injury Account	Self-Insured Overpayment Reimbursement Account	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)									
Current Liabilities									
Accounts payable	$ 4,197,876	$ 3,880,267	$ 46,081	$ -	$ 8,124,224	$ 7,621	$ -	$ -	$ 8,131,845
Accrued liabilities	253,637,180	36,422,235	6,152,374	-	296,211,789	1,310,366	292,650	-	297,814,805
Leases and subscriptions payable, current	3,108,336	3,058,493	-	-	6,166,829	-	-	-	6,166,829
Net pension liability, current	(22)	22	-	-	-	-	-	-	-
Other post-employment benefits, current	1,183,476	1,201,605	-	-	2,385,081	-	-	-	2,385,081
Payables to workers' compensation accounts	4,645	275,580	49,975,001	-	50,255,226	2,134,376	16,643,955	-	69,033,557 *
Payables to other state accounts and agencies	4,896,259	3,697,339	82,651	-	8,676,249	85,654	701,400	-	9,463,303
Payables to other governments	2	2	-	-	4	-	-	-	4
Unearned revenues	843,126	139,103	-	-	982,229	1,812,215	-	-	2,794,444
DOE trust liabilities, current	-	-	366,000	-	366,000	-	-	-	366,000
Claims payable, current	670,464,000	522,511,000	306,173,000	-	1,499,148,000	939,561,000	-	-	2,438,709,000
Total Current Liabilities	938,334,878	571,185,646	362,795,107	-	1,872,315,631	944,911,232	17,638,005.00	-	2,834,864,868
Noncurrent Liabilities									
Due to other funds, net of current portion	756,126,295	2,473,890,626	-	-	3,230,016,921	-	-	-	3,230,016,921 *
Claims payable, net of current portion	5,719,964,000	3,559,755,000	5,697,383,000	-	14,977,102,000	26,237,439,000	-	-	41,214,541,000
Leases and subscriptions payable, net of current portion	6,262,684	6,335,922	-	-	12,598,606	-	-	-	12,598,606
Compensated absences	3,431,489	3,115,859	-	-	6,547,348	-	-	-	6,547,348
DOE trust liabilities, net of current portion	-	-	2,844,914	-	2,844,914	-	-	-	2,844,914
Other post-employment benefits, net of current portion	45,914,886	46,350,262	-	-	92,265,148	-	-	-	92,265,148
Net pension liability	15,567,226	13,052,783	-	-	28,620,009	-	-	-	28,620,009
Total Noncurrent Liabilities	6,547,266,580	6,102,500,452	5,700,227,914	-	18,349,994,946	26,237,439,000	-	-	44,587,433,946
Total Liabilities	7,485,601,458	6,673,686,098	6,063,023,021	-	20,222,310,577	27,182,350,232	17,638,005	-	47,422,298,814
Deferred Inflows of Resources									
Deferred inflows from pensions	16,188,420	16,565,929	-	-	32,754,349	-	-	-	32,754,349
Deferred Inflow of resources on OPEB	33,104,293	34,774,624	-	-	67,878,917	-	-	-	67,878,917
Total Deferred Inflows of Resources	49,292,713	51,340,553	-	-	100,633,266	-	-	-	100,633,266
Net Position (Deficit):									
Net investment in capital assets	60,627,772	22,962,841	-	-	83,590,613	-	-	-	83,590,613
Restricted pension	47,292,993	46,542,310	-	-	93,835,303	-	-	-	93,835,303
Unrestricted	161,760,959	865,702,114	(660,901,536)	3,230,016,921	3,596,578,458	(26,716,958,998)	90,344,566.00	1,803,136	(23,028,232,838)
Total Net Position (Deficit)	269,681,724	935,207,265	(660,901,536)	3,230,016,921	3,774,004,374	(26,716,958,998)	90,344,566.00	1,803,136	(22,850,806,922)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 7,804,575,895	$ 7,660,233,916	$ 5,402,121,485	$ 3,230,016,921	$ 24,096,948,217	$ 465,391,234	$ 107,982,571	$ 1,803,136	$ 24,672,125,158

*Receivables from and payables to the workers' compensation accounts are not included in the Statement of Net Position.

Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

	Accident Account	Medical Aid Account	Pension Reserve Account	Industrial Insurance Rainy Day Fund	Total Basic Plan	Supplemental Pension Account	Second Injury Account	Self-Insured Overpayment Reimbursement Account	Total
OPERATING REVENUES									
Premiums and assessments, net of refunds and reinsurance	$ 1,301,164,352	$ 795,148,956	$ 46,119,271	$ -	$ 2,142,432,579	$ 922,857,304	$ 25,602,468	$ 513,840	$ 3,091,406,191
Miscellaneous revenue	43,921,353	1,126,210	2,640	-	45,050,203	22,837,274	202	-	67,887,679
Total Operating Revenues	1,345,085,705	796,275,166	46,121,911	-	2,187,482,782	945,694,578	25,602,670	513,840	3,159,293,870
OPERATING EXPENSES									
Salaries and wages	127,322,302	121,972,021	-	-	249,294,323	-	-	-	249,294,323
Employee benefits	23,793,437	22,642,397	-	-	46,435,834	-	-	-	46,435,834
Personal services	7,047,743	7,610,727	-	-	14,658,470	-	-	-	14,658,470
Goods and services	52,178,038	45,708,164	-	-	97,886,202	-	-	-	97,886,202
Travel	2,854,354	1,554,651	-	-	4,409,005	-	-	-	4,409,005
Claims	1,017,098,295	414,581,273	630,036,626	-	2,061,716,194	4,582,716,749	1,625,420	221,053	6,646,279,416
Depreciation	5,317,564	5,108,492	-	-	10,426,056	-	-	-	10,426,056
Miscellaneous expenses	37,763,997	7,582,248	575,794	-	45,922,039	24,891,411	535	-	70,813,985
Total Operating Expenses	1,273,375,730	626,759,973	630,612,420	-	2,530,748,123	4,607,608,160	1,625,955	221,053	7,140,203,291
Operating Income (Loss)	71,709,975	169,515,193	(584,490,509)	-	(343,265,341)	(3,661,913,582)	23,976,715	292,787	(3,980,909,421)
NONOPERATING REVENUES (EXPENSES)									
Earnings on investments	412,612,234	488,842,173	184,856,600	-	1,086,311,007	9,586,371	2,113,015	-	1,098,010,393
Other revenues (expenses)	8,029,081	1,479,945	-	-	9,509,026	-	-	-	9,509,026
Total Nonoperating Revenues (Expenses)	420,641,315	490,322,118	184,856,600	-	1,095,820,033	9,586,371	2,113,015	-	1,107,519,419
Income (Loss) Before Transfers	492,351,290	659,837,311	(399,633,909)	-	752,554,692	(3,652,327,211)	26,089,730	292,787	(2,873,390,002)
Transfers in	117,259,303	172,785,299	372,376,919	630,861,269	1,293,282,790	-	11,339,195	-	1,304,621,985
Transfers out	(448,629,953)	(524,637,796)	(59,562,568)	(237,498,601)	(1,270,328,918)	-	(34,293,067)	-	(1,304,621,985)
Net Transfers	(331,370,650)	(351,852,497)	312,814,351	393,362,668	22,953,872	-	(22,953,872)	-	-
Changes in Net Position	160,980,640	307,984,814	(86,819,558)	393,362,668	775,508,564	(3,652,327,211)	3,135,858	292,787	(2,873,390,002)
Net Position (Deficit) at July 1	108,545,318	627,120,220	(574,081,978)	2,836,654,253	2,998,237,813	(23,064,631,787)	87,208,708	1,510,349	(19,977,674,917)
Prior Period Adjustment	155,766	102,231	-	-	257,997	-	-	-	257,997
Net Position (Deficit) - July 1, as restated	108,701,084	627,222,451	(574,081,978)	2,836,654,253	2,998,495,810	(23,064,631,787)	87,208,708	1,510,349	(19,977,416,920)
Net Position (Deficit) - June 30	$ 269,681,724	$ 935,207,265	$ (660,901,536)	$ 3,230,016,921	$ 3,774,004,374	$ (26,716,958,998)	$ 90,344,566	$ 1,803,136	$ (22,850,806,922)

*Transfers in from and transfers out to workers' compensation accounts are not included in the Statement of Revenues, Expenses and Changes in Net Position

Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2024

	Accident Account	Medical Aid Account	Pension Reserve Account	Industrial Insurance Rainy Day Account	Total Basic Plan	Supplemental Pension Account	Second Injury Account	Self-Insured Overpayment Reimbursement Account	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	$ 1,243,383,657	$ 772,195,806	$ 43,478,052	$ -	$ 2,059,057,515	$ 930,291,078	$ 26,446,885	$ 611,560	$ 3,016,407,038
Payments to/for beneficiaries	(627,539,628)	(599,305,096)	(558,602,680)	-	(1,785,447,404)	(867,212,312)	(1,632,151)	(221,053)	(2,654,512,920)
Payments to employees	(168,796,841)	(162,348,936)	-	-	(331,145,777)	-	-	-	(331,145,777)
Payments to suppliers	(67,948,256)	(59,381,610)	(1,642,613)	-	(128,972,479)	77,585	701,400	-	(128,193,494)
Other	43,483,274	478,202	(42,013)	-	43,919,463	22,874,490	(678,614)	-	66,115,339
Net Cash Flows from Operating Activities	422,582,206	(48,361,634)	(516,809,254)	-	(142,588,682)	86,030,841	24,837,520	390,507	(31,329,814)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers in (Workers' Compensation Funds)	67,389,618	173,012,736	365,344,719	237,498,601	843,245,674	387,580	11,339,194	-	854,972,448 *
Transfers out (Workers' Compensation Funds)	(409,151,922)	(174,050,026)	(9,587,567)	(237,498,601)	(830,288,116)	(18,655)	(24,665,678)	-	(854,972,449) *
Operating grants received	8,257,937	1,666,012	-	-	9,923,949	-	-	-	9,923,949
License fees collected	77,432	16,815	-	-	94,247	-	-	-	94,247
Net Cash Flows from Noncapital Financing Activities	(333,426,935)	645,537	355,757,152	-	22,975,754	368,925	(13,326,484)	-	10,018,195
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisitions of capital assets	(6,497,193)	(5,163,940)	-	-	(11,661,133)	-	-	-	(11,661,133)
Net Cash Flows from Capital and Related Financing Activities	(6,497,193)	(5,163,940)	-	-	(11,661,133)	-	-	-	(11,661,133)
CASH FLOWS FROM INVESTING ACTIVITIES									
Net sales (purchases) of trust investments	-	-	16,523	-	16,523	-	-	-	16,523
Receipt of interest and dividends	198,868,237	186,403,134	183,730,694	-	569,002,065	7,689,964	2,713,064	-	579,405,093
Investment expenses	(2,345,683)	(2,501,517)	(1,691,343)	-	(6,538,543)	(255,506)	(826)	-	(6,794,875)
Proceeds from sale of investment securities	1,891,778,468	1,806,466,303	1,385,415,443	-	5,083,660,214	680,340,467	(510,959)	-	5,763,489,722
Purchases of investment securities	(2,164,276,985)	(1,937,585,145)	(1,408,188,423)	-	(5,510,050,553)	(766,936,917)	274,555	-	(6,276,712,915)
Net Cash Flows from Investing Activities	(75,975,963)	52,782,775	159,282,894	-	136,089,706	(79,161,992)	2,475,834	-	59,403,548
Net Increase (Decrease) in Cash and Cash Equivalents	6,682,115	(97,262)	(1,769,208)	-	4,815,645	7,237,774	13,986,870	390,507	26,430,796
Cash & cash equivalents, July 1 (includes Restricted cash of $565,395)	7,503,207	5,546,475	14,288,810	-	27,338,492	1,490,006	84,882,086	1,264,387	114,974,971
Cash & cash equivalents, June 30 (includes Restricted cash of $653,371)	$ 14,185,322	$ 5,449,213	$ 12,519,602	$ -	$ 32,154,137	$ 8,727,780	$ 98,868,956	$ 1,654,894	$ 141,405,767
Cash Flows from Operating Activities									
Operating income (loss)	$ 71,709,975	$ 169,515,193	$ (584,490,509)	$ -	$ (343,265,341)	$ (3,661,913,582)	$ 23,976,714	$ 292,787	$ (3,980,909,422)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities									
Depreciation	5,317,564	5,108,492	-	-	10,426,056	-	-	-	10,426,056
Change in Assets: Decrease (Increase)									
Receivables	(40,304,508)	(10,341,415)	(2,480,068)	-	(53,125,991)	32,517,360	166,137	97,720	(20,344,774)
Prepaid expenses	(1,562)	(1,562)	-	-	(3,124)	-	-	-	(3,124)
Other assets	(1,907,464)	(1,877,277)	-	-	(3,784,741)	-	-	-	(3,784,741)
Change in Liabilities: Increase (Decrease)									
Claims and judgments payable	391,677,000	(199,737,000)	72,850,000	-	264,790,000	3,717,000,000	-	-	3,981,790,000
Accrued liabilities	(3,908,800)	(11,028,066)	(2,688,676)	-	(17,625,542)	(1,572,936)	694,670	-	(18,503,808)
Net Cash Flows from Operating Activities	$ 422,582,205	$ (48,361,635)	$ (516,809,253)	$ -	$ (142,588,683)	$ 86,030,842	$ 24,837,521	$ 390,507	$ (31,329,813)
Non Cash Investing, Capital and Financing Activities									
Increase (decrease) in fair value of investments	$ 207,396,687	$ 294,349,997	$ (17,304,256)	$ -	$ 484,442,428	$ 2,326,029	$ (1,217,709)	$ -	$ 485,550,748

* Intrafund transfers between the workers' compensation accounts are not included in the Statement of Cash Flows.

Statistical Section

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Statistical Section

Narrative and Index

This section of the state of Washington's Workers' Compensation Program's ACFR presents detailed information as a supplement to the information in the basic financial statements, note disclosures, and required supplementary information to assist readers in assessing the program's overall financial health.

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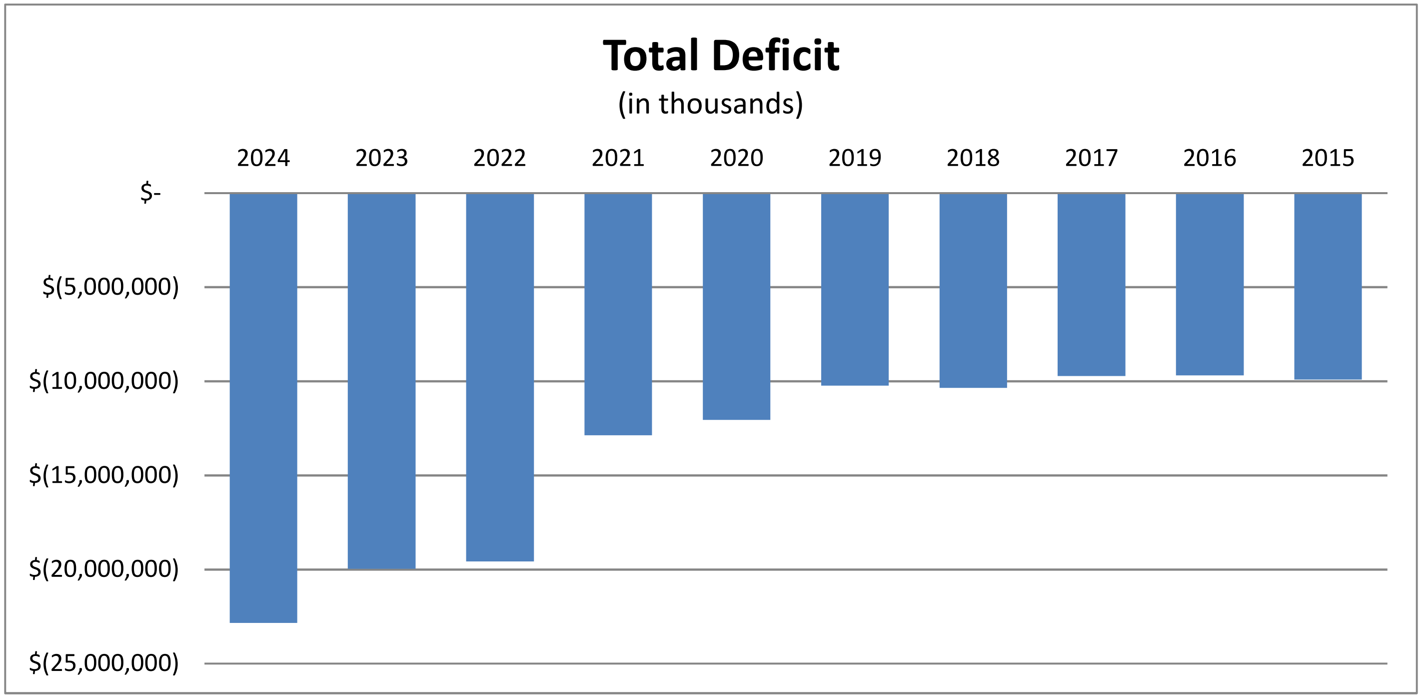
Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Schedule 1 - Net Position (Deficit) by Component
Last Ten Fiscal Years
(in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Net investment in capital assets	$ 83,591	$ 82,394	$ 57,398	$ 36,530	$ 37,155	$ 51,440	$ 58,076	$ 65,149	$ 67,452	$ 67,595
Restricted pension	93,835	70,776	36,325	-	-	-	-	-	-	-
Unrestricted[1]	(23,028,233)	(20,130,587)	(19,674,079)	(12,903,978)	(12,101,355)	(10,283,722)	(10,415,584)	(9,791,167)	(9,764,441)	(9,987,396)
Total Net Position (Deficit) [1]	$ (22,850,807)	$ (19,977,417)	$ (19,580,356)	$ (12,867,448)	$ (12,064,200)	$ (10,232,282)	$ (10,357,508)	$ (9,726,018)	$ (9,696,989)	$ (9,919,801)

[1] Fiscal years 2016, 2017, 2021 and 2023 are restated amounts.



