

SJR 8201: Investment Flexibility for Long-Term Care Funds

Briefly

SJR 8201 would amend the state constitution to allow money in the long-term services and supports (LTSS) trust account to be invested as authorized by law. Effectively, the amendment would allow the funds to be invested in a broader range of vehicles, including stocks. Currently, the funds may only be invested in fixed-income securities. Over the long-run, investments of other state funds in stocks have yielded higher returns than fixed-income investments.

Although SJR 8201 would allow LTSS funds to be invested in stocks, the actual mix of investments would be determined by the Washington State Investment Board (WSIB). Washington already trusts the WSIB to invest other, similar public funds in stocks.

The LTSS program funds are long-term reserves for obligations that will occur far in the future. Thus, allowing the WSIB the flexibility to invest LTSS funds in a way that will maximize their value over time would be a responsible approach. Further, it could mean savings for taxpayers: as investment returns increase, the premiums required to maintain program solvency decrease.

In November, voters will have a second chance to amend the state constitution to allow the investment of long-term care program funds in stocks. (A similar—but not identical—amendment was proposed as ESJR 8212 in 2020. It was rejected by 54.36% of voters.) Under current law, the funds are restricted to fixed-income securities, which have lower yields over time.

SJR 8201

SJR 8201 would amend Article XXIX, Sec. 1 of the state constitution. The resolution was overwhelmingly approved by the Legislature earlier this year (by votes of 42–7 in the Senate and 86–9 in the House), but the proposed amendment must also be approved by a majority of voters to be ratified.

SJR 8201 would add the long-term services and supports (LTSS) trust account to the short list of public funds that are allowed to be invested in stocks or other investment vehicles, as authorized by law. (The others are public pensions and retirement funds, workers' compensation funds, and funds held in trust for people with developmental disabilities. For more on the general constitutional restrictions on investment, see our 2020 policy brief [WRC 2020].)

Additionally (and unlike the 2020 proposal), SJR 8201 would amend Article XXIX, Sec. 1 to specify that investment income from the LTSS trust account must be "dedicated to long-term services and supports for program beneficiaries."

It's possible that this second alteration could put SJR 8201 afoul of Art. XXIII, Sec. 1 of the state constitution, which states that "if more than one amendment be submitted, they shall be submitted in such a manner that the people may vote for or against such amendments separately." Anticipating challenges, SJR 8201 specifies that "the changes contained in this amendment constitute a single integrated plan for

the fund to provide long-term care services and supports for eligible seniors and people with disabilities.”

Long-Term Services and Supports Program Experience

Premium collections under the state’s LTSS trust program (now called WA Cares) began July 1, 2023. The premium rate is 0.58% of all wages, and all employees in Washington must pay the premium unless they qualify for an exemption. Beginning July 1, 2026, the premium rate must be set “at the lowest amount necessary to maintain the actuarial solvency of the long-term services and supports trust account” (RCW 50B.04.080). At the same time, the rate may not exceed 0.58%.

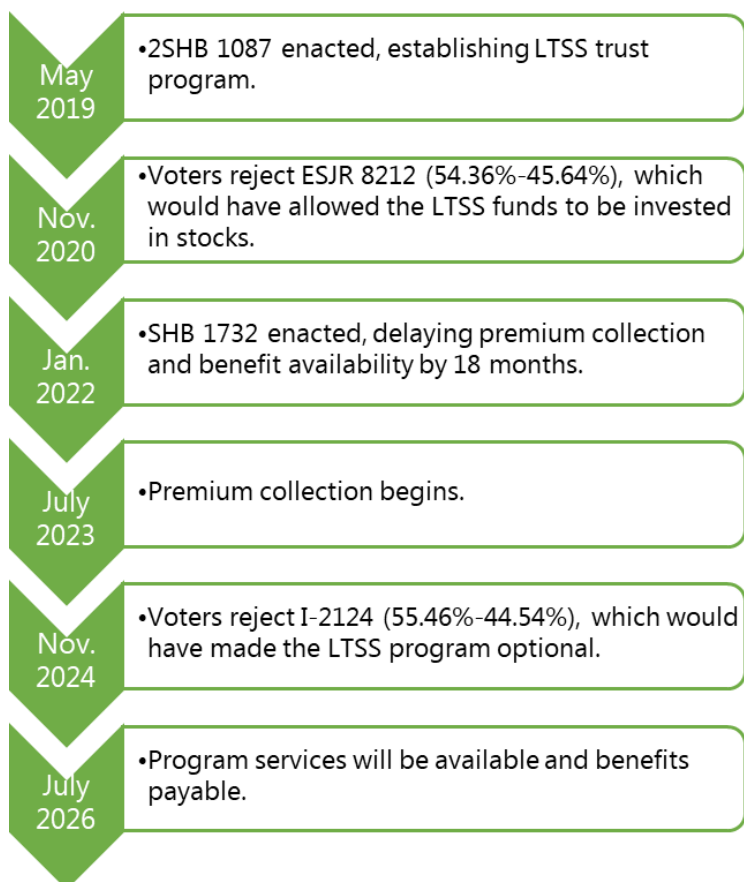
Premiums are deposited in the LTSS trust account. Account funds are invested by the Washington State Investment Board (WSIB) as allowed under the constitution (RCW 50B.04.110). According to the WSIB investment policy for the trust account, the funds may only be invested in fixed-income securities (WSIB 2022).

