NEW PROCEDURE

FINANCE

Fund Balance and Solvency

In order to retain a stable financial base and comply with regulatory solvency requirements, the Trustees shall:

1. Maintain sufficient funds to meet the Trust's liquidity needs;
2. Establish reserves in an amount equal to the sum of eight weeks of (i) claim costs for all benefits funded directly by the Trust, (ii) costs, and (iii) expenses;
3. Maintain an aggregate stop-loss insurance policy with an attachment point set at or below one hundred twenty-five percent of annual expected claim costs for all benefits funded directly by the Trust; and
4. In addition to establishing the reserves in item 2. above, establish by resolution an additional contingency reserve in an amount equal to the sum of (i) eight weeks of claims costs for all benefits funded directly by the Trust, (ii) costs, and (iii) expenses.

In lieu of the requirements in 1, 2, 3 and 4 above, the Trustees may obtain an independent actuarial study and fund the Trust to the actuarially determined liability.

If at the end of a program year the requirements in 1 and 3, or 4 are not met, the Trustees shall notify the Washington State risk manager of the condition, and comply with the risk manager's corrective action plan.

Cross Reference:	Trust Procedure 100.3P	Third Party Administrators, Consultants and Advisors
	Trust Policy 200	Financial Policy
	Trust Policy 220	Investment Guidelines and Rules
	Trust Policy 250	Fund Balance and Solvency
	Trust Policy 440	Reports

Legal Reference:	WAC 82-65-040	Standards for solvency—Program funding requirements

Proposed: December 2010