Schedule 2 - Changes in Net Position

Last Ten Fiscal Years
(in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating Revenues										
Premiums and assessments, net of refunds and reinsurance	$ 3,091,406	$ 2,982,042	$ 2,766,915	$ 2,349,955	$ 2,658,958	$ 2,612,753	$ 2,724,896	$ 2,697,735	$ 2,516,256	$ 2,337,483
Miscellaneous revenues	67,888	55,542	44,631	41,282	52,706	53,646	49,833	61,239	57,682	56,714
Total Operating Revenues	3,159,294	3,037,584	2,811,546	2,391,237	2,711,664	2,666,399	2,774,729	2,758,974	2,573,938	2,394,197
Operating Expenses										
Salaries and wages	249,294	224,116	209,888	209,818	200,115	186,678	177,028	160,503	159,686	150,278
Employee benefits	46,436	49,073	14,154	55,083	59,563	59,203	64,793	68,547	62,966	55,397
Personal services	14,659	19,842	12,347	14,773	15,829	13,072	14,968	5,686	7,457	11,304
Goods and services	97,886	95,720	83,891	103,284	100,992	93,809	86,737	82,025	82,424	82,416
Travel	4,409	4,346	2,853	2,286	4,381	4,597	4,576	3,867	4,106	4,145
Claims	6,646,279	3,582,759	6,586,284	4,112,609	5,900,718	3,588,197	3,286,636	2,887,424	2,873,993	2,666,452
Depreciation and amortization	10,426	13,613	11,410	4,371	7,508	7,407	8,499	9,851	10,206	7,184
Miscellaneous	70,814	49,216	34,311	3,118	97,669	44,777	23,841	51,548	37,450	41,041
Total Operating Expenses	7,140,203	4,038,685	6,955,138	4,505,342	6,386,775	3,997,740	3,667,078	3,269,451	3,238,288	3,018,217
Operating Income (Loss)	(3,980,909)	(1,001,101)	(4,143,592)	(2,114,105)	(3,675,111)	(1,331,341)	(892,349)	(510,477)	(664,350)	(624,020)
Nonoperating Revenues (Expenses)										
Earnings on investments	1,098,010	594,480	(2,580,407)	1,303,002	1,836,909	1,446,193	249,354	551,367	857,707	215,557
Other revenues	9,509	9,687	9,304	9,551	9,722	10,374	11,505	9,186	8,909	7,840
Interest expense	-	-	-	-	-	-	-	-	(37)	(255)
Total Nonoperating Revenues (Expenses)	1,107,519	604,167	(2,571,103)	1,312,553	1,846,631	1,456,567	260,859	560,553	866,579	223,142
Income (Loss) Before Transfers	(2,873,390)	(396,934)	(6,714,695)	(801,552)	(1,828,480)	125,226	(631,490)	50,076	202,229	(400,878)
Transfers in [1]	-	-	1,787	75	-	-	-	-	-	-
Transfers out [1]	-	(385)	-	(1,326)	(3,439)	-	-	(192)	-	-
Net Transfers	-	(385)	1,787	(1,251)	(3,439)	-	-	(192)	-	-
Changes in Net Position	(2,873,390)	(397,319)	(6,712,908)	(802,803)	(1,831,919)	125,226	(631,490)	49,884	202,229	(400,878)
Net Position (Deficit), July 1 [2]	(19,977,417)	(19,580,356)	(12,867,448)	(12,064,200)	(10,232,282)	(10,357,508)	(9,726,018)	(9,696,989)	(9,919,801)	(9,518,923)
Net Position (Deficit), June 30	$ (22,850,807)	$ (19,977,675)	$ (19,580,356)	$ (12,867,003)	$ (12,064,201)	$ (10,232,282)	$ (10,357,508)	$ (9,647,105)	$ (9,717,572)	$ (9,919,801)

[1] Starting in FY15, intrafund transfers should not be reported. The balances in fiscal years 2023, 2022, 2021 and 2020 are related to the IT Transfer Pool and the $192 in fiscal year 2017 is related to a one-time transfer for the Moore Settlemer

[2] Fiscal years 2017, 2018, 2022, and 2024 deficits at beginning of year are restated amounts.

Schedule 3 - Revenues by Source

Last Ten Fiscal Years

(dollars in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Premiums and Assessments										
State Fund Premiums										
Accident	$ 1,495,829	$ 1,410,988	$ 1,341,841	$ 1,199,507	$ 1,328,685	$ 1,344,650	$ 1,420,464	$ 1,395,147	$ 1,299,794	$ 1,231,128
Medical Aid	781,046	758,535	744,639	692,088	794,066	825,943	870,331	855,218	820,177	779,315
Supplemental Pension	722,697	688,025	607,152	482,231	471,113	427,669	391,670	367,623	340,034	321,967
Net retrospective rating refunds	(207,084)	(202,525)	(217,359)	(266,286)	(202,909)	(240,184)	(195,578)	(169,105)	(156,378)	(188,302)
Ceded premiums reinsurance[1]	(15,696)	(15,170)	(14,800)	(13,601)	(12,039)	(5,175)	-	-	-	-
Total State Fund Premiums	2,776,792	2,639,853	2,461,473	2,093,939	2,378,916	2,352,903	2,486,887	2,448,883	2,303,627	2,144,108
Self-Insurance Assessments	314,614	342,188	305,442	256,016	280,042	259,850	238,009	248,852	212,629	193,375
Total Premiums and Assessments	$ 3,091,406	$ 2,982,041	$ 2,766,915	$ 2,349,955	$ 2,658,958	$ 2,612,753	$ 2,724,896	$ 2,697,735	$ 2,516,256	$ 2,337,483
Investments[2]										
Investment income (interest and dividend)	$ 596,119	$ 511,565	$ 465,676	$ 474,021	$ 508,842	$ 506,216	$ 479,112	$ 482,427	$ 503,057	$ 493,679
Investment balances	$ 19,875,199	$ 18,966,437	$ 18,406,622	$ 21,305,481	$ 20,315,855	$ 18,514,794	$ 16,769,383	$ 16,406,236	$ 15,587,449	$ 14,634,116
Average rate of return	3.0%	2.7%	2.5%	2.2%	2.5%	2.7%	2.9%	2.9%	3.2%	3.4%

CALENDAR YEAR	2014	2023	2022	2021	2020	2019	2018	2017	2016	2015
Average Standard Premium Rates[3] (Per Hour Worked) - Effective from January 1 to December 31										
Accident	0.3596	0.3377	0.3231	0.3231	0.3235	0.3305	0.3564	0.3739	0.3691	0.3597
Medical Aid	0.1809	0.1727	0.1724	0.1724	0.1893	0.1959	0.2113	0.2179	0.2179	0.2179
Supplemental Pension	0.1708	0.1672	0.1563	0.1371	0.1223	0.1116	0.1026	0.0958	0.0950	0.0894
Stay At Work	0.0054	0.0054	0.0055	0.0049	0.0049	0.0047	0.0045	0.0046	0.0055	0.0073
Total Average Standard Premium Rates (Composite Rate)	0.7167	0.6830	0.6573	0.6375	0.6400	0.6427	0.6748	0.6922	0.6875	0.6743
Employer portion	0.4888	0.4647	0.4468	0.4369	0.4433	0.4484	0.4739	0.4871	0.4907	0.4734
Worker portion	0.1786	0.1726	0.1671	0.1572	0.1583	0.1561	0.1592	0.1592	0.1592	0.1573
State Fund Average Hourly Wage	$ 48.54	$ 45.06	$ 40.01	$ 39.26	$ 36.85	$ 36.11	$ 34.55	$ 30.76	$ 30.01	$ 28.64
Composite Net of Retro Rate per $100 Payroll[4]	$ 1.37	$ 1.41	$ 1.53	$ 1.51	$ 1.63	$ 1.67	$ 1.83	$ 2.10	$ 2.17	$ 2.20

[1] The Workers' Compensation Program first purchased reinsurance in calendar year 2019.
[2] These amounts reflect only investments managed by the Washington State Investment Board.
[3] These rates are for State Fund firms. Past average standard premium rates change annually to reflect the current distribution of risk by class.
[4] This figure equals the composite net of the Retro rate divided by the State Fund average hourly wage.

