



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **Washington State Transit Insurance Pool**

**For the period January 1, 2019 through December 31, 2020**

*Published August 9, 2021*

Report No. 1028867



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**Office of the Washington State Auditor  
Pat McCarthy**

August 9, 2021

Board of Directors  
Washington State Transit Insurance Pool  
Olympia, Washington

**Report on Financial Statements**

Please find attached our report on the Washington State Transit Insurance Pool's financial statements.

We are issuing this report in order to provide information on the Pool's financial condition.

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](mailto:webmaster@sao.wa.gov).*

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## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Washington State Transit Insurance Pool January 1, 2019 through December 31, 2020**

Board of Directors  
Washington State Transit Insurance Pool  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Washington State Transit Insurance Pool, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated July 28, 2021.

As discussed in Note 12 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Pool is unknown.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Pool's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of the Pool's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

July 28, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Washington State Transit Insurance Pool January 1, 2019 through December 31, 2020**

Board of Directors  
Washington State Transit Insurance Pool  
Olympia, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Washington State Transit Insurance Pool, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed on page 9.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements 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 Pool's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Transit Insurance Pool, as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matter of Emphasis**

As discussed in Note 12 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Pool is unknown. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***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 listed on page 9 be presented to supplement the basic financial statements. Such information, 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 and Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pool's basic financial statements as a whole. The Department of Enterprise Services (DES) Schedules of Expenses and the Lists of Participating Members are

presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021 on our consideration of the Pool'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 Pool's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

July 28, 2021



## **FINANCIAL SECTION**

### **Washington State Transit Insurance Pool January 1, 2019 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020 and 2019

#### **BASIC FINANCIAL STATEMENTS**

Comparative Statement of Net Position – 2020 and 2019

Comparative Statement of Revenues, Expenses and Changes in Net Position – 2020 and 2019

Comparative Statement of Cash Flows – 2020 and 2019

Notes to Financial Statements – 2020 and 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Claims Development Information – 2020 and 2019

Reconciliation of Claims Liabilities by Type of Contract – 2020 and 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – 2020 and 2019

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2020 and 2019

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2020 and 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Department of Enterprise Services (DES) Schedule of Expenses – 2020 and 2019

List of Participating Members – 2020 and 2019

### **Management's Discussion and Analysis (MD&A)**

The MD&A of WSTIP's annual financial report provides a narrative overview and analysis of WSTIP's financial performance for the fiscal years ended December 31, 2020 and 2019. To obtain a complete understanding of WSTIP's financial condition, this document should be read in conjunction with the financial statements, the accompanying notes and the required supplementary information/schedules.

### **Financial Highlights**

- The financial condition of WSTIP was impacted due to the COVID-19 pandemic. Our actuary initially estimated the 2020 liability and property claims (loss fund or loss year) to be \$9M. At the end of 2020 the estimated cost is lower by 34% to \$6M, a \$3M claims cost savings due in large part to reduced miles travelled in connection with the impacts of the Washington State Stay-Home Stay-Safe plan where schools, colleges, universities were closed; where public events were cancelled or limited; where public/private gatherings were minimized; and where Washingtonians were advised to stay home unless they were leaving for an essential function. Our Members provide essential public transit services and continued to work to ensure their communities had access to public transportation. Due to the economic impacts related to COVID-19 our Members travelled an average of 26% fewer miles than estimated and employed an average of 8% fewer employees. As a result, the 2020 financial statements include a \$3.8M Prior Period Assessment Audit (PPAA) (a return of assessment) and a corresponding \$3.8M liability related to the excess assessment due back to the Members.
- WSTIP's deposits and short-term investments increased by 34%, or \$14M, as compared to 2019. Part of the increase is related to a \$5M long-term investment that will mature in 2021, the remaining \$9M increase is a result of (1) intentional efforts to further support WSTIP's ability to withstand financial adversity, (2) unspent operations budgets and (3) lower claims costs/cash flows.
- The balance of Unpaid Claims Liabilities increased by 12% or \$2.2M due in large part to uncertainty of claims settlement costs because of scheduling challenges within the Washington State judicial system arising from COVID-19. While some judicial proceedings are going forward in a virtual setting, the Court case backlog will take time to work through. Our experience is claim costs tend to increase the longer a claim is open, predominately the increased cost is in the management of the open claim.
- Notwithstanding the economic impacts of COVID-19, WSTIP's net position increased by 8% or \$2.6M as compared to 2019. This is a combination of (1) intentional efforts by WSTIP Members to levy excess contributions to further support WSTIP's ability to withstand financial adversity and (2) due to unspent operations budgets.
- WSTIP had changes in Membership during 2020. On January 1, 2020 one Member joined the Pool, on December 31, 2020 one Member withdrew from the Pool and WSTIP ended 2020 with 25 Members. The Member joining and the Member leaving were similar in size of transit operations, with annual assessments to WSTIP in the range of \$50K to \$75K.

### **Discussion of the basic financial statements**

The financial statements provide information about WSTIP's use of accounting methods similar to those used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received.

The Statement of Net Position presents information on all WSTIP assets and deferred outflows of resources as well as its liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of WSTIP is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how WSTIP's net position changed during the current year. All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., interest income on investments, compensated absences).

The Statement of Cash Flows presents information on WSTIP's cash receipts, cash payments, and net changes in cash and cash equivalents for the year. Generally accepted accounting principles require that cash flows be classified as follows:

- Cash flows from operating activities
- Cash flows from noncapital financing activities (no such activity for WSTIP)
- Cash flows from capital and related financing activities (no financing component for WSTIP)
- Cash flows from investing activities

The Notes to the Financial Statements provide additional information that is [essential](#) to a full understanding of the data provided within the financial statements. While many aspects of WSTIP's financial statements presentation are similar to other governmental units there are some items that are specific to risk pooling. We have prepared these notes to the financial statements in a manner that helps to inform the reader about WSTIP's claims management and the components of unpaid claims liabilities.

The Required Supplementary Information (RSI) contains other information the Governmental Accounting Standards Board (GASB) deems necessary. WSTIP's RSI contains additional information related to:

- Claims Development
- Reconciliation of Claims Liabilities by Contract Type
- Accounting and Financial Reporting for Pensions (GASB 68)
- Defined Benefit Other Postemployment Benefit (OPEB) Plans (GASB 75)
- Department of Enterprise Services (DES) Schedule of Expenses
- List of Participating Members

### **Request for Information**

This financial report is designed to provide a general overview of WSTIP's finances. Questions concerning any of the information presented in this management discussion and analysis, the WSTIP financial statements or requests for additional information should be addressed to:

Washington State Transit Insurance Pool  
Attn: Tracey Christianson, Executive Director  
PO Box 11219  
Olympia, WA 98508

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Condensed Comparative Statement of Net Position**

	<b>As of December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>			
Current Assets	\$ 55,462,326	\$ 41,263,876	\$ 28,670,698
Capital Assets, Net	425,588	473,811	473,605
Noncurrent Assets	7,024,243	11,976,257	16,413,255
<b>TOTAL ASSETS</b>	<b>\$ 62,912,157</b>	<b>\$ 53,713,944</b>	<b>\$ 45,557,558</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pension	91,863	83,724	80,361
Deferred Outflows - OPEB	1,382	-	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>\$ 93,245</b>	<b>\$ 83,724</b>	<b>\$ 80,361</b>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>\$ 63,005,402</b>	<b>\$ 53,797,668</b>	<b>\$ 45,637,919</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 7,353,921	\$ 8,047,571	\$ 8,234,826
Noncurrent Liabilities	19,823,494	12,658,690	13,094,075
<b>TOTAL LIABILITIES</b>	<b>\$ 27,177,416</b>	<b>\$ 20,706,261</b>	<b>\$ 21,328,901</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pension	106,100	221,243	198,738
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>\$ 27,283,516</b>	<b>\$ 20,927,504</b>	<b>\$ 21,527,639</b>
<b>NET POSITION</b>			
Investment in Capital Assets	425,588	473,811	473,605
Unrestricted Net Position	35,296,298	32,396,353	23,636,675
<b>TOTAL NET POSITION</b>	<b>\$ 35,721,886</b>	<b>\$ 32,870,164</b>	<b>\$ 24,110,280</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; NET POSITION</b>	<b>\$ 63,005,402</b>	<b>\$ 53,797,668</b>	<b>\$ 45,637,919</b>

**Financial Statement Analysis**

Net Position

WSTIP's total net position reflects a \$426K investment in capital assets such as our buildings, building improvements, furnishings and equipment. WSTIP uses these capital assets as part of normal operations of the Pool. Therefore, this portion of the net position balance is not available for future spending. Of the amounts unrestricted, \$29K is designated for a building reserve and \$424K is designated for a technology grant reserve. These designated reserves are not legally restricted reserves. Indeed, the whole of the unrestricted net position is available to support future obligations of the Pool.

WSTIP's 2020 net position increased by 9% or \$2.9M as compared to 2019. This is a combination of (1) intentional efforts by WSTIP Members to levy excess contributions to further support WSTIP's ability to withstand financial adversity and (2) due to unspent operations budgets.