The most recent quarterly report from the WSIB shows that the LTSS trust account balance was \$2.480 billion as of June 30, 2025. Over the prior year, the fund’s fixed-income investments earned 7.25%. Since inception (Nov. 20, 2023), the investments have earned 6.24% (WSIB 2025). (For comparison, the WSIB’s investment of state retirement funds in a mix that includes stocks earned 9.04% for the year ending June 30, 2025.)

Estimates of Program Solvency Have Improved

After the LTSS program was created, the Office of the State Actuary estimated that the fund would be depleted by 2076 (WRC 2021). Estimates of the program’s solvency have since improved.

Figure: LTSS Program Timeline



The most recent actuarial valuation of the LTSS program was completed in December 2024, based on data as of June 30, 2024. It estimated that the projected fund balance as a percentage of program expenditures (the fund ratio) will “exceed 100% for the next 75 years under most scenarios” (Milliman 2024).

The fund ratio estimates are sensitive to several assumptions about economic factors and program participation. Additionally, the estimates assume that investment returns are 4.4% for the first 15 years, graded down to 4.0% over the next 15 years, then 4.0% for the remaining years (Milliman 2024).

The investment return assumption has a significant impact on projected solvency. For example, the estimated fund level in 2075 under the baseline scenario (4.0% rate of return) is \$114.2 billion. If the rate of return is 3.0%, the fund level would decrease by \$45.6 billion (-39.9%).

If the rate of return is 5.0%, the fund level would increase by \$67.2 billion (58.8%). (Giese 2025)

SJR 8201 Would Give the State More Investment Flexibility

Over the long run, WSIB's investments of state funds in stocks have yielded higher returns than investments in fixed-income securities. For example, WSIB invests state retirement funds in a mix of investments, including fixed income, public equity, private equity, real estate, and others. Altogether, the investments earned 8.43% over 20 years. The investments in private equity (stocks) earned 12.65%; the fixed-income investments earned just 4.11%. (WSIB 2025)

Investing in stocks increases investment risk in the short run, but, as the Office of the State Actuary writes, SJR 8201 "would provide the State Investment Board the flexibility to invest premium revenue in higher risk, higher returning assets classes than allowed under current law. A new investment policy would likely decrease the required premium rate estimated to fund future benefits and expenses" (Smith and Masselink 2025).

Importantly, although SJR 8201 would allow LTSS funds to be invested in stocks, the actual mix of investments would be determined by the WSIB. For example, the WSIB also invests workers' compensation funds, which are invested in a mix of asset classes, including stocks, fixed income, and real estate. Fixed-income assets make up the majority of the investments.

Comment

Washington already trusts the WSIB to invest other, similar public funds in stocks. SJR 8201 would allow the same treatment for LTSS trust funds.

The LTSS program funds are long-term reserves for obligations that will occur far in the future. Thus, allowing the WSIB the flexibility to invest LTSS funds in a way that will maximize their value over time would be a responsible approach. Further, it could mean savings for taxpayers: as investment returns increase, the premiums required to maintain solvency decrease.

References

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