Sources: Washington State Agency Financial Reporting System
Washington State Department of Labor & Industries Actuarial Services

Schedule 4 - Employer Accounts

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employers insured	201,000	200,830	197,220	185,100	181,700	181,600	179,000	176,000	175,100	172,000
Workers covered	2,764,000	2,768,000	2,663,000	2,508,000	2,627,000	2,574,000	2,800,000	2,692,000	2,577,000	2,489,000
Hours reported	4,283,950,347	4,291,000,000	4,128,000,000	3,887,000,000	4,006,000,000	3,927,000,000	3,828,000,000	3,683,000,000	3,540,000,000	3,388,000,000
Self-insured employers	340	348	352	351	351	350	351	356	351	363
Workers covered under self-insured employers	1,041,000	940,000	959,000	927,000	972,000	951,000	943,000	909,000	903,000	879,000
Industry Classifications - NAICS Sector										
Construction	16,600	16,300	27,800	26,900	26,600	27,000	26,200	25,200	23,900	22,700
Prof., scientific, and technical services	3,700	3,700	35,400	30,400	27,100	26,100	25,200	24,400	23,700	22,600
Other services (except public administration)	4,600	4,600	17,700	17,000	17,200	17,300	17,200	17,000	16,900	16,800
Retail trade	1,000	1,000	14,900	14,400	14,800	15,100	15,400	15,500	15,700	15,900
Health care and social assistance	10,000	10,500	16,100	15,600	15,500	15,400	15,300	15,100	15,200	15,200
Accommodation and food services	27,900	27,500	15,400	14,700	15,400	15,600	15,300	15,100	14,900	14,800
Administrative and support services	37,100	37,200	16,400	14,500	13,300	13,000	12,700	12,400	12,000	11,600
Wholesale trade	200	200	11,000	11,000	11,300	11,300	11,300	11,300	11,200	11,100
Agriculture, forestry, fishing, and hunting	18,300	18,200	6,280	6,400	6,600	6,800	7,000	7,100	7,200	7,200
Real estate, rental and leasing	4,400	3,900	7,100	7,000	7,200	7,200	7,100	7,000	6,900	6,900
Manufacturing	6,700	6,800	6,780	6,500	6,600	6,700	6,700	6,700	6,700	6,600
Finance and insurance	16,700	17,000	5,950	5,600	5,300	5,200	5,200	5,100	5,100	5,100
Transportation and warehousing	400	400	4,580	4,300	4,300	4,300	4,200	4,200	5,600	6,100
Education services	15,700	15,700	3,630	3,400	3,400	3,400	3,200	3,100	3,100	2,900
Arts, entertainment, and recreation	14,900	15,000	3,070	2,900	3,100	3,000	2,900	2,900	2,900	2,800
Information	5,900	6,100	3,430	2,800	2,400	2,400	2,400	2,200	2,300	2,200
Public administration	3,100	3,100	990	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Utilities	500	400	350	400	400	400	400	400	400	400
Mgmt. of companies and enterprises	6,600	6,800	280	300	200	200	200	200	200	200
Mining	6,200	6,200	150	100	200	200	200	200	200	200
Unclassified establishments	700	600	610	600	600	600	600	600	600	600
Total Employer Accounts	201,000	200,830	197,220	185,100	181,700	181,600	179,000	176,000	175,100	172,000

Note: The data is a snapshot of the fiscal year (July 1 – June 30) as of the first week of the following October.
Totals may not sum due to rounding.

Sources: Washington State Department of Labor & Industries Actuarial Services

Schedule 5 - Ratios of Outstanding Debt

Last Ten Fiscal Years

(dollars in thousands, except per covered worker)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Outstanding Debt										
General obligation bonds [1]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,050
Leases/installment contracts [2,3]	18,765	30,192	27,894							
	$ 18,765	$ 30,192	$ 27,894	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,050
Debt Ratios										
Principal paid on total debt	$ 7,789	$ 9,052	$ 7,251	$ -	$ -	$ -	$ -	$ -	$ 4,050	$ 3,820
Ratio of principal paid to total prior year debt	41.5%	30.0%	26.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	48.5%
Interest paid on total debt	$ 364	$ 217	$ 241	$ -	$ -	$ -	$ -	$ -	$ 110	$ 325
Ratio of interest paid to total prior year debt	1.9%	0.7%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	4.1%
Premiums and assessments earned	$ 3,091,406	$ 2,982,042	$ 2,766,915	$ 2,349,955	$ 2,658,958	$ 2,612,753	$ 2,724,896	$ 2,697,735	$ 2,516,256	$ 2,337,483
Ratio of total debt to premiums and assessments earned	0.6%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Total debt per covered worker [4]	$ 6.79	$ 10.87	$ 10.47	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.51

[1] Bonds were paid in full during fiscal year 2016.

[2] Beginning in fiscal year 2022, the 'Leases/installment contracts' replaced "Capital leases/installment contracts.' This change was due to the implementation of GASB Statement No. 87, *Leases*, under which lease contracts previously considered operating are now treated as financings of the right to use an asset and, thus, included on this schedule.

[3] Beginning in fiscal year 2023 GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, was implemented. Contracts for SBITAs are treated as financings of the right to use an asset and, thus, included on this schedule.

[4] Covered worker data can be found in Schedule 4.

Source: Washington State Agency Financial Reporting System

Schedule 6 - Schedule of Changes in Claims Payable

Last Ten Fiscal Years

(in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Unpaid loss and loss adjustment expenses at beginning of fiscal year [1]	$ 39,671,460	$ 38,702,755	$ 34,582,309	$ 32,793,141	$ 29,166,819	$ 27,774,303	$ 26,640,538	$ 25,852,326	$ 25,066,149	$ 24,437,534
Incurred claims and claim adjustment expenses										
Provision for insured events of the current fiscal year	3,082,989	2,789,563	2,686,881	2,511,881	2,347,952	2,105,190	2,111,642	2,062,195	2,048,491	2,102,923
Increase in provision for insured events of prior fiscal years	3,821,851	978,905	4,077,006	1,792,880	3,744,191	1,658,960	1,333,719	968,518	975,846	711,211
Total incurred claims and claim adjustment expenses	6,904,840	3,768,468	6,763,887	4,304,761	6,092,143	3,764,150	3,445,361	3,030,713	3,024,337	2,814,134
Less payments										
Claims and claim adjustment expenses attributable to										
Events of the current fiscal year	350,672	339,476	324,088	328,384	326,927	321,422	325,933	309,490	303,784	300,862
Insured events of prior fiscal years	2,572,378	2,460,287	2,319,352	2,187,209	2,138,894	2,050,212	1,985,663	1,933,011	1,934,376	1,884,657
Total payments	2,923,050	2,799,763	2,643,440	2,515,593	2,465,821	2,371,634	2,311,596	2,242,501	2,238,160	2,185,519
Total unpaid loss and loss adjustment expenses at fiscal year-end	$ 43,653,250	$ 39,671,460	$ 38,702,756	$ 34,582,309	$ 32,793,141	$ 29,166,819	$ 27,774,303	$ 26,640,538	$ 25,852,326	$ 25,066,149

[1] Claims payable liabilities are reported net of recoveries.

Source: Washington State Department of Labor & Industries Actuarial Services

Schedule 7 - Washington State Population and Components of Change

Last Ten Calendar Years

(expressed in thousands, except percentages)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Population [1]	8,035.7	7,951.2	7,864.4	7,767.0	7,706.3	7,581.8	7,463.5	7,344.1	7,237.2	7,106.6
Net increase	84.6	86.8	97.4	60.7	124.5	118.3	119.4	106.9	130.6	101.4
Percent change	1.1%	1.1%	1.3%	0.8%	1.6%	1.6%	1.6%	1.5%	1.8%	1.5%
Components of change [2]										
Births	80.9	83.2	84.5	82.1	84.8	85.7	87.3	89.7	89.8	88.5
Deaths	65.4	68.8	70.7	64.0	58.5	57.2	56.4	56.1	54.7	52.8
Net migration	69.1	72.4	83.6	42.5	98.2	89.8	88.4	73.3	95.4	65.8

[1] Washington State population estimates are as of April 1 of each year. Intercensal estimates are estimates of population between official census dates. Intercensal estimates are more accurate than postcensal estimates because they are bracketed on both sides by decennial or state-certified special census counts. Postcensal estimates are developed by the Washington State Office of Financial Management. Some figures may not total due to rounding.

[2] Births and deaths are estimated for the most recent years due to a lag in reporting. The historical series may be revised in cases where more accurate data becomes

Sources: Washington State Office of Financial Management
U.S. Census Bureau, Population Division

Schedule 8 - Washington State Personal Income

Last Ten Calendar Years

(dollars in billions, except per capita)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Personal income	$ 622	$ 587	$ 574	$ 523	$ 484	$ 452	$ 423	$ 397	$ 376	$ 355
Percent change	6%	2%	1%	8%	7%	7%	7%	6%	6%	6%
Per capita	$ 79,569	$ 75,345	$ 74,181	$ 67,669	$ 63,405	$ 59,827	$ 56,805	$ 54,302	$ 52,415	$ 50,265

Note: The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 9 - Washington State Unemployment Rate

Last Ten Calendar Years

(in thousands, except percentages)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Civilian labor force	4,002	3,923	3,889	3,969	3,861	3,767	3,719	3,644	3,545	3,488
Less Employed	3,840	3,755	3,622	3,711	3,692	3,598	3,544	3,451	3,346	3,275
Total unemployed	162	168	267	258	169	169	175	193	199	213
Unemployment rate	4.0%	4.3%	6.9%	6.5%	4.4%	4.5%	4.7%	5.3%	5.6%	6.1%

Note: The Washington State Economic and Revenue Forecast Council periodically revises its civilian labor force and employment data for periods up to five years.