WSTIP's 2019 net position increased by 36% or \$8.8M as compared to 2018. This increase is primarily due to a large equity contribution from Members of \$2,500,000 as a portion of the 2019 contribution, and favorable claim development.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position**

	For the years ended December 31,		
	2020	2019	2018
<b>OPERATING REVENUES</b>			
Member Assessments (All Types)	\$ 15,422,586	\$ 17,117,113	\$ 15,116,159
Other Operating Revenues	87,452	217,588	530,113
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 15,510,038</b>	<b>\$ 17,334,701</b>	<b>\$ 15,646,272</b>
<b>OPERATING EXPENSES</b>			
Claims & Loss Adjustments	7,218,651	4,447,418	9,146,284
Insurance Services	3,703,765	2,910,591	2,324,298
General & Administrative	2,967,660	2,751,930	3,316,281
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 13,890,076</b>	<b>\$ 10,109,939</b>	<b>\$ 14,786,863</b>
<b>TOTAL OPERATING INCOME</b>	<b>\$ 1,619,962</b>	<b>\$ 7,224,762</b>	<b>\$ 859,409</b>
<b>OTHER INCOME (EXPENSE)</b>			
Interest Income	\$ 1,231,761	\$ 1,039,514	\$ 815,808
Change in Equity in GEMRe	-	495,608	162,622
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>\$ 1,231,761</b>	<b>\$ 1,535,122</b>	<b>\$ 978,430</b>
<b>TOTAL CHANGE IN NET POSITION</b>	<b>\$ 2,851,722</b>	<b>\$ 8,759,884</b>	<b>\$ 1,837,839</b>

**Financial Statement Analysis**

Operating Revenues

WSTIP's operating revenues are predominately related to Member Assessments, ORCC and PPAA which we summarize as Member Assessments (All Types).

Member Assessments are based upon a formula which includes underwriting elements of miles traveled, employee counts, vehicle values and property values as well as a Member's historic claims experience. The assessments include amounts for purchased insurance including excess/reinsurance premiums and Pool operating costs.

Other Insurance Products or Other Rating Cost Components (ORCC) includes the revenue associated with underinsured/uninsured motorists (UIM), pollution, underground storage tanks, crime & fidelity, directors & officers, excess cyber and driver record monitoring.

Prior Period Assessment Audits (PPAA) evaluate a Member's underwriting elements following the completion of a fiscal year as a comparison to previously submitted estimates. These assessment audits are performed annually to ensure cost equity of participation in the Pool. Due to the economic impacts related to COVID-19 our Members travelled an average of 26% fewer miles as compared to their estimates and employed an average of 8% fewer employees. As a result, the 2020 financial statements include a \$3.8M PPAA (a return of assessment) and a corresponding \$3.8M liability related to the excess assessment due back to the Members. The 2019 PPAA was \$351,353 and the 2018 PPAA was \$228,375.

Other Operating Revenues

WSTIP's other operating revenues are training revenues, rental/lease income and revenues generated by other local governmental agencies that utilize WSTIP's driver record monitoring program.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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### Operating Expenses

WSTIP's operating expenses are predominately related to claims & loss adjustments, insurance services and general & administrative expenses.

Claims & Loss Adjustments is comprised of the loss fund as determined by our actuary based on various rating units to determine Members exposure (or potential) for loss. The 2020 loss year budget of approximately \$9M was developed in 2019 based on estimated miles that would be travelled in 2020. Due to the economic impacts related to COVID-19 our Members travelled an average of 30% fewer miles. Our Actuary estimates the 2020 loss year will be closer to \$6M, a savings of \$3M which is reflected in the total value of claims & loss adjustments in the 2020 financial statements.

Insurance Services includes excess/reinsurance premiums for liability and property coverage. Also includes other insurance product expenses related to the cost of pollution, underground storage tanks, crime & fidelity, directors & officers, excess cyber and driver record monitoring.

General & Administrative is comprised of payroll & benefits, contracted services, risk & loss prevention, training & education and other administrative activities.

The WSTIP Board budgets, monitors and evaluates the Pool's financial performance utilizing financial ratios. The 2020 year has created a challenge for the measurement in that Operating Revenue decreased by \$3.8M to account for a return of assessment. The 2019 claims & loss adjustment ratio was favorable to the target ratio as a handful of claims closed under the amounts previously reserved.

Expense Classification ÷ Operating Revenue	Target Ratios	2020		2019		2018	
		Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Claims & Loss Adjustments	≤ 50%	47%	47%	53%	26%	56%	58%
Insurance Services	≤ 20%	19%	24%	14%	17%	15%	15%
General & Administrative	≤ 25%	18%	19%	25%	16%	25%	21%
Total Operating Expenses	≤ 95%	84%	90%	92%	59%	96%	94%

### Non-Operating Revenues (Expenses)

WSTIP's non-operating revenues/expenses include interest/investment income, changes in the fair value of investments, changes in equity in GEM reinsurance and any other revenue and expense not meeting the operational revenue or expense criteria are reported as nonoperating revenues and expenses.

### **Financial Outlook**

In 2020 WSTIP and its Members experienced economic uncertainty due to COVID-19. Our Members travelled an average of 30% fewer miles and employed an average of 8% fewer employees. For most of our Members the loss or significant reduction in miles travelled was during the months of April – June as they adjusted to COVID-19 protocols in how they would provide public transportation services. In the months of July – September fixed route and paratransit service levels (in terms of aggregate miles) started to edge back to normal. Vanpool operations have not returned to pre COVID-19 levels and they have not been projected to do so until after 2021. This provides a sense of confidence that the miles to be travelled in 2021 will be closer to the estimates, reducing the likelihood of a large PPAA (a return of assessment).

Significant factors that could impact the future of the Pool include the reinsurance market, the investment market and adverse claims loss development. WSTIP works closely with external partners Alliant Insurance Services (Broker), Thurston County Treasurer and PricewaterhouseCoopers (Actuary) to stay informed of challenges in these risk areas. With current reserves and a conservative approach in uncertain economic conditions, WSTIP has a positive financial outlook for 2021 and beyond.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
FINANCIAL STATEMENTS

**COMPARATIVE STATEMENT OF NET POSITION**

	As of December 31,	
	2020	2019
<b>ASSETS</b>		
Current Assets		
Deposits and Investments	\$ 54,477,245	\$ 40,539,335
Accounts Receivable	28,410	7,589
Interest Receivable	87,937	23,497
Prepaid Insurance	823,299	676,689
Prepaid Expense	45,435	16,766
Total Current Assets	55,462,326	41,263,876
Noncurrent Assets		
Capital Assets, Net	425,588	473,811
Long-Term Investments	4,978,775	9,930,717
Equity in GEM	2,044,010	2,044,010
Deposits held for RPLDP	1,458	1,530
Total Noncurrent Assets	7,449,831	12,450,068
<b>TOTAL ASSETS</b>	<b>\$ 62,912,157</b>	<b>\$ 53,713,944</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - Pension	91,863	83,724
Deferred Outflows - OPEB	1,382	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>\$ 93,245</b>	<b>\$ 83,724</b>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>\$ 63,005,402</b>	<b>\$ 53,797,668</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 138,058	\$ 56,927
Compensated Absences	154,513	99,660
Unearned Revenues	146,586	123,905
Unpaid Claims Liability	6,912,000	7,764,007
Total OPEB Liability	2,764	3,072
Total Current Liabilities	7,353,921	8,047,571
Noncurrent Liabilities		
Compensated Absences	21,543	9,916
Due to RPLDP	1,458	1,530
Due to Members	3,782,992	-
Unpaid Claims Liability - Reserves	6,202,347	3,327,431
Unpaid Claims Liability - IBNR	8,057,784	7,903,820
Unpaid Claims Liability - ULAE	844,000	734,000
Total OPEB Liability	571,944	355,879
Net Pension Liability	341,426	326,114
Total Long-Term Liabilities	19,823,494	12,658,690
<b>TOTAL LIABILITIES</b>	<b>\$ 27,177,416</b>	<b>\$ 20,706,261</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pension	106,100	221,243
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>\$ 27,283,516</b>	<b>\$ 20,927,504</b>
<b>NET POSITION</b>		
Investment in Capital Assets	425,588	473,811
Unrestricted Building Reserve	29,166	4,166
Unrestricted Technology Grant Reserve	424,468	179,093
Unrestricted Net Position	34,842,664	32,213,094
<b>TOTAL NET POSITION</b>	<b>\$ 35,721,886</b>	<b>\$ 32,870,164</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; NET POSITION</b>	<b>\$ 63,005,402</b>	<b>\$ 53,797,668</b>

A reclassification was made to the 2019 Statement of Net Position to align with the 2020 presentation of information. Section totals remain the same. The accompanying notes are an integral part of these financial statements.



WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
FINANCIAL STATEMENTS

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	For the years ended December 31,	
	2020	2019
<b>OPERATING REVENUES</b>		
Member Assessments	\$ 18,407,525	\$ 16,654,015
Other Insurance Products	896,258	814,451
Prior Period Assessment Audit (PPAA)	(3,881,197)	(351,353)
Other Operating Revenues	87,452	217,588
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 15,510,038</b>	<b>\$ 17,334,701</b>
<b>OPERATING EXPENSES</b>		
Claims & Loss Adjustments	7,218,651	4,447,418
Purchased Insurance - Liability	1,893,472	1,439,376
Purchased Insurance - Property	1,358,092	1,039,398
Other Insurance Products	452,200	431,817
Payroll & Benefits	1,717,732	1,152,457
Contracted Services	494,289	442,159
Risk & Loss Prevention	219,645	252,168
Training & Education	43,390	159,885
Technical & Subscription Services	281,025	295,776
General & Administrative	156,845	428,858
Depreciation	27,550	20,627
Capital Asset Audit Adjustment Expense	27,183	-
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 13,890,076</b>	<b>\$ 10,109,939</b>
<b>TOTAL OPERATING INCOME</b>	<b>\$ 1,619,962</b>	<b>\$ 7,224,762</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income	\$ 1,231,761	\$ 1,039,514
Change in Equity in GEM	-	\$ 495,608
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>\$ 1,231,761</b>	<b>\$ 1,535,122</b>
<b>TOTAL CHANGE IN NET POSITION</b>	<b>\$ 2,851,722</b>	<b>\$ 8,759,884</b>
<b>NET POSITION, JANUARY 1</b>	<b>\$ 32,870,164</b>	<b>\$ 24,110,280</b>
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 35,721,886</b>	<b>\$ 32,870,164</b>

A reclassification was made to the 2019 Statement of Revenue & Expense to align with the 2020 presentation of information. Section totals remain the same. The accompanying notes are an integral part of these financial statements.



WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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**COMPARATIVE STATEMENT OF CASH FLOWS**

	For the years ended December 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from member assessments	\$ 19,225,684	\$ 17,122,463
Cash from members and others	101,565	198,045
Cash paid for claims	(4,931,778)	(4,453,910)
Cash paid for excess/reinsurance	(3,573,685)	(2,699,243)
Cash paid for employee wages and benefits	(1,504,092)	(1,412,623)
Cash paid for contracted services	(440,912)	(386,634)
Cash paid for general and administrative expenses	(1,116,065)	(1,783,181)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 7,760,717</b>	<b>\$ 6,584,917</b>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Cash paid to acquire or improve capital assets	(6,510)	(20,834)
<b>NET CASH PROVIDED (USED) BY CAPITAL ACTIVITIES</b>	<b>\$ (6,510)</b>	<b>\$ (20,834)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash from maturing securities	\$ 5,000,000	\$ 5,000,000
Cash from interest on investments	1,183,703	971,859
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>\$ 6,183,703</b>	<b>\$ 5,971,859</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 13,937,910</b>	<b>\$ 12,535,942</b>
<b>BALANCES - BEGINNING OF THE YEAR</b>	<b>\$ 40,539,335</b>	<b>\$ 28,003,393</b>
<b>BALANCES - ENDING OF THE YEAR</b>	<b>\$ 54,477,245</b>	<b>\$ 40,539,335</b>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
<b>OPERATING INCOME</b>	<b>\$ 1,619,962</b>	<b>\$ 7,224,762</b>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	27,550	20,627.00
Capital Asset Audit Adjustment Expense	27,183	-
Change in assets and liabilities		
Accounts Receivable	(20,821)	(1,081)
Interest Receivable	(64,440)	7,822
Prepaid Insurance	(146,610)	(101,342)
Prepaid Expense	(28,669)	37,366
Deferred Outflows - Pension	(8,139)	(3,363)
Deferred Outflows - OPEB	(1,382)	-
Accounts Payable	81,131	(39,933)
Compensated Absences	66,480	(24,201)
Unearned Revenues	22,681	850
Due to Members	3,782,992	-
Unpaid Claims Liability	2,286,873	(334,821)
OPEB Liability	215,757	(80,789)
Net Pension Liability	15,312	(143,485)
Deferred Inflows - Pension	(115,143)	22,505
	<b>\$ 7,760,717</b>	<b>\$ 6,584,917</b>

A reclassification was made to the 2019 Statement of Cash Flows to align with the 2020 presentation of information. Section totals remain the same. The accompanying notes are an integral part of these financial statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of WSTIP (or the Pool) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

- A. Reporting Entity** – WSTIP is an unincorporated, not-for-profit, local government risk sharing pool. WSTIP was formed January 1, 1989 via Interlocal Agreement pursuant to RCW 39.34 and has the authority to self-insure pursuant to RCW 48.62 and is governed to conform with WAC 200-100.

WSTIP was established to provide its Transit Members general liability, automotive liability and property damage. The Pool's general objective is to formulate, develop and administer a program of insurance at the lowest possible cost to Pool Members. WSTIP transfers its risk by buying excess/reinsurance over WSTIP's self-insured retention.

Transit agencies joining the Pool must remain Members for a minimum of 36 months; a Member may withdraw by providing written notice six months prior to the end of the Pool's fiscal year. Any Member that withdraws will not be allowed to rejoin WSTIP for a period of 36 months. Member assessments are adjusted on an annual basis to incorporate actuarial projections and operational needs as approved by the Board of Directors. Since WSTIP is a cooperative program, there is joint liability among the Members. In the event of withdrawal or termination, a Member is still liable pro-rata for any contributions and assessments to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement. If the Pool's net assets were depleted, Members would be responsible for outstanding liabilities of WSTIP. During 2020 one Member joined the Pool and one Member withdrew. See Required Supplementary Information for Member list.

WSTIP is governed by a Board of Directors composed of one voting Member Representative from each Member. Each Member has one vote on matters submitted to the Board. The Pool is governed and controlled by an elected Executive Committee in all respects except for those matters reserved to the Board. The Board employs an Executive Director, who is the Chief Executive Officer of the Pool. Through the Executive Director, the Pool's staff carries out the mission and directives of the Board of Directors and the Executive Committee.

- B. Budgetary Information, Spending Controls** – An annual budget is prepared by the Executive Director on the accrual basis of accounting and is presented to the Board of Directors for adoption prior to January 1 of the following year. The budget constitutes the legal authority for expenditures of the Pool. The Executive Director is authorized to make internal adjustments to the budget; however, any revisions that alter that total expenditure authority, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the Board of Directors. The budget also serves as a planning and control document. The Board of Directors are presented with budget to actual comparative reports and can inquire about operational performance at each quarterly board meeting.
- C. Measurement Focus, Basis of Accounting** – The Pool's accounting records are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of RCW 43.09. Statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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- D. Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and certain disclosures. Actual results could differ from the estimated amounts.
- E. Exemption from Federal and State Taxes** – Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). RCW 48.62 exempts Pools from state insurance premium taxes and RCW 82.04 exempts Pools from B&O taxes.
- F. FICA Replacement Plan** – WSTIP employees participate in a 401(a) Qualified Defined Contribution Retirement Plan in lieu of Social Security. Contribution rates were established by the WSTIP Board as a percentage of the employee's gross wage with the Pool contribution set at 6.20% and the employee contribution set at 9.20%. The Plan is administered by ICMA Retirement Corporation and employees immediately vest in all employer and employee contributions. Investment of both the employer and employee contributions are at the direction of the employee. WSTIP remitted all required contributions to the Plan. The employer portion is included herein as part of payroll expense.
- G. Assets, Liabilities, and Net Position**
- G.1. Deposits and Investments** – It is WSTIP policy to invest all temporary cash surpluses. For the statement of cash flows, WSTIP considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. See Note 2.
- G.2. Receivables** – Consist of customer account receivables and interest receivable.
- Accounts receivables consist of amounts owed based on invoices for services rendered, often in connection with contractual relationships and/or Interlocal Agreement. The amounts are deemed collectible and no allowance has been established for uncollectible accounts.
- Interest receivables represent interest earned on deposit and investment accounts where revenue has been recognized but interest payments have not been received.
- G.3. Prepayments** – Consist of amounts paid to secure the use of assets or the receipt of services, software licensing and insurance, with an initial cost of more than \$5,000 or an estimated useful life in excess of one year. Such assets are recorded at cost and amortized over estimated economic useful life of the asset.
- G.4. Capital Assets** – Capital assets are defined by WSTIP as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost and reported net of accumulated depreciation. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs that do not materially add to the value or extend the life of the asset are not capitalized. Depreciation is recorded in the year after purchase using the straight-line method over the following estimated useful lives. Buildings: 39 years; Building Improvements: 15 – 39 years; Furnishings & Equipment: 5 – 15 years. See Note 3.
- G.5. Deposits Held For Risk Pool Leadership Development Program (RPLDP)** – WSTIP is the Treasurer for the RPLDP, an educational program formed under Memorandum of Understanding (MOU) between multiple Washington State risk pools. As part of the MOU, WSTIP has no financial responsibility for the RPLDP beyond receiving tuition payments and making payments to vendors

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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and contractors related to program expenses. The revenues and expenses of the RPLDP are not included as part of the revenues and expenses of WSTIP. WSTIP makes regular reports to the RPLDP regarding the financial transactions of the RPLDP. WSTIP has a separate bank account for the purpose of segregating the RPLDP which are held for the sole benefit of the RPLDP. WSTIP financial statements report these funds as a non-current asset with an offsetting non-current liability.

**G.6. Equity in Government Entity Mutual** – WSTIP is a founding Member of Government Entities Mutual, Inc. (GEM), a captive insurance program formed on January 1, 2003. A captive is an insurance company owned and operated by its insureds. The intent of membership in GEM is to access the available excess/reinsurance market through GEM. WSTIP's initial 2003 investment was \$500,000 and in 2005 made an additional investment of \$250,000. WSTIP accounts for GEM activity using the equity method of accounting. Changes in equity are the result of profit sharing available to all GEM Members. For more details about GEM or to view GEM's annual report visit [www.gemre.com](http://www.gemre.com).

**G.7. Deferred Outflows/Inflows of Resources Related to Pensions** – See Note 6.

**G.8. Deferred Outflows/Inflows of Resources Related to OPEB** – See Note 5.

**G.9. Accounts Payable** – Consists of amounts owed based on invoices for good or services received and are paid in accordance with WSTIP payment terms of Net 30 unless otherwise obligated by agreement or contract.

