

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 345
Economic Matters

(Delegate Feldman)

Finance

**Workers' Compensation Commission - Governmental Self-Insurance Groups -
Investment**

This bill requires the Workers' Compensation Commission (WCC) to adopt regulations that establish investment guidelines governing the investment of surplus funds by governmental self-insurance groups. These guidelines permit the investment of surplus funds in equities, provided that equity investments do not exceed 30% of the surplus moneys.

Fiscal Summary

State Effect: None. WCC could handle the additional responsibilities with existing resources.

Local Effect: Potential meaningful. Allowing an equity investment would increase both the risk and the return potential of the portfolio. Local county boards would bear the risk of the investment losses and could potentially see the benefits of a higher performing investment portfolio.

Small Business Effect: None.

Analysis

Bill Summary: WCC must establish guidelines to govern the investment of surplus moneys (moneys not needed to meet current obligation) in a manner that will ensure solvency of the fund and timely payments of claims. The guidelines should include the following:

- state the types of investment in which moneys may be invested;
- guidance for the prudent investment of moneys based on claim experience, cash flow projections, income liquidity, investment ratings, and risk;
- authorize investments of up to 30% of surplus moneys in equities;
- require that moneys not invested in equities be invested according to current State law; and
- prohibit borrowing of funds for the express purpose of investing those funds.

Current Law: Certain qualifying governmental and individual employers are authorized under State law to be self-insured for workers' compensation if approved by WCC. Qualifying governmental groups include county and municipal governments, community colleges, and other local boards of education. WCC regulations stipulate the requirements related to security, solvency, audits, and investments that a governmental self-insurance group must meet. The regulations limit investments to those that are allowed under State law for counties and municipalities (mentioned below) and also allow the surplus funds to be refundable at the discretion of the trustees.

State law allows the Treasurer as well as local governments to invest funds not necessary to meet current obligations pursuant to certain restrictions. Permissible investment options include mutual funds, U.S. Government Bonds, U.S. Treasury Notes, investment shares accounts in any savings and loan association whose deposits are insured by a federal agency, and certificates of deposit issued by a duly chartered commercial bank.

Additional Information

Prior Introductions: None.

Cross File: SB 625 (Senator Garagiola) – Finance.

Information Source(s): Uninsured Employers' Fund, Workers' Compensation Commission, Injured Workers' Insurance Fund, Subsequent Injury Fund, Baltimore City, Department of Legislative Services

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ncs/jr

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