Source: Washington State Economic and Revenue Forecast, June 2024

Schedule 10 - Washington State Principal Employers by Industry

Last Calendar Year and Nine Years Ago

Industry[1]	2023 Annual Averages[3]			2014 Annual Averages		
	Number of Employees[2]	Percent of Total	Number of Employers	Number of Employees[2]	Percent of Total	Number of Employers
Government	571,061	16.0%	2,135	523,874	17.2%	2,128
Healthcare and social assistance[4]	455,959	12.8%	19,439	392,482	12.9%	61,628
Retail trade	332,221	9.3%	14,381	337,138	11.1%	14,948
Manufacturing	283,668	8.0%	15,340	246,769	8.1%	13,739
Accommodation and food services	271,052	7.6%	7,939	285,470	9.4%	6,963
Professional, scientific, and technical services	255,477	7.2%	39,360	177,259	5.8%	21,718
Construction	218,971	6.1%	28,933	150,098	4.9%	22,079
Administrative and support services[5]	180,853	5.1%	14,374	148,363	4.9%	10,856
Information	151,795	4.3%	7,685	108,888	3.6%	3,073
Wholesale trade	137,519	3.9%	12,372	127,898	4.2%	13,645
Transportation and warehousing	136,981	3.8%	5,242	87,247	2.9%	4,414
Agriculture, forestry, fishing, and hunting	103,039	2.9%	20,591	89,492	2.9%	17,416
Finance and insurance	101,888	2.8%	682	39,916	1.3%	650
Other services[4]	96,410	2.7%	7,328	90,874	3.0%	5,650
Real estate, rental and leasing	96,024	2.7%	6,080	99,735	3.3%	7,298
Education services	57,831	1.6%	7,213	46,070	1.5%	6,482
Management of companies and enterprises	53,925	1.5%	3,234	46,675	1.5%	2,625
Arts, entertainment, and recreation	49,189	1.4%	4,164	38,480	1.3%	2,975
Utilities	5,933	0.2%	242	4,770	0.1%	233
Mining	2,100	0.1%	146	2,192	0.1%	156
Total average employment	3,561,896	100.0%	216,880	3,043,690	100.0%	218,676

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

[2] The number of employees is based on annual averages and represents only employees covered by unemployment insurance.

[3] 2023 Data is preliminary

[4] A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as "other services". Effective January 2014, these were classified correctly as "healthcare and social assistance". This reclassification caused the annual average number of employees to increase. Employees classified as "other services" do not include public administration.

[5] Employment classified under "administrative and support services" includes waste management and remediation services.

Schedule 11 - Washington State Annual Average Wages by Industry

Last Ten Calendar Years

	Annual Average Wages [1]									
Industry [2]	2023 [3]	2022	2021	2020	2019	2018	2017	2016	2015	2014
Information	$ 251,151	$ 237,159	$ 268,296	$ 241,913	$ 207,103	$ 194,863	$ 172,592	$ 159,236	$ 150,503	$ 148,429
Management of companies and enterprises	212,540	196,610	135,136	129,043	123,508	118,097	111,942	109,462	108,447	106,518
Professional, scientific, and technical services	143,180	129,739	125,687	111,944	103,935	101,410	92,323	88,223	85,968	84,883
Finance and insurance	128,826	124,690	124,539	113,556	100,948	95,089	90,869	88,308	92,790	82,102
Utilities	126,493	121,968	112,671	108,826	105,295	99,718	93,057	88,789	85,644	87,212
Wholesale trade	103,529	98,450	95,073	87,326	82,405	80,439	76,856	73,903	72,523	70,169
Manufacturing	93,291	88,402	83,182	81,984	81,234	79,377	76,301	74,641	73,860	74,303
Mining	86,982	79,969	75,933	73,480	74,849	71,083	71,120	67,389	67,425	63,404
Government	81,780	77,923	74,754	71,849	66,945	63,832	61,187	58,945	57,274	55,603
Construction	80,700	76,433	73,796	69,813	67,811	64,470	61,227	58,887	56,925	55,037
Real estate, rental and leasing	75,945	74,568	70,905	63,288	58,420	55,188	51,553	48,965	47,459	45,181
Transportation and warehousing	75,913	72,176	69,589	65,808	64,709	60,374	58,058	56,173	54,344	52,293
Administrative and support services [4]	69,731	67,097	61,609	57,081	53,133	50,370	48,484	47,050	45,934	44,382
Healthcare and social assistance [5]	66,272	63,292	60,233	56,771	54,647	52,690	50,971	49,337	46,986	44,245
Other services [5]	54,930	51,747	52,099	46,667	42,584	40,410	38,832	37,557	37,437	35,571
Education services	48,599	47,735	46,271	44,594	40,223	39,008	38,455	37,667	36,414	36,918
Retail trade	46,746	45,929	76,366	71,398	62,264	58,866	52,542	45,930	38,300	36,127
Arts, entertainment, and recreation	43,997	43,237	40,505	38,875	33,140	32,522	32,074	30,908	30,509	29,725
Agriculture, forestry, fishing, and hunting	40,664	38,844	37,471	36,170	33,702	32,405	31,154	29,971	28,398	27,758
Accommodation and food services	32,442	30,497	28,246	24,726	25,321	24,003	22,766	21,301	20,451	19,561

[1] Wages include only employment covered by unemployment insurance. The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's wage base.

[2] Industry classifications and wages are based on North American Industry Classification System (NAICS) codes.

[3] 2023 data is preliminary.

[4] Wages classified under "administrative and support services" include waste management and remediation services.

[5] A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as "other services". Effective January 2014, these were classified correctly as "healthcare and social assistance". This reclassification caused the average annual wage for other services to increase. Wages classified as other services do not include public administration.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

Schedule 12 - Demographics of Accepted Claims

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Male injured workers	64%	64%	64%	66%	65%	66%	67%	67%	67%	67%
Female injured workers	36%	36%	36%	34%	35%	34%	33%	33%	33%	33%
Average age of injured workers	39	39	39	38	38	38	38	38	38	38
Injured workers younger than 30	32%	31%	31%	32%	30%	31%	31%	29%	29%	29%
Injured workers 30 to 50	43%	43%	44%	44%	44%	43%	44%	44%	45%	45%
Injured workers older than 50	24%	25%	24%	24%	24%	24%	24%	25%	24%	24%
Injured workers age unknown	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%

Notes:
Because of rounding, some columns may not add up to 100%.
The data is a snapshot of the fiscal year ended June 30 as of the following September.

Source: Washington State Department of Labor & Industries Research and Data Services

Schedule 13 – L&I Number of Employees by Division

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Administrative Services	121	116	112	156	160	160	134	131	136	132
Communications & Web Services	61	57	57	59	63	60	61	54	54	51
Director's Office	33	29	31	34	34	26	28	35	32	31
DOSH	417	400	390	374	361	367	361	345	349	355
Field Services & Public Safety	12	12	12	8	8	7	6	6	7	4
Financial Management	125	125	126	55	55	54	50	53	54	53
Fraud Prevention & Labor Standards	160	149	150	146	143	144	144	125	132	131
Human Resources	84	77	66	58	60	57	56	52	54	54
Information Technology	229	212	218	217	214	213	213	199	208	201
Insurance Services	1,147	1,101	1,114	1,098	1,102	1,123	1,119	1,090	1,101	1,076
New legislation	10	5	2	4	1	N/A	N/A	2	6	12
Region 1	59	54	55	58	59	57	56	58	58	60
Region 2	89	91	93	94	101	100	102	96	100	102
Region 3	49	50	46	51	54	52	50	51	52	54
Region 4	68	67	67	71	71	72	68	70	70	70
Region 5	73	73	72	72	73	72	68	70	72	72
Region 6	36	36	36	40	39	38	39	40	39	39
Workers' Compensation System Modernization	9	4	10	69	51	28	18	N/A	N/A	N/A
Total	2,782	2,658	2,657	2,664	2,649	2,630	2,573	2,477	2,524	2,497

Notes:
The above number of employees is based on Full-Time Equivalents. A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,080 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in the Department of Labor & Industries. It is a computed average number of employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year.

In fiscal year 2018, Business Transformation was added in order to align employees, processes, and technology with a focus on meeting the needs of customers. Business Transformation will simplify and standardize processes and systems across the agency and provide training and support to deliver the highest quality service. This will make it easier for customers to do business with L&I and easier for our employees to do their jobs.

In fiscal year 2020, the Business Transformation project was renamed, "Workers' Compensation System Modernization".

In fiscal year 2022, Workers' Compensation System Modernization was paused and positions were transferred to Financial Management. Administrative Services also transferred positions to Financial Management.