**G.10. Compensated Absences** – Consists of leave for which employees have earned and are expected to be paid, either through paid time off or cash payment upon termination of employment. The maximum accrual that can be carried into the next fiscal year is 480 hours. Paid time off balances vary throughout the year; as such the financial value is measured as of the end of the fiscal year using the leave balance times an employee's pay rate at fiscal year-end; it also includes the cost of salary related payments (e.g. pension, 401(a), Medicare, etc.) using the current rates at fiscal year-end.

WSTIP allows employees (after one year of service) the ability to cash out a portion of their accrued leave such that a minimum of 40 hours of leave remains after a cash out. In 2020, the measurement of the non-current portion of compensated absences was changed such that the value of the non-current portion is the value that would remain following a cash out of leave (essentially the value of 40 hours of general leave per employee). Prior to 2020 the calculation of the non-current portion of compensated absences was based on leave utilization over the prior three years. This measurement method was ideal when we had a long-tenured staff but also resulted in big fluctuations from one year to the next.

**G.11. Unearned Revenues** – Consists of Member assessments received prior to the year for which it was due; such payments would be reclassified as revenue in the year when the Member receives the underlying coverage (benefit). Other examples include payments received in connection for training events; such payments would be reclassified as revenue in the month when training was provided or upon terms related to timing of cancellation.

**G.12. Owed to Risk Pool Leadership Development Program** – See 1G.5

**G.13. Due to Members** – Due to the economic impacts related to COVID-19 our Members travelled an average of 30% fewer miles as compared to their estimates. As a result, they are entitled to a return of assessment. The amount will be used as an offset against a future assessment.

**G.14. Claims Reserves** – WSTIP's claim reserves reflect the estimated ultimate cost of claims, including future claim expenses for claims that have been reported but not settled and claims that have been incurred but not reported. WSTIP utilizes an independent actuary, PricewaterhouseCoopers, to review claims reserves. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are appropriate modifiers of experience. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability.

WSTIP uses excess/reinsurance agreements to reduce its exposure to large losses on all types of insured events. Excess/reinsurance insurance permits recovery of a portion of losses from the carrier, although it does not discharge WSTIP's primary responsibility for the reinsured risk. The Pool reports reinsured risks as liabilities and show a reinsurance offset for any of those reinsured risks.

WSTIP's claims reserves reflect the estimated ultimate cost of claims, including future claim expenses for claims that have been reported but not settled and claims that have been incurred but not reported. Estimated amounts of claim recoveries such as salvage, subrogation, deductible, and excess/reinsurance on unpaid claims are deducted from the estimated ultimate cost.

Unpaid Claims Liability reserve components include the following:

Open Claims Reserves represent the Pool's estimate of the cost of claims that have occurred (are known to the Pool) but have not yet been settled (closed);

Incurred But Not Reported (IBNR) includes the actuary's assessment of the development of open claim costs and claims that have occurred but have not yet been reported to the Pool;

Unallocated Loss Adjustment Expenses (ULAE) represent the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported.

Claims paid and changes in estimated unpaid claims liabilities and costs, i.e. changes in claim reserves, are charged or credited to expense in the periods in which they are incurred. For more details see Note 4, Unpaid Claims Liabilities and Required Supplementary Information, related to Claims Development and Claims Liabilities by Coverage.

**G.15. Other Postemployment Benefit (OPEB) Liability** – WSTIP is a member of the Washington State Public Employees Benefit Board (PEBB) which allows member employees who retire the option to continue medical coverage on a self-pay basis. The continuity of coverages creates an implicit subsidy, the cost of which creates an OPEB Liability for plan participants like WSTIP. See Note 5.

**G.16. Net Pension Liabilities** – For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 6.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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**G.17. Net Position** – is reported in the following categories:

Investment in Capital Assets which represents WSTIP's total investments in land, buildings, building improvements, furnishing and equipment net of accumulated depreciation.

Unrestricted Net Position is available to the Pool for obligations to its Members and creditors. Some of these funds are designated (as noted below) but are available for obligations of the Pool.

Unrestricted Building Reserve is funded with \$25,000 annually to keep the WSTIP building in marketable condition.

Unrestricted Technology Grant Reserve was new in 2019 and allows for up to \$500,000 in unspent technology grant funding to be carried forward and awarded in future years.

**H. Revenues, Expenses and Changes in Net Position**

**H.1. Operating Revenues** – Result from providing services and producing and delivering goods in connection with the Pools principal ongoing operations which are predominately related to Member Assessments, ORCC and PPAA which we summarize as Member Assessments (All Types).

Member Assessments are based upon a formula which includes underwriting elements of miles traveled, employee counts, vehicle values and property values as well as a Members historic claims experience. The assessments include amounts for purchased insurance including reinsurance / excess premiums and Pool operating costs.

Other Insurance Products or Other Rating Cost Components (ORCC) includes the revenue associated with underinsured/uninsured motorists (UIM), pollution, underground storage tanks, crime & fidelity, directors & officers, excess cyber and driver record monitoring.

Prior Period Assessment Audits (PPAA) evaluate a Member's underwriting elements following the completion of a fiscal year as a comparison to previously submitted estimates. These assessment audits are performed annually to ensure cost equity of participation in the Pool.

**H.2. Other Operating Revenues** – are training revenues, rental/lease income and revenues generated by other local governmental agencies that utilize WSTIP's driver record monitoring program.

**H.3. Operating Expenses** – Principal operating expenses include claim payments and the change in claim reserves, purchased insurance including excess/reinsurance premiums, the cost of contracted services as well as other general operational and administrative expenses.

**H.4. Non-Operating Revenues (Expenses)** – include interest and investment income, changes in equity in GEM reinsurance and any other revenue and expense not meeting the operational revenue or expense criteria are reported as nonoperating revenues and expenses



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**NOTE 2 – DEPOSITS AND INVESTMENTS**

Deposits and investments are classified by type as of December 31, 2020 and 2019 as follows:

Type	Entity	2020	2019
Bank Deposits	US Bank	\$ 75,322	\$ 872,198 *
Investment Pool	Thurston County Investment Pool	48,773,751	34,042,421
Investment Pool	State Local Government Investment Pool	645,765	641,670
US Treasury Note	Thurston County Treasurer	4,982,407	4,983,046
<b>Subtotal of Deposits and Current Investments</b>		<b>\$ 54,477,245</b>	<b>\$ 40,539,335</b>
US Treasury Note	Thurston County Treasurer	4,978,775	9,930,716
<b>Subtotal of Noncurrent Investments</b>		<b>\$ 4,978,775</b>	<b>\$ 9,930,716</b>
<b>Total Deposits and Investments</b>		<b>\$ 59,456,020</b>	<b>\$ 50,470,051</b>

\*The 2019 presentation included \$1,530 in deposits held for RPLDP which were reported as a noncurrent asset. We have removed the \$1,530 to present 2019 with the deposits that were available for use by WSTIP.

- A. Custodial Credit Risk** – Deposits are normally subject to custodial credit risk which is the risk that, in event of a failure of a depository financial institution, WSTIP would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. WSTIP's bank deposits are entirely insured by the Federal Depositary Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).
- B. Investments in the State Local Government Investment Pool (LGIP)** – WSTIP is a participant in the LGIP, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200 or online at [www.tre.wa.gov](http://www.tre.wa.gov).

- C. Investments in Thurston County Investment Pool (TCIP)** – WSTIP is a participant in the Thurston County Investment Pool, an external investment pool. WSTIP reports its investment in the pool as the fair value amount, which is the same as the value of the TCIP per share. The responsibility for managing the TCIP resides with the County Treasurer. The TCIP is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County's investment policy is established by the County Finance Committee consisting of the County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners. The object of the policy is to invest public funds in a manner which will provide maximum security with the highest investment return while meeting daily cash flow demands and conforming to all state and local statutes governing the investment of public funds. The TCIP does not have a credit rating and had a weighted average maturity of 1.91 years as of December 31, 2020.

Thurston County prepares a Comprehensive Annual Financial Report that includes financial information relative to the TCIP. A copy of the report is available from the Thurston County Auditor, Financial Services, 2000 Lakeridge Drive SW, Olympia, Washington 98502, or online at <https://www.thurstoncountywa.gov/auditor/Pages/finance-reports.aspx>

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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- D. Designated Securities Investment Portfolio** – In 2018 WSTIP invested \$20,000,000 in four U.S. Treasury Notes held in a segregated investment account established per an agreement with the Thurston County Treasurer. One bond matured during 2019 and another matured in 2020. The remaining two bonds are reported as of December 31, 2020 as follows:

Type	Description	Fair Value	3m - 1 year	1 - 3 years
Debt Securities	U.S. Treasury Note	\$ 9,961,182	\$ 4,982,407	\$ 4,978,775

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Jan 1, 2020	Increases	Decreases	Dec 31, 2020
Capital Assets, Not Being Depreciated				
Land	\$ 91,010	-	-	\$ 91,010
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 91,010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,010</b>
Capital Assets, Being Depreciated				
Buildings	387,990	-	-	387,990
Building Improvements	166,592	6,510	108,984	64,118
Furnishings & Equipment	271,867	-	157,773	114,094
<b>Total Capital Assets, Being Depreciated</b>	<b>\$826,449</b>	<b>\$ 6,510</b>	<b>\$266,757</b>	<b>\$ 566,202</b>
Less Accumulated Depreciation				
Buildings	179,483	10,027	-	189,510
Building Improvements	18,118	3,547	7,869	13,796
Furnishings & Equipment	246,047	13,976	231,705	28,318
<b>Total Accumulated Depreciation</b>	<b>\$443,648</b>	<b>\$ 27,550</b>	<b>\$239,574</b>	<b>\$ 231,624</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$382,801</b>	<b>\$ (21,040)</b>	<b>\$ 27,183</b>	<b>\$ 334,578</b>
<b>Total Capital Assets, Net</b>	<b>\$473,811</b>	<b>\$ (21,040)</b>	<b>\$ 27,183</b>	<b>\$ 425,588</b>

In 2020, as part of internal review, WSTIP performed a full system capital asset audit. As a result, WSTIP adjusted asset accounts which resulted in a capital asset audit adjustment expense of \$27,183.

Capital asset activity for the year ended December 31, 2019 was as follows:

	Jan 1, 2019	Increases	Decreases	Dec 31, 2019
Capital Assets, Not Being Depreciated				
Land	\$ 91,010	-	-	\$ 91,010
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 91,010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,010</b>
Capital Assets, Being Depreciated				
Buildings	387,990	-	-	387,990
Building Improvements	166,592	-	-	166,592
Furnishings & Equipment	251,033	20,834	-	271,867
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 805,615</b>	<b>\$ 20,834</b>	<b>\$ -</b>	<b>\$ 826,449</b>
Less Accumulated Depreciation				
Buildings	169,534	9,949	-	179,483
Building Improvements	13,847	4,271	-	18,118
Furnishings & Equipment	239,639	6,408	-	246,047
<b>Total Accumulated Depreciation</b>	<b>\$423,020</b>	<b>\$ 20,628</b>	<b>\$ -</b>	<b>\$ 443,648</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$382,595</b>	<b>\$ 206</b>	<b>\$ -</b>	<b>\$ 382,801</b>
<b>Total Capital Assets, Net</b>	<b>\$473,605</b>	<b>\$ 206</b>	<b>\$ -</b>	<b>\$ 473,811</b>



WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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**NOTE 4 – UNPAID CLAIMS LIABILITY**

As discussed in Note 1G.14, the Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Pool as of December 31, 2020 and 2019:

<b>Change in Unpaid Claims Liabilities by Program</b>	<b>2020</b>	<b>2019</b>
<b>Unpaid claim and claim adjustment expenses at beginning of the fiscal year</b>	<b>\$ 19,729,258</b>	<b>\$ 20,064,078</b>
<b>Incurred claim and claim adjustment expenses:</b>		
Provision for insured events of the current fiscal year	5,968,547	8,767,111
Changes in provision for insured events of prior fiscal years	1,140,104	(4,361,752)
Changes in ULAE	110,000	-
<b>Total incurred claim and claim adjustment expenses</b>	<b>\$ 7,218,651</b>	<b>\$ 4,405,359</b>
<b>Payments:</b>		
Claim and claim adjustment expense attributable to insured events of the current fiscal year	773,249	1,047,176
Claim and claim adjustment expense attributable to insured events of the prior fiscal years	4,158,529	3,693,003
<b>Total payments</b>	<b>\$ 4,931,778</b>	<b>\$ 4,740,179</b>
<b>Total unpaid claim and claim adjustment expenses at the end of the fiscal year</b>	<b>\$ 22,016,131</b>	<b>\$ 19,729,258</b>
 <b>Components of Unpaid Claims Liability:</b>		
Open Claims Reserves - Current	\$ 6,912,000	\$ 7,764,007
Open Claims Reserves - Noncurrent	6,202,347	3,327,431
Open Claims Reserves - Total	\$ 13,114,347	\$ 11,091,438
Incurred But Not Reported (IBNR)	8,057,784	7,903,820
Unallocated Loss Adjustment Expenses (ULAE)	844,000	734,000
<b>Unpaid claim and claim adjustment expense</b>	<b>\$ 22,016,131</b>	<b>\$ 19,729,258</b>

**NOTE 5 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2020, with a measurement date of June 30, 2020 and as of December 31, 2020:

<b>Aggregate OPEB Amounts – All Plans</b>	
OPEB liabilities	\$ 574,708
OPEB assets	\$ -
Deferred outflows of resources	\$ 1,382
Deferred inflows of resources	\$ -
OPEB expenses/expenditures	\$ 219,523

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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**OPEB Plan Description**

- a. WSTIP participates in the Washington State Public Employees Benefits Board (PEBB) healthcare program administered by the Washington State Health Care Authority (HCA). The plan is considered to be a single-employer defined benefit OPEB plan.
- b. The plan is available to all WSTIP employees. The plan provides medical, prescription drug, vision and dental coverage. The premiums for the retired employees are blended with the rates for active employees. The blending of rates is considered an implicit subsidy paid by WSTIP. There are no COLAs associated with the plan.
- c. At the PEBB measurement date of June 30, 2020, WSTIP had the following employees covered by the benefit terms:

Classification	Count
Active employees	12
Inactive employees currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
<b>Total Plan Members</b>	<b>13</b>

- d. The plan is funded on a pay-as-you-go basis. There are no assets accumulated in a qualifying trust.
- e. No stand-alone financial statements are available for the PEBB program.

**Assumptions and Other Inputs**

The discount rate used in the online tool developed by the Office of the State Actuary was 3.50% for the beginning of the measurement year and 2.21% for the end of the measurement year. Projected salary changes were 3.50% plus service-based increases. Healthcare Trend rates used an initial rate of approximately 7%, trending down to about 5% in 2020. Mortality rates were calculated using the Healthy RP-2000 base mortality table with an age setback of 1 year, mortality improvements of 100% Scale BB and a generational projection period. An inflation rate of 2.75% was used. Post-retirement participation percentage was 65% and the percentage with spousal coverage was 45%.

Assumptions for retirement, disability, termination and mortality were based on the 2018 PEBB OPEB Actuarial Valuation Report. Retirement service for each active cohort was based on the average entry age of 35 with service being a component of benefit eligibility.

- a. The following presents the total OPEB liability if WSTIP calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	5.8%	6.8%	7.8%
Net OPEB Liability	\$ 451,683	\$ 574,708	\$ 741,834

- b. The following presents the total OPEB liability if WSTIP calculated using the discount rate of 2.21 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate.

	1% Decrease	Discount Rate as of June 30, 2020	1% Increase
	1.21%	2.21%	3.21%
Net OPEB Liability	\$ 712,053	\$ 574,708	\$ 468,799

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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**Changes in the Total OPEB Liability**

The schedule of changes in the total OPEB liability as of the measurement date of June 30, 2020 and as of December 31, 2020 are as follows:

<b>PEBB - Health Care Authority</b>	<b>2020</b>
Total OPEB liability - beginning	\$ 357,414
Service cost	21,250
Interest cost	13,215
Changes in experience data & assumptions	185,058
Changes in benefit terms	-
Benefit payments	(2,229)
Other changes	-
<b>Total OPEB liability - ending</b>	<b>\$ 574,708</b>

- a. The measurement and valuation dates are June 30, 2020. To estimate the Total OPEB Liability (TOL) as of the beginning of the measurement period, the TOL was projected backwards to the measurement date of June 30, 2019. With fewer than 100 plan members, WSTIP calculates OPEB Liability utilizing the Alternative Measurement Method (AMM) tool, prepared by the Washington State Office of the State Actuary. The AMM relies on WSTIP inputs related to plan members and covered-employee payroll.
- b. There was no special funding situation where WSTIP's proportion (percentage) of the collection of net OPEB liability changed since the prior measurement date.
- c. The backward projection of the liability reflected the estimated service cost, assumed interest, and expected benefit payments.
- d. There were no changes of benefit terms that affected measurement of the TOL since the prior measurement date.
- e. There were no obligations for the payment of benefits transferred from the employer to one or more insurance companies.
- f. There were no changes between the measurement date of the TOL and the employer's reporting date that are expected to have any effect on the TOL.
- g. The total OPEB expense recognized by WSTIP in the reporting period was \$219,523.
- h. At December 31, 2020, WSTIP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on OPEB plan investments	-	-
Transactions subsequent to the measurement date	1,382	-
<b>TOTAL</b>	<b>\$ 1,382</b>	<b>\$ -</b>

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
NOTES TO THE FINANCIAL STATEMENTS

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**NOTE 6 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2020:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ 341,426
Pension assets	\$ -
Deferred outflows of resources	\$ 91,863
Deferred inflows of resources	\$ (106,100)
Pension expenses/expenditures	\$ 23,003

**State Sponsored Pension Plans** – Substantially all WSTIP's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, Washington 98540-8380 or online at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employee's Retirement System (PERS)** – PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

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PERS Plan 1 – Actual Contribution Rates					
Jan – Aug 2020	ER	EE*	Sep – Dec 2020	ER	EE*
PERS Plan 1	7.92%	6.00%	PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%		PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>	<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>

Employer (ER), Employee (EE), Unfunded Actuarial Accrued Liability (UAAL)

\* For employees participating in JBM, the contribution rate was 12.26%.

No WSTIP employees are covered by PERS Plan 1; however, a portion of the PERS Plan 2/3 contributions is allocated by DRS to the PERS Plan 1 UAAL. The amounts allocated to PERS Plan 1 UAAL were \$49,398 for 2020.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions – The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
NOTES TO THE FINANCIAL STATEMENTS

employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plans 2/3 – Actual Contribution Rates					
Jan – Aug 2020	ER 2/3	EE 2*	Sep – Dec 2020	ER 2/3	EE 2*
PERS Plan 2/3	7.92%	7.90%	PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%		PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
EE PERS Plan 3		Varies	EE PERS Plan 3		Varies
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>	<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>

Employer (ER), Employee (EE), Unfunded Actuarial Accrued Liability (UAAL)

\* For employees participating in JBM, the contribution rate was 19.75%.