Source: Washington State Agency Financial Reporting System

Schedule 14 - Capital Asset Indicators – Business Locations

Last Ten Calendar Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Tumwater headquarters	1	1	1	1	1	1	1	1	1	1
Field offices*	14	18	18	18	18	18	18	18	18	18
Warehouses	1	1	1	1	1	1	1	1	1	1
Labs	1	1	1	1	1	1	1	1	1	1
Other offices	0	1	1	1	1	2	2	2	2	2

*Field offices do not include Tumwater Region 4 field office in Tumwater headquarters.

Source: Washington State Department of Labor & Industries Facilities Services

Schedule 15 - Claim Statistics and Five Most Frequent Injuries

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Claim Statistics										
Number of Claims Filed [1]	98,617	101,098	102,878	95,668	99,984	111,837	111,604	109,965	110,498	109,359
Number of Claims Accepted [1, 2]	81,396	84,448	85,830	79,814	86,316	94,681	95,213	94,128	95,277	82,707
Number of Claims Denied [1, 2]	16,974	16,999	17,051	14,099	15,678	16,814	16,504	15,981	16,760	14,098
Fatal Pensions Awarded	32	44	47	43	44	44	36	50	48	61
Total Permanent Disability Pensions Granted	778	826	708	854	832	890	886	1,062	1,047	1,063
Permanent Partial Disability Awards Granted	5,629	5,966	5,761	6,897	8,151	8,784	9,312	10,038	10,280	10,769
New Time-loss (Wage Replacement) Claims [3]	16,216	18,365	19,660	17,528	16,790	16,498	17,812	18,782	19,065	19,509
Medical-only Claims Accepted	67,511	68,165	67,891	64,488	72,000	80,494	79,888	78,054	78,816	66,411
Retraining Plans Completed	139	153	148	196	248	313	347	411	438	474
Total Days Paid for Lost Work	5,820,119	5,599,108	5,551,193	5,550,175	5,505,732	5,519,390	5,732,712	6,102,780	6,475,281	6,841,091
Claims not yet coded [4]	-	44,816	16,813	-	-	-	-	-	-	-
Five Most Frequent Injuries [5]										
Finger(s): open wounds of finger(s), fingernails (includes cuts and lacerations, and amputation of fingertip or finger)	N/A	4,013	7,216	8,671	9,315	11,114	11,076	10,809	11,068	9,429
Back, spine, and spinal cord: traumatic injuries to muscles, tendons, ligaments, and joints (includes sprains and strains)	N/A	3,875	6,803	8,552	9,758	10,820	11,187	10,930	11,652	10,624
Leg(s): traumatic injuries to muscles, tendons, ligaments, joints, etc., such as knee and thigh (excludes ankle and hip)	N/A	1,791	3,139	3,746	3,950	4,289	4,148	4,083	3,939	3,696
Shoulder(s): traumatic injuries to muscles, tendons, ligaments, joints, etc., including clavicle, scapula (includes injuries to muscles, tendons, and ligaments that are not specifically otherwise classified)	N/A	1,742	2,999	3,920	3,981	4,241	4,265	4,133	4,126	3,728
Multiple traumatic injuries and disorders of multiple body parts (includes bruises, sprains, or fractures affecting more than one body part)	N/A	1,627	-	3,637	4,187	4,148	-	-	-	-
Face: surface wounds and bruises (includes splinter or other foreign body in eye, and bruises or contusions of the forehead)	N/A	-	-	-	-	-	3,824	3,724	4,056	3,473
Viral diseases of body systems	N/A	-	3,154	-	-	-	-	-	-	-

Note: The data is a snapshot of the fiscal year ending June 30 as of the following September. Numbers are shown for the five most frequent injury categories only for any given year.

[1] Provisional Claims: Number of Claims Accepted plus Number of Claims Denied do not equal Number of Claims Filed, as there are claims in "provisional" status where the decision to accept or deny has yet to be made.

[2] Counts of accepted and denied claims reflect actions in that year, regardless of when claim was filed.

[3] Counts of new time-loss (wage replacement) claims reflect actions in that year, regardless of when claim was filed.

[4] Claims not yet coded have not been included in their corresponding Five Most Frequent Injury category count above.

[5] 2024 data is not available

Source: Washington State Department of Labor & Industries Research and Data Services

Schedule 16 - Risk Classes with Greatest Number of Ultimate Claims

Last Ten Fiscal Years

Risk Class	Risk Class Description	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
3905	Restaurants and Taverns	6,246	6,411	6,344	4,991	6,260	8,050	7,785	7,672	7,674	7,517
4803	Orchards	2,971	2,800	2,856	2,898	3,278	3,529	3,845	3,206	3,361	3,395
6109	Physicians & Medical Clinics	2,664	2,612	2,786	2,600	2,302	2,340	2,304	2,291	2,119	2,109
6509	Boarding Homes and Retirement Centers	2,421	2,412	2,503	2,341	2,277	2,283	2,352	2,327	2,429	2,371
6108	Nursing Homes	1,187	1,476	1,887	1,956	1,822	1,532	1,580	1,629	1,816	1,871
1101	Parcel and Package Delivery Service	2,191	2,054	2,068	1,942	1,622	1,340	1,205	1,233	1,102	983
4906	Colleges & Universities	1,322	1,426	1,730	1,272	1,401	1,463	1,527	1,536	1,750	1,714
3411	Automobile Dealers, Rentals and Service Shops	1,367	1,393	1,396	1,298	1,372	1,666	1,725	1,637	1,662	1,580
2104	Fruit & Vegetable Packing - Fresh	1,256	1,065	1,245	1,338	1,328	1,513	1,747	1,561	1,691	1,862
6107	Veterinary Services	1,730	1,672	1,688	1,757	1,512	1,493	1,320	1,167	1,059	996
0510	Wood Frame Building Construction	1,031	1,147	1,174	1,388	1,329	1,621	1,724	1,602	1,540	1,507
0516	Carpentry, N.O.C.	1,400	1,344	1,390	1,395	1,289	1,595	1,425	1,349	1,351	1,259
6103	Schools, Churches and Day Care - Prof./Clerical Staff	1,475	1,352	1,272	845	1,187	1,488	1,435	1,415	1,387	1,300
4910	Property and Building Management Services	1,378	1,322	1,234	1,201	1,288	1,422	1,300	1,355	1,283	1,279
0601	Electrical Wiring: Buildings and Structures	1,117	1,094	1,077	1,039	1,100	1,244	1,213	1,110	1,086	1,064
3402	Machine Shops and Machinery Mfg., N.O.C.	804	835	904	932	948	1,142	1,149	1,104	1,345	1,301
0307	HVAC Systems, Installation, Service and Repair	930	1,042	1,025	1,003	934	1,122	1,068	1,014	932	854
6602	Janitorial Service	953	953	961	916	899	1,038	1,071	1,058	1,001	1,004
4905	Motels and Hotels	843	819	781	632	941	1,109	1,101	1,171	1,175	1,136
6402	Supermarkets	891	953	1,004	938	947	1,043	989	961	957	1,021
2102	Warehouses, N.O.C., Grocery Dist, & Recycle Centers	406	483	537	1,373	1,370	1,295	1,337	1,178	889	746
1102	Trucking, N.O.C.	791	809	846	857	806	953	1,017	1,137	1,033	1,050
6511	Chore Services	859	839	865	1,019	939	1,057	906	976	948	887
6309	Hardware, Auto Parts and Sporting Good Stores	764	789	858	780	857	899	1,006	1,064	1,057	1,053
3902	Fruit/Vegetable Canneries/Food Product Mfg., N.O.C.	786	836	880	903	921	895	886	831	1,008	960
0518	Non Wood Frame Building Construction	553	763	787	955	893	1,039	1,092	871	1,006	916
6406	Retail Stores, N.O.C.	704	747	770	782	801	929	988	1,010	946	986
5307	State Government - All Other Employees, N.O.C.	821	789	841	766	744	942	938	978	893	855
0306	Plumbing	841	865	837	834	812	839	897	918	815	882
0507	Roofing Work - Construction and Repair	628	676	760	827	727	810	866	849	829	791
2903	Wood Products Manufacturing, N.O.C.	557	619	629	650	670	770	823	859	795	825
3404	Metal Goods Manufacturing, N.O.C. - Under 9 Gauge	618	693	605	620	710	824	754	794	726	753

Notes:

N.O.C. stands for "not otherwise classified".

These claim counts are estimated by fiscal accident year from counts reported through June 30 of each fiscal year. The claims are "allowed" State Fund claims which have been accepted for benefits. Data is as of June 30, 2024.

The Risk Class is that which is assigned to the claim. Per Washington Administrative Code (WAC) 296-17-31002, a "Risk Class" is defined as, "A grouping of businesses or industries having common or similar exposure to loss without regard to the separate employments, occupations or operations which are normally associated with the business or industry. Basic classifications describe a specific type of business operation or industry such as mechanical logging, sawmills, aircraft manufacturing, or restaurants. In most business operations, some workers are exposed to very little hazard, while others are exposed to greater hazard. Since a basic classification reflects the liability (exposure to hazard) of a given business or industry, all the operations and occupations that are common to an industry are blended together and included in the classification."