No WSTIP employees are covered by PERS Plan 1; however, a portion of the PERS Plan 2/3 contributions is allocated by DRS to the PERS Plan 1 UAAL. The amounts allocated to PERS Plan 1 UAAL were \$49,398 for the year ended December 31, 2020. WSTIP paid administrative fees of \$1,854 with actual PERS plan contributions of \$81,575 to PERS Plan 2/3 for the year ended December 31, 2020.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The 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 Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa).

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
NOTES TO THE FINANCIAL STATEMENTS

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- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington State average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' 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 7.4 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### Estimated Rates of Return by Asset Class

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, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	



WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
NOTES TO THE FINANCIAL STATEMENTS

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents WSTIP's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what WSTIP's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease	June 30, 2020 Discount Rate	1% Increase
PERS Plan	6.40%	7.40%	8.40%
Plan 1	\$ 290,096	\$ 231,063	\$ 180,591
Plan 2/3	\$ 683,347	\$ 109,823	\$ (362,475)

**Pension Plan Fiduciary Net Position**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, WSTIP reported a total pension liability of \$341,426 for its proportionate share of the net pension liabilities as follows:

PERS Plan	Liability (Asset)
Plan 1	\$ 231,603
Plan 2/3	\$ 109,823
<b>Total</b>	<b>\$ 341,426</b>

At June 30, 2020, WSTIP's proportionate share of the collective net pension liabilities was as follows:

Proportionate Share of Collective Net Pension Liabilities			
PERS Plan	June, 30 2019	June, 30 2020	Change
Plan 1	0.006396%	0.006560%	0.000164%
Plan 2/3	0.008253%	0.008587%	0.000334%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.



WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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### Pension Expense

For the year ended December 31, 2020, WSTIP's recognized pension expense as follows:

PERS Plan	Pension Expense
Plan 1	\$ 18,053
Plan 2/3	\$ 4,950
<b>Total</b>	<b>\$ 23,003</b>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, WSTIP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(1,289)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	24,634	-
<b>TOTAL</b>	<b>\$ 24,634</b>	<b>\$ (1,289)</b>

PERS Plans 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,315	\$ (13,763)
Net difference between projected and actual investment earnings on pension plan investments	-	(5,578)
Changes of assumptions	1,564	(75,018)
Changes in proportion and differences between contributions and proportionate share of contributions	(14,021)	(10,451)
Contributions subsequent to the measurement date	40,371	-
<b>TOTAL</b>	<b>\$ 67,229</b>	<b>\$ (104,810)</b>

PERS Plans 1,2,3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,315	\$ (13,763)
Net difference between projected and actual investment earnings on pension plan investments	-	(6,868)
Changes of assumptions	1,564	(75,018)
Changes in proportion and differences between contributions and proportionate share of contributions	(14,021)	(10,451)
Contributions subsequent to the measurement date	65,005	-
<b>TOTAL</b>	<b>\$ 91,863</b>	<b>\$ (106,100)</b>

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
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Deferred outflows of resources related to pensions resulting from WSTIP's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	PERS 1,2,3
2021	\$ (5,852)	\$ (51,831)	\$ (57,683)
2022	\$ (184)	\$ (17,154)	\$ (17,338)
2023	\$ 1,786	\$ (4,309)	\$ (2,523)
2024	\$ 2,961	\$ 5,834	\$ 8,795
2025	\$ -	\$ (6,685)	\$ (6,685)
Thereafter	\$ -	\$ (3,806)	\$ (3,806)

**NOTE 7 – SOLVENCY**

Washington Administrative Code (WAC) 200-100 requires WSTIP to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80 percent confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

The solvency test results for WSTIP as of December 31, 2020 and 2019 are as follows:

Primary Asset Test		2020	2019
Primary Assets, Net	[A]	\$ 54,079,185	\$ 49,496,000
Unpaid Claims - Expected Level	[B]	\$ 22,016,131	\$ 19,729,000
Margin [A] - [B]		\$ 32,063,054	\$ 29,767,000
Test to Standard [A] ≥ [B]		Met Standard	Met Standard
			\$ 0.76600
Primary & Secondary Asset Test		2020	2019
Primary & Secondary Assets, Net	[C]	\$ 57,533,018	\$ 52,743,000
Unpaid Claims - 80% Confidence Level	[D]	\$ 27,944,000	\$ 25,756,000
Margin [C] - [D]		\$ 29,589,018	\$ 26,987,000
Test to Standard [C] ≥ [D]		Met Standard	Met Standard

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 8 – RISK FINANCING LIMITS**

The following tables represents the risk financing limits on coverage policies issued and retained by WSTIP at December 31, 2020:

<b>Liability</b>	<b>Member Deductibles</b>	<b>Self-Insured Retention</b>	<b>Reinsurance/Excess Limits</b>
Bodily Injury and Property Damage	No deductible	\$2M	\$25M
Personal Injury and Advertising Injury	No deductible	\$2M	\$25M
Contractual Liability	No deductible	\$2M	\$25M
Vanpool Driver Medical Expense Protection	No deductible	\$35K	None
Underinsured Motorist (UIM) [1]	No deductible	\$60K	None
Permissive Use of a Member-Owned Motor Vehicle	No deductible	[2]	None
Public Officials Errors and Omissions	\$5K	\$2M	\$25M
Employment Practice Liability	\$5K	\$2M	\$25M
Crime/Blanket Employee Dishonesty	\$10K	None	\$1M

[1] UIM is mandatory for all vanpool programs, but the Member may elect to purchase UIM on other modes.

[2] \$100K per occurrence for property damage, \$300K per occurrence for bodily injury

<b>Property [3]</b>	<b>Member Deductibles</b>	<b>Self-Insured Retention</b>	<b>Reinsurance/Excess Limits</b>
Building and Contents	Varies by Member [5]	\$250K	\$500M
Boiler and Machinery	Varies by unit size [4]	None	\$ 100,000,000
<b>Auto Physical Damage (APD)</b>			
Vehicles valued at or below \$250K or more than 10 years old	Varies by Member [5]	\$250K	Fair market value, up to \$250K per vehicle
Vehicles valued over \$250K and less than 10 years old	Varies by Member [5]	\$250K	Replacement Cost, up to \$1.35M per vehicle
<b>Flood [6]</b>			
Flood Zones A&V	\$500K	\$250K	\$10M
Flood Zones except A&V	\$500K	\$250K	\$50M
Earthquake	5% subject to \$500K minimum per occurrence per unit	None	\$25M
Combined Business Interruption, Rental Income, and Tuition Income	Varies by Member [5]	\$250K	\$100M

[3] Central Transit, Everett Transit and Pullman Transit do not purchase property coverage through WSTIP. Yakima and RiverCities Transit purchase auto physical damage coverage but not all risk property.

[4] Boiler & Machinery deductible: \$250,000,000 for units under 750hp, 25,000 KW/KVA/Amp, or Boilers over 75,000 square feet of heating surface; \$350,000,000 for units over above limits.

[5] Members may select a higher deductible for property and auto physical damage. Deductibles for 2019 were: C-Tran \$10,000; Pierce Transit and Spokane Transit \$25,000; all other Members \$5,000.

[6] Annual Aggregate

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 8 – RISK FINANCING LIMITS ... CONTINUED**

<b>Cyber Liability and First Party Computer Security [6]</b>	<b>Member Deductibles</b>	<b>Self-Insured Retention</b>	<b>Reinsurance/Excess Limits</b>
Cyber Liability and First Party Computer Security	\$5K	None	\$25M** \$2M*
Breach Response Costs	\$5K	None	\$500K*
<b>FIRST PARTY LOSS</b>			
Business Interruption			
Security Breach	\$5K	None	\$2M*
Dependent Business Loss Resulting from Security Breach	\$5K	None	\$750K*
System Failure	\$5K	None	\$500K*
Dependent Business Loss Resulting from System Failure	\$5K	None	\$100K*
Cyber Extortion	\$5K	None	\$2M*
Data Recovery Costs	\$5K	None	\$2M*
<b>LIABILITY</b>			
Data & Network Liability	\$5K	None	\$2M*
Regulatory Defense & Penalties	\$5K	None	\$2M*
Payment Card Liabilities and Costs	\$5K	None	\$2M*
Media Liability	\$5K	None	\$2M*
<b>eCRIME</b>			
Fraudulent Instruction	\$5K	None	\$75K*
Funds Transfer Fraud	\$5K	None	\$75K*
Telephone Fraud	\$5K	None	\$75K*
Criminal Reward	\$5K	None	\$25K*
Consequential Reputational Loss	\$5K	None	\$50K*
Computer Hardware Replacement Costs	\$5K	None	\$75K*
Invoice Manipulation	\$5K	None	\$100K*

[6] Central Transit, Everett Transit, Pullman Transit, and Yakima Transit do not purchase Cyber Liability/First Party Computer Security

\* per Member aggregate

\*\* the \$25M applies to all insureds that purchase the policy

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 9 – EXCESS INSURANCE CONTRACTS / REINSURANCE**

The Pool maintains excess insurance contracts with several insurance carriers which provide various limits of coverage over the Pool's self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

Coverage	Carrier	Layer
Liability	GEM Re	\$3M in excess of \$2M
	Munich Re	\$10M in excess of \$5M
	Hallmark Insurance Company	\$5M in excess of \$15M
	Allied World Assurance Co.	\$5M in excess of \$20M
Crime	National Union Fire	\$1M
Blanket Pollution	Beazley Eclipse	\$1M
Underground Storage Tank (UST)	Great American	\$1M per storage tank incident
		\$1M aggregate per location
All Risk Property	Alliant Public Entity Property Program (APIP)	\$500M per occurrence for all members combined with various sublimits
Auto Physical Damage	Evanston	Fair Market Value for vehicles valued at or below \$250K or more than 10 years old
		Replacement Cost for vehicles valued over \$250K and less than 10 years old
Cyber Liability	Beazley	\$25M aggregate for all Beazley insureds
		\$2M aggregate per member

Coverage for public officials liability, pollution and underground storage tanks (UST) are claims-made. All other coverages are occurrence based.

There were no reinsurance transactions ceded in 2020.

**NOTE 10 – GOVERNMENT ENTITIES MUTUAL (GEM)**

WSTIP accounts for GEM activity using the equity method of accounting. Changes in equity are the result of profit sharing available to all GEM Members. WSTIP's proportionate share of income from GEM for the 2020 financial year has not been determined. It is Pool management's assessment that the adjustment will be immaterial to WSTIP's 2020 financial statement, as such no estimate has been recorded. The amount attributed to the 2020 year will be recorded in 2021 when the amount is known and communicated.

WSTIP's proportionate share of income from GEM's 2019 financial year was \$495,608 and was included in WSTIP's investment income for 2019.

**NOTE 11 – CAPITAL ASSET AUDIT**

In 2020, as part of internal review, WSTIP performed a full system capital asset audit. As a result, WSTIP adjusted asset accounts which resulted in a capital asset audit adjustment expense of \$27,183.

**NOTE 12 – COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The economic impacts related to COVID-19 impacted our Members who travelled an average of 26% fewer miles than estimated and employed an average of 8% fewer employees. The hard or fixed costs of operating the Pool did not change as a result of COVID-19; however, the financial impact to WSTIP as a result of COVID-19's impact on our Members was a downward adjustment in anticipated claims expenses from \$9M to \$6M and a \$3.8M PPAA (a return of assessment).

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Pool is unknown at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

## RSI 1 – CLAIMS DEVELOPMENT INFORMATION

The table on the next page illustrates how WSTIP's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by WSTIP as of the end of each of the last ten years. The table of rows are defined as follows:

- (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
- (2) This line shows each fiscal year's other operating costs of WSTIP including overhead and claims expenses not allocated to individual claims.
- (3) This line shows WSTIP's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). The incurred (accrued) portion shown represents the combination of unpaid claims liability – reserves and unpaid claims liability – IBNR. The ceded portion includes excess insurance premiums, ceded incurred loss and ceded IBNR loss reserves.
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.
- (7) This line shows the increase (decrease) in estimated net incurred claims and expenses for end of the policy year.

Columns of the table show data for successive policy years.

\* At policy year end 2010 our actuary started calculating estimated ceded ultimate loss



WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**RSI 1 – CLAIMS DEVELOPMENT INFORMATION ... CONTINUED**

For the Year Ending December 31, 2020 (in thousands of dollars)										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>1. Member contribution &amp; investment revenues:</b>										
Gross	\$ 11,217	10,933	11,439	11,785	12,521	13,198	14,779	15,932	17,842	16,437
Ceded	\$ 1,793	1,904	2,166	2,206	1,999	2,150	2,215	2,324	2,573	3,252
Net earned	\$ 9,424	9,029	9,273	9,579	10,522	11,048	12,564	13,608	15,269	13,185
2. Unallocated operating expenses	\$ 2,272	2,223	2,433	2,500	3,058	3,142	2,735	2,781	2,983	2,880
<b>3. Estimated losses &amp; expenses end of policy year</b>										
Incurred	\$ 5,727	4,994	5,470	7,047	5,764	5,395	8,106	9,068	8,998	5,969
Ceded	\$ 4,411	180	202	408	521	547	361	837	788	804
Net Incurred	\$ 1,316	4,814	5,268	6,639	5,243	4,848	7,745	8,231	8,210	5,165
<b>4. Paid (cumulative) as of:</b>										
End of policy year	\$ 1,077	927	1,075	983	1,086	805	1,870	1,115	1,097	773
One year later	\$ 2,774	1,828	2,172	2,050	2,270	2,056	2,819	2,808	2,633	
Two years later	\$ 3,744	2,692	3,141	3,815	4,814	3,231	3,344	3,805		
Three years later	\$ 4,910	4,348	3,827	5,730	5,662	3,878	4,235			
Four years later	\$ 7,000	4,855	4,951	5,993	6,267	4,105				
Five years later	\$ 7,087	4,906	6,191	6,020	6,644					
Six years later	\$ 7,494	4,924	6,278	6,023						
Seven years later	\$ 7,589	4,912	6,350							
Eight years later	\$ 7,580	4,910								
Nine years later	\$ 7,580									
5. Re-estimated ceded losses & expenses	\$ 8,779	1,237	58	3,120	815	58	160	522	692	
<b>6. Re-estimated net incurred claims and expenses:</b>										
End of policy year	\$ 5,727	4,994	5,470	7,047	5,764	5,395	8,106	9,068	4,806	
One year later	\$ 6,783	4,320	5,052	7,640	5,735	6,214	6,605	8,337	10,215	
Two years later	\$ 8,144	4,755	5,448	7,340	7,320	5,668	6,170	8,794		
Three years later	\$ 9,075	4,858	6,220	6,470	9,868	4,691	6,603			
Four years later	\$ 8,473	4,976	6,918	6,262	7,725	4,286				
Five years later	\$ 8,295	5,065	6,753	6,145	7,444					
Six years later	\$ 7,671	5,000	6,222	6,062						
Seven years later	\$ 7,589	4,912	6,368							
Eight years later	\$ 7,580	4,910								
Nine years later	\$ 7,580									
7. Increase (decrease) in estimated net incurred claims and expenses for end of the policy year	\$ 6,264	96	1,100	(577)	2,201	(562)	(1,142)	563	2,005	(5,165)

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**RSI 2 – RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT**

In addition to information in Note 4, the following represents changes WSTIP's Liability and Property programs as of December 31, 2020 and 2019:

	Liability Program		Property Program	
	2020	2019	2020	2019
<b>Change in Unpaid Claims Liabilities by Program</b>				
Unpaid claim and claim adjustment expenses at beginning of the fiscal year	\$ 18,940,078	\$ 19,261,505	\$ 789,180	\$ 802,573
<b>Incurred claim and claim adjustment expenses:</b>				
Provision for insured events of the current fiscal year	5,548,000	8,416,427	420,547	350,684
Changes in provision for insured events of prior fiscal years	1,404,122	(4,187,282)	(264,018)	(174,470)
Changes in ULAE	107,044	-	2,956	-
<b>Total incurred claim and claim adjustment expenses</b>	<b>\$ 7,059,166</b>	<b>\$ 4,229,145</b>	<b>\$ 159,485</b>	<b>\$ 176,214</b>
<b>Payments:</b>				
Claim and claim adjustment expense attributable to insured events of the current fiscal year	618,873	1,005,289	154,376	41,887
Claim and claim adjustment expense attributable to insured events of the prior fiscal years	3,331,563	3,545,283	826,966	147,720
Total payments	\$ 3,950,436	\$ 4,550,572	\$ 981,342	\$ 189,607
<b>Total unpaid claim and claim adjustment expenses at the end of the fiscal year</b>	<b>\$ 22,048,808</b>	<b>\$ 18,940,078</b>	<b>\$ (32,677)</b>	<b>\$ 789,180</b>
<b>Components of Unpaid Claims Liability:</b>				
Open Claims Reserves - Current	\$ 6,666,567	\$ 6,858,862	\$ 245,433	\$ 905,145
Open Claims Reserves - Noncurrent	5,982,113	2,939,512	220,234	387,919
Open Claims Reserves - Total	\$ 12,648,680	\$ 9,798,374	\$ 465,667	\$ 1,293,064
Incurred But Not Reported (IBNR)	7,954,585	7,803,205	103,199	100,615
Unallocated Loss Adjustment Expenses (ULAE)	821,323	680,147	22,677	53,853
<b>Unpaid claim and claim adjustment expense</b>	<b>\$ 21,424,588</b>	<b>\$ 18,281,726</b>	<b>\$ 591,543</b>	<b>\$ 1,447,532</b>

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**RSI 3 – SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

Washington State Public Employees Benefits Board (PEBB), Health Care Authority  
Last 10 Fiscal Years\*

		As of PEBB's Fiscal Year Ending June 30, 2020									
<b>PEBB - Health Care Authority</b>		2020	2019	2018	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Total OPEB liability (TOL) - beginning	\$	357,414	438,590	425,066							
Service cost	\$	21,250	30,848	27,167							
Interest cost	\$	13,215	18,089	16,152							
Changes in experience data & assumptions	\$	185,058	(126,019)	(27,639)							
Changes in benefit terms	\$	-	-	-							
Benefit payments	\$	(2,229)	(4,094)	(2,156)							
Other changes	\$	-	-	-							
<b>Total OPEB liability (TOL) - ending ***</b>	<b>\$</b>	<b>574,708</b>	<b>357,414</b>	<b>438,590</b>							
<b>Covered-employee payroll**</b>	<b>\$</b>	<b>998,761</b>	<b>896,897</b>	<b>935,800</b>							
<b>TOL as a % of covered payroll</b>	<b>%</b>	<b>57.54%</b>	<b>39.85%</b>	<b>46.87%</b>							

**Notes to Schedule:**

\* Until a full 10-year trend is compiled, only information for those years available is presented.