Source: Washington State Department of Labor & Industries Actuarial Services

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

Supplemental Audit Report

Washington State Department of
Labor & Industries

Keep Washington Safe and Working

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October 25, 2024

June 30, 2024 Statement of Actuarial Opinion
Regarding GAAP Reserves

State of Washington – Workers' Compensation Program

Identification

I, Rod Morris, am a Specialist Leader with the firm of Deloitte Consulting LLP. I am a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. I was appointed by the Washington State Auditors' Office to provide a Statement of Actuarial Opinion regarding the reasonableness of the State of Washington Workers' Compensation Program's ("the Program") carried Generally Accepted Accounting Principles ("GAAP") loss and loss adjustment expense reserves as of June 30, 2024. I meet the qualification standards promulgated by the American Academy of Actuaries and am appropriately qualified to perform these procedures and issue Statements of Actuarial Opinion. I have attested compliance with the Casualty Actuarial Society Continuing Education Policy as of December 31, 2023 to perform actuarial services in 2024.

The Program is comprised of four Workers' Compensation Program Accounts: the Accident Account, the Medical Aid Account, the Pension Reserve Account, and the Supplemental Pension Account. The Program is administered by State of Washington Department of Labor & Industries ("the Department").

The intended purpose of this opinion is to provide an opinion on the carried loss and loss adjustment expense reserves as of June 30, 2024. The intended users of this opinion are the Department and the State Auditor' Office. The loss and loss adjustment expense reserves are the responsibility of Department. My responsibility is to express an opinion on those reserves based on my review.

Scope

I have examined the loss and loss adjustment expense reserves as shown in the Program's Annual Comprehensive Financial Report as of June 30, 2024. I have reviewed the June 30, 2024 loss and loss adjustment expense reserves recorded under U.S. Governmental Accounting Standard GAAP. My review considered data evaluated as of June 30, 2024 and additional information provided to me through the date of this opinion.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by Mr. William Vasek, the Department's Chief Actuary, and his actuarial staff. I evaluated that data for reasonableness and consistency. In performing this evaluation, I have assumed that the Department (a) used its best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of the calculations as I considered necessary.

My review was limited to the loss and loss adjustment expense reserves listed below and did not include an analysis of any other balance sheet items. I have not examined the Program's assets and I have formed no opinion as to the validity or value of these assets.

Opinion

A summary of the Program's recorded loss and loss adjustment expense reserves by account in its Annual Comprehensive Financial Report as of June 30, 2024 is as follows:

Accident Account	$ 6,390,428,000
Medical Aid Account	4,082,266,000
Pension Reserve Account	6,003,556,000
Total Basic Plan Loss and LAE Reserves	$16,476,250,000
Supplemental Pension Account	27,177,000,000
Total Program Loss and LAE Reserves	$43,653,250,000

In my opinion, the loss and loss adjustment expense reserves listed above and displayed in the Program's Annual Comprehensive Financial Report as of June 30, 2024:

(A) meet the requirements of the insurance laws of the State of Washington;

(B) are consistent with reserves computed in accordance with accepted actuarial standards;

(C) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Program under the terms of its contracts and agreements.

Relevant Comments

A. Company-Specific Risk Factors

Actuarial estimates of property and casualty loss and loss adjustment expense unpaid claims are inherently uncertain because they are dependent on future contingent events. Also, these unpaid claim estimates are generally derived from analyses of historical data, and future events or conditions may differ from the past. The actual amount necessary to settle the unpaid claims may therefore be significantly different from the reserves recorded in the Annual Comprehensive Financial Report.

The major factors and/or particular conditions underlying the risk and uncertainties that I consider relevant to the Department's estimates of unpaid losses and loss adjustment expenses as of June 30, 2024 are described in the sections below. These include but are not necessarily limited to the following items.

By statute, the Program's direct exposure is limited to one line of business (workers' compensation) in one state (Washington). Therefore, any adverse trends affecting this line of business and/or state could have a material effect on the Program's loss and loss adjustment expense reserves. Such trends would include legislative benefit level changes and adverse decisions or interpretations of law that may have an effect on all open workers' compensation claims.

A major assumption in the analysis of the medical component of the workers' compensation reserves is the selection of a long-term medical trend factor to apply to future calendar year medical payments. Estimating medical trend is difficult because it is highly variable. In my opinion, there is a higher than normal degree of variability associated with the Program's medical loss reserves due to the uncertainty surrounding future medical trends and the expected length of medical payments.

The Department discounts the loss and loss adjustment expense reserves to reflect the time value of money using an average annual interest rate of 1.96%. Changes to the interest rate used for discounting could result in material changes to the reserves. I note that the current risk free interest rate matching the duration of these liabilities (approximately 17.8 years) was 4.59% as of June 30, 2024, 4.06% as of June 30, 2023, 3.52% as of June 30, 2022, and 2.10% as of June 30, 2021.

A major assumption in the analysis of the Supplemental Pension Account and Pension Reserve Account is future cost of living adjustments and the implicit assumption that the State of Washington cost of living adjustments will be similar to cost of living adjustments approved by the Federal Government for Social Security retirement benefits. Future State of Washington cost of living adjustments different from those anticipated or that vary significantly from those approved by the Federal Government for Social Security retirement benefits could result in a material change in future costs and the adequacy of the loss and loss adjustment expense reserves.

B. Risk of Material Adverse Deviation

With respect to this Statement of Actuarial Opinion, the amount of adverse deviation that I consider to be material is $6.548 billion. My basis for determining this amount is 15% of the Program's Loss and LAE Reserves. This amount represents a reasonable upward fluctuation in reserves from those carried by the Program that would be material to the "Total Net Position" of the Program. My materiality standard was selected based on the context in which this opinion letter will be used. It is prepared solely to assess the reasonableness of the loss and loss adjustment expense reserves. Other measures of materiality might be used for reserves that are being evaluated in a different context.

I believe there are significant risks and uncertainties with the net loss and loss adjustment expenses that could result in material adverse deviation. These risk factors are described in section A above and in the report supporting this opinion. The absence of other risk factors from this commentary is not meant to imply that additional factors cannot be identified in the future as having had a significant influence on the reserves. The Program's "Total Net Position" is in a deficit position which adds to the risk that small changes in reserves could have a material effect on the "Total Net Position". In addition, a "Total Net

Position" with a growing deficit position will increase the need for more premiums since the liabilities will have less and less investment income to cover the future payments of the liabilities.

C. Other Disclosures

Non-Workers' Compensation Pension Liabilities for State Employees

Statutory Accounting Principles ("SAP") do not require the Program to record a separate liability for the unfunded State employee non-workers' compensation pensions. However, the Program under SAP recognizes a portion of the unfunded state employee non-workers' compensation pension in the claims administrative expense ("CAE") liability for the portion pertaining to its claims administration.

GAAP requires the Program to record a liability for the total unfunded state employee pensions in its Annual Comprehensive Financial Report as of June 30, 2024. The CAE liability in the Annual Comprehensive Financial Report does not include any of the unfunded State employee pensions so as to not double count the liability. This difference in accounting results in a GAAP CAE liability that is approximately $12.3 million less than the SAP CAE liability.

Therefore, the GAAP reserve shown above upon which I am expressing an opinion excludes the liabilities for the unfunded State employee pensions for staff administering claims. The amounts excluded total $12.3 million ($3,971,000 for the Accident Account and $8,281,000 for the Medical Aid Account).

Discounting

The Department discounts the loss and loss adjustment expense reserves to reflect the time value of money. The amount of discount is based on an actuarially derived projected payment pattern and selected annual interest rates as follows.

- For the Medical Aid Account, the Department's selected interest rate is 1.5%.
- For "state Program pensions" within the Pension Reserve Account, the Department's selected interest rate is 4.0%.
- For "self-insured pre-funded pensions" within the Pension Reserve Account, the Department's selected interest rate is 5.5% consistent with the Washington administrative code rule WAC 296-14-8810. The rates selected for self-insured pre-funded pensions is allowed to be different from the rate selected for state fund pensions according to SB6393.
- For the Accident Account, combinations of interest rates are used to discount the reserves. The future total permanent disability and fatal transfers made to the Pension Reserve Account assume interest discounts based on an annual rate of 4.0%. The actual transfer payments and all other payments are discounted using a Department selected rate of 1.5%.
- For the Supplemental Pension Account, the Department's selected interest rate is 1.5%.

Actuarial Standard of Practice No. 20: "Discounting of Property/Casualty Claim Estimates" applies to actuaries when performing actuarial services that involve the discounting of claim estimates for property/casualty coverages to a present value. The standard also requires disclosure of certain information regarding the actuary's use of discounting. The intended purpose of the discounted estimates is to provide perspective on the impact of the time value of money on the estimates at the annual interest rate provided and used for discounting. In the discount calculations, it is assumed that interest payments will be made in the middle of each successive development period and that the selected payment patterns will apply in the future. The paid development patterns used are based upon the patterns selected in the underlying analysis.