\*\* Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, par. 246). The amounts previously shown on this schedule as covered payroll also included other payroll related expenses.

\*\*\* Prior presentations include a line item for the value of the implicit rate subsidiary subsequent to the measurement date (June 30, 2020) to arrive at ending OPEB liability. That amount represented a Deferred Outflow. The revised presentation agrees to the ending OPEB liability as calculated using the Washington State Office of the State Actuary Alternative Measurement Method (AMM) tool. The 2019 ending OPEB amount above does not agree with the 2019 end OPEB liability on the Statement of Net Position, as the 2019 ending OPEB liability included the \$1,537 Deferred Outflow. WSTIP recorded an entry in 2020 to correct the cumulative affect of the change: \$3,074. The 2020 ending OPEB amount above does agree with ending OPEB liability on the Statement of Net Position with this entry.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**RSI 4 – SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Washington State Department of Retirement Systems, Public Employees' Retirement System (PERS) Program  
Last 10 Fiscal Years\*

		As of PERS Fiscal Year Ending June 30, 2020							
<b>PERS Plan 1</b>		2020	2019	2018	2017	2016	2015	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	.006560%	.006396%	.007042%	.007128%	.007568%	.007305%		
Employer's proportionate share of the net pension liability	%	231,603	245,959	314,498	338,229	406,437	382,119		
Covered payroll**	\$	998,761	896,897	935,800	898,841	899,755	837,525		
Employer's proportionate share of the net pension liability as a % of covered payroll	%	23.19%	27.42%	33.61%	37.63%	45.17%	45.62%		
Plan fiduciary net position as a % of the total pension liability	%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%		

		As of PERS Fiscal Year Ending June 30, 2020							
<b>PERS Plan 2/3</b>		2020	2019	2018	2017	2016	2015	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	.008587%	.008253%	.009084%	.009168%	.009710%	.009441%		
Employer's proportionate share of the net pension liability	%	109,823	80,165	155,101	318,544	488,891	337,332		
Covered payroll**	\$	998,761	896,897	935,800	898,841	899,755	837,525		
Employer's proportionate share of the net pension liability as a % of covered payroll	%	11.00%	8.94%	16.57%	35.44%	54.34%	40.28%		
Plan fiduciary net position as a % of the total pension liability	%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%		

**Notes to Schedule:**

\* Until a full 10-year trend is compiled, only information for those years available is presented.

\*\* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5). The amounts previously shown on this schedule as covered payroll also included other payroll related expenses. The revised presentation includes only the payroll for which pension contributions were based.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**RSI 5 – SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Washington State Department of Retirement Systems, Public Employees' Retirement System (PERS) Program  
Last 10 Fiscal Years\*

<b>PERS Plan 1</b>	As of WSTIP's Fiscal Year Ending December 31, 2020									
	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 49,398	45,866	46,397	45,256	42,974	38,352				
Contributions in relation to the statutorily or contractually required contributions***	\$ (49,398)	(45,866)	(46,397)	(45,256)	(42,974)	(38,352)				
Contribution deficiency (excess)	\$ -	-	-	-	-	-				
Covered payroll**	\$ 1,029,981	928,595	916,494	923,350	900,923	874,004				
Contributions as a % of covered payroll	% 4.80%	4.94%	5.06%	4.90%	4.77%	4.39%				

<b>PERS Plan 2/3</b>	As of WSTIP's Fiscal Year Ending December 31, 2020									
	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 81,575	71,745	68,735	63,398	56,127	49,248				
Contributions in relation to the statutorily or contractually required contributions***	\$ (81,575)	(71,745)	(68,735)	(63,398)	(56,127)	(49,248)				
Contribution deficiency (excess)	\$ -	-	-	-	-	-				
Covered payroll**	\$ 1,029,981	928,595	916,494	923,350	900,923	874,004				
Contributions as a % of covered payroll	% 7.92%	7.73%	7.50%	6.87%	6.23%	5.63%				

**Notes to Schedule:**

\* Until a full 10-year trend is compiled, only information for those years available is presented.

\*\* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5). The amounts previously shown on this schedule as covered payroll also included other payroll related expenses. The revised presentation includes only the payroll for which pension contributions were based.

\*\*\* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**RSI 6 – DEPARTMENT OF ENTERPRISE SERVICES (DES) SCHEDULE OF EXPENSES**

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>OPERATING EXPENSES</b>		
<b>Claims &amp; Loss Adjustments</b>	\$ 7,218,651	\$ 4,447,418
<b>Insurance Services</b>		
Purchased Insurance - Liability	\$ 1,893,472	\$ 1,439,376
Purchased Insurance - Property	1,358,092	1,039,398
Other Insurance Products	452,200	431,817
<b>Total Insurance Services</b>	<b>\$ 3,703,765</b>	<b>\$ 2,910,591</b>
<b>Contracted Services</b>		
Actuarial	\$ 82,750	\$ 82,900
Audit Expenses	11,197	13,013
Brokerage Fees	109,950	101,200
Legal Fees	109,460	78,037
State Risk Manager	11,720	11,720
Accounting Services	31,743	38,368
IT Services	88,807	70,929
Other Consultant Fees	48,663	45,992
<b>Total Contracted Services</b>	<b>\$ 494,289</b>	<b>\$ 442,159</b>
<b>General &amp; Administrative Expenses</b>		
Payroll & Benefits	\$ 1,717,732	\$ 1,152,457
Risk & Loss Prevention	219,645	252,168
Training & Education	43,390	159,885
Technical & Subscription Services	281,025	295,776
Board Expenses	40,426	169,262
Staff Travel & Professional Development	29,289	93,222
Occupancy	95,063	93,919
Administrative	(7,933)	72,454
<b>Total General &amp; Administrative Expenses</b>	<b>\$ 2,418,637</b>	<b>\$ 2,289,144</b>
<b>Depreciation</b>	<b>\$ 27,550</b>	<b>\$ 20,627</b>
<b>Capital Asset Audit Adjustment Expense</b>	<b>\$ 27,183</b>	<b>\$ -</b>
<b>Total Operating Expense</b>	<b>\$ 13,890,076</b>	<b>\$ 10,109,939</b>

A reclassification was made to the 2019 DES Schedule of Expense to align with the 2020 presentation of information.  
Total Operating Expense stays the same.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2020  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**RSI 7 – LIST OF PARTICIPATING MEMBERS**

<b>Transit Agency</b>	<b>Board Member Representative</b>	<b>Role in Transit</b>
Asotin Co PTBA	Jenny George	CEO / Transit Director
Ben Franklin Transit	Jeff Lubeck	Finance
Central Transit	Betsy Dunbar	CEO / Transit Director
Clallam Transit System	Kevin Gallacci	CEO / Transit Director
Columbia County	David Ocampo	CEO / Transit Director
Community Transit	Geri Beardsley	Administrative Services
C-TRAN	Scott Deutsch	Safety & Risk
Everett Transit	Tom Hingson	CEO / Transit Director
Grant Transit	Brandy Heston	Administrative Services
Grays Harbor Transit	Ken Mehin	CEO / Transit Director
Intercity Transit	Heather Stafford-Smith	Administrative Services
Island Transit	Staci Jordan	Vanpool Administration
Jefferson Transit	Sara Crouch	Finance
Kitsap Transit	Paul Shinnors	Finance
Link Transit	Nick Covey	Finance
Mason Transit Authority	Danette Brannin	CEO / Transit Director
Pacific Transit	Richard Evans, Audrey Olsen	CEO / Transit Director
Pierce Transit	Amy Cleveland	Administrative Services
Pullman Transit	Wayne Thompson	CEO / Transit Director
RiverCities Transit	Amy Asher	CEO / Transit Director
Skagit Transit	Joe Macdonald	Safety & Risk
Spokane Transit	Monique Liard	Finance
Twin Transit	Joe Clark	CEO / Transit Director
Valley Transit	Jesse Kinney	Deputy Transit Director
Whatcom Transportation Authority	Shonda Shipman	Finance
Yakima Transit	Greg Story	Deputy Transit Director

**Elected to Executive Committee**

President	Shonda Shipman, Whatcom Transportation Authority
Vice President	Danette Brannin, Mason Transit Authority
Secretary	Jesse Kinney, Valley Transit
Small Member Rep.	Sara Crouch, Jefferson Transit
Med. Member Rep.	Brandy Heston, Grant Transit
Large Member Rep.	Geri Beardsley, Community Transit
At-Large Rep.	Jenny George, Asotin CO PTBA
Past President	Staci Jordan, Island Transit

**Appointed Officers**

Treasurer	Suzanne G. Coit, CPA, Intercity Transit
Auditor	Tracey Christianson, WSTIP Executive Director

**The following provide ongoing support to WSTIP:**

Broker	Alliant Insurance Services – Newport Beach, CA
General Counsel	Law Office of Richard L Hughes – Lacey, WA
Actuary	PricewaterhouseCoopers – Seattle, WA
Accountant	StraderHallett PS – Lacey, WA
Treasury	Thurston County Treasurer – Olympia, WA



## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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