The average combined interest rate for the Program is approximately 1.97% with a total discount amount of $16.132 billion. The interest rates were selected by the Department. The Department's selected interest rate for non-pension liabilities has been selected to equal a benchmark risk-free rate less a risk adjustment percentage. According to the Department,

> *"this rate is then rounded to the nearest half percentage point. The current benchmark rate is the five-year average of the 20-Year U. S. Treasury yield. The duration of the 20-Year US Treasury is closer to the duration of the liabilities than other benchmark U.S. Treasury bonds. This five-year average was 2.839% as of June 30, 2024. The five-year averaging provides a balance between stability of the selection and responsiveness to economic conditions. The Department uses daily data from the US Federal Reserve for this calculation. The risk adjustment for the non-pension liabilities is two percentage points when the benchmark rate is over 4.0% and half the benchmark rate when the benchmark rate is under 4.0%. The indicated rate for the June 30, 2024 liabilities in the Accident Account and Medical Aid Account is therefore 1.5% (2.839% - ½ x 2.839% =1.419% = 1.5% after rounding to the nearest half percent.)"*

I believe that the selected combined interest rate of 1.96% is reasonable based on the duration of the unpaid claim estimates of 17.8 years and the Treasury risk-free returns of 4.43% to 4.64% for 15-year and 20-year maturities as of the June 30, 2024. While the rate selected by the Department is lower than the referenced rates, an explicit risk margin beyond what is implicit in the referenced rates may be appropriate to consider the inherent uncertainty in the timing and amount of payments underlying the unpaid claim estimates.

The interest rates used for the self-insured pre-funded pensions within the Pension Reserve Account changed from 5.6% last year to 5.5% this year. The interest rates used for the "state fund pensions" within the Pension Reserve Account remained the same at 4.0% this year. The interest rates used for the actual transfer payments and all other Accident Account, Medical Aid Account, and Supplemental Pension Account payments remained the same at 1.5% this year. The effect of changing these interest rate assumptions this year was an increase in the discounted reserve of $5.8 million.

Underwriting Pools or Associations

The Program participates in the Washington United States Longshore and Harbor Workers' Compensation Act Assigned Risk Plan ("WARP") which was established to provide USL&H workers' compensation insurance coverage for employers unable to purchase it through the normal private insurance market. The Program pays assessments to WARP and participates in any underwriting losses or surpluses incurred by WARP. Based on discussions with the Department, I understand that WARP is not currently in a deficit position. Therefore, the Program has not booked a reserve to account for any unpaid claims related to WARP.

I understand that the Program does not participate in any other voluntary or involuntary pools.

Asbestos Exposures and Environmental Exposures

I have reviewed the Program's exposure to asbestos and environmental claims. There has been no reported claim activity. In my opinion, the chance of material liability related to asbestos and environmental claims is remote. The Program has not provided coverage that could reasonably be expected to produce material levels of asbestos and/or environmental liability claims activity.

Disclosure of Total Claims Made Extended Loss and Loss Expense Reserves

Department management has informed me that the Program does not provide extended reporting coverage at no additional charge in the event of death, disability, or retirement of the insured.

Disclosure of Accident and Health (A&H) Long Duration Contracts

Department management has informed me that the Program does not write A&H policies with contract terms of thirteen months or greater and for which contract reserves are required.

Disclosure of Unearned Premium Reserves for Property and Casualty (P&C) Long Duration Contracts

Department management has informed me that the Program does not write single or fixed premium policies with coverage periods of thirteen months or greater which are non-cancelable and not subject to premium increase (excluding financial guaranty contracts, mortgage guaranty policies, and surety contracts).

Deductible Recovery Collectability

Department management has informed me that it does not have material exposure to uncollectable deductibles that are unsecured. With respect to the loss and loss adjustment expense reserves, I have not anticipated any contingent liability for situations where the deductible recoveries are uncollectable and unsecured.

Reinsurance Collectability

Use of ceded reinsurance is minimal and is limited to catastrophic events and terrorism coverage at high limits in older years and once again purchased effective February 1, 2019 and subsequent. The current reinsurance program consists of two excess of loss contracts. The first excess of loss contract covers catastrophic or terrorism events that exceed $200 million up to $500 million per occurrence. The second excess of loss contract covers catastrophic or terrorism events that exceed $500 million up to $1.0 billion per occurrence. All reinsurers are with companies rated A or better by a recognized rating agency. The Department has informed me that it is not aware of any catastrophic events that would trigger a reinsurance recovery. Therefore, there are currently no ceded reserves recorded as of June 30, 2024 and no reinsurance collectability problems. With respect to loss and loss adjustment expense reserves net of ceded reinsurance, I have not anticipated any contingent liability which could arise if any of the reinsurers prove unable to meet their loss and loss adjustment expense obligations under the terms and conditions of their contracts with the Program.

Retroactive Reinsurance, Financial Reinsurance

Based on discussions with Department management and its description of the Program's ceded reinsurance, I am not aware of any reinsurance contract that either has been or should have been accounted for as retroactive reinsurance or financial reinsurance.

Major Assumption Changes and Other Comments

The Supplemental Pension Account COLA adjustment for fiscal year 2025 of 5.91% was obtained from the Employment Security Department's State Average Annual Wage data and represents the change in calendar year 2023 wages. By statute, the COLAs are based on the annual calendar year change to the states' average wages and are somewhat lagged (e.g. the annual COLA change for fiscal year 2025 is based on the change in calendar year 2023 wages). This year, the Department used the Washington Economic Forecast Council's estimates for calendar years 2024 through 2026 as a proxy for COLA adjustments for fiscal years 2026 through 2028. The COLA adjustments for fiscal years 2029 through 2038 are projected by using a linear interpolation between the fiscal year 2028 COLA adjustment of 4.00% and a long-term constant COLA adjustment assumption of 2.3%. For projected COLA adjustments subsequent to fiscal year 2038, the Department uses the long-term assumption of 2.30% per year. We note that due to the current economic environment and the increase in the expected average wages in the state for the next few years, the effect of updating the future COLA assumptions from those used last year was an increase of $2.789 billion in the Supplemental Pension Account discounted liability at 1.5%.

During our review, we considered the Department's selection of future COLA adjustments. The Department's selections are lower than the most recent or long-term historical average of COLA adjustments. For example, the simple average of the most recent 15 years of COLA adjustments is 4.47% with annual changes varying between 2.79% (at the 30th percentile) and 5.41% (at the 70th percentile). These COLA adjustments have been at this level while interest rate and/or inflation rate changes have been declining during this same time period. The materiality of this assumption is significant given that selecting the most recent 15-year historical average COLA adjustment of 4.47% would increase the Supplemental Pension Account discounted liability by $15.893 billion (keeping the discount rate at 1.5%). The Department has assumed that there will be a significant correlation between changes in the future COLA adjustments and changes in the interest rates in the future even though the correlation between the two has been weak at best in the past.

It is difficult to determine the reasonableness of this future correlation considering it has not occurred in the past. Therefore, we have decided to consider the reasonableness of the Supplemental Pension Account liability assuming the historical average COLA adjustments. In doing so, we believe that the selection of the COLA adjustment should not be considered in isolation but in conjunction with the selection of the interest rate used to discount the liabilities.

We do agree with the Department that wages long-term (and thus COLA Adjustments) will move in the same direction as inflation and the risk-free interest rates. In addition, we believe that there are alternative approaches to calculating the risk-free interest rate used to discount the liabilities that would be high enough to more than offset the low future COLA assumptions the Department is currently using. Therefore, we conclude that the Supplemental Pension Account liabilities are reasonable overall.

An implicit assumption in the Department's actuarial review is that the cost of living adjustments granted to the claimants in the State of Washington are going to be similar to the cost of living adjustments approved by the Federal Government for Social Security retirement benefit payments. The estimate of unpaid claims could be different, perhaps significantly, if these two cost of living adjustment rates were to diverge in the future.

Beginning in fiscal year 2020, the Department initiated a Workers' Compensation System Modernization (WCSM) project to update its policy, administration, and claim systems. The anticipated future cost of WCSM is approximately $253.7 million over the next ten fiscal years, as of June 30, 2024. The Department assumes that approximately 2/3 of the cost will be claims related and will expense the allocated State Fund costs (i.e. excluding costs allocated to self-insureds) through its claims administration expense (CAE). The CAE related cost has been distributed to both future and historical fiscal accident years. The estimated amount allocated to fiscal-accident years 2024 and prior and included in the reserves as of June 30, 2024 totals $46.3 million on a discounted basis and $50.2 million on an undiscounted basis.

General Uncertainty

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expense, it is necessary to project future loss and loss adjustment expense payments. It is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. No warranty is expressed or implied that such variance will not occur. Further, my projections make no provision for the broadening of coverage by legislative action or judicial interpretation or for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Program's historical database or which are not yet quantifiable.

This Statement of Actuarial Opinion regarding GAAP loss and loss adjustment expense reserves is solely for the use of assessing the reasonableness of the GAAP loss and loss adjustment expense reserves and is only to be relied upon by the Program and the State of Washington.

Rod Morris

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Workers' Compensation Program
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