



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington State Transit Insurance Pool

For the period January 1, 2021 through December 31, 2022

Published August 28, 2023

Report No. 1033193



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

August 28, 2023

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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, 2021 through December 31, 2022

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated August 22, 2023.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.



Pat McCarthy, State Auditor

Olympia, WA

August 22, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington State Transit Insurance Pool January 1, 2021 through December 31, 2022

Board of Directors
Washington State Transit Insurance Pool
Olympia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Washington State Transit Insurance Pool, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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, 2022 and 2021, 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.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 4 to the financial statements, in 2022, the Pool adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

The other information comprises the Pool's Department of Enterprise Services (DES) Schedule of Expenses and List of Participating Members but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included with the financial statements. Our opinions on the basic financial statements do not cover this other information, and we do not express an opinion or provide any assurance thereon. In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2023, 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 the effectiveness of the Pool's 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 style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

August 22, 2023

**Washington State Transit Insurance Pool
January 1, 2021 through December 31, 2022**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022 and 2021

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2022 and 2021

Comparative Statement of Revenues, Expenses and Changes in Net Position – 2022 and 2021

Comparative Statement of Cash Flows – 2022 and 2021

Notes to Financial Statements – 2022 and 2021

REQUIRED SUPPLEMENTARY INFORMATION

Claims Development Information – 2022 and 2021

Reconciliation of Claims Liabilities by Type of Contract – 2022 and 2021

Schedule of Changes in the Total OPEB Liability and Related Ratios – 2022 and 2021

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2/3 – 2022 and 2021

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2022 and 2021

SUPPLEMENTARY AND OTHER INFORMATION

Department of Enterprise Services (DES) Schedule of Expenses – 2022 and 2021

List of Participating Members – 2022 and 2021

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, 2022 and 2021. 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.

WSTIP is an unincorporated, not-for-profit, local government risk sharing pool. WSTIP provides its Transit Members general liability, automotive liability and property damage coverage. The Pool's general objective is to formulate, develop and administer a program of insurance at the lowest possible cost to Pool Members. For more information about the Pool see Note 1.A.

Financial Highlights

- The financial condition of WSTIP improved as the economic impacts related to the pandemic subsided. Over the past three years, the auto liability risk and exposure decreased due in large part to fewer non-public transit vehicles on the road. Claims development for 2020 - 2022 have been favorable when compared to estimated exposures. Our Actuary initially estimated the 2022 liability and property claims (loss fund or loss year) to be \$8.7M. At the end of 2022 the estimated cost of the 2022 loss year was \$7.7M. Our Actuary reduced prior year reserves by \$690K due to favorable claims development of those years.
- WSTIP's deposits and short-term investments increased by 4%, or \$2.4M, as compared to 2021. The increase is related in part to levying a \$2.0M excess contribution to further support the Pool's ability to withstand financial adversity.
- WSTIP recorded \$889K in interest income before being offset with \$1.4M in unrealized loss on investments due to market rates of return. WSTIP also recorded a \$307K gain related to its equity interest in Government Entities Mutual, Inc. (GEM).
- WSTIP's 2022 net position increased by 7% or \$2.9M as compared to 2021. This is a combination of (1) intentional efforts by WSTIP Members to levy excess contributions to further support the Pool's ability to withstand financial adversity, (2) unspent operations budgets and (3) favorable claims development.

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) – 2022
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Condensed Comparative Statement of Net Position

	As of December 31,		
	2022	2021	2020
ASSETS			
Current Assets	\$ 65,532,750	\$ 62,932,689	\$ 55,462,326
Capital Assets, Net	636,476	397,682	425,588
Noncurrent Assets	3,161,746	3,362,047	7,024,243
TOTAL ASSETS	\$ 69,330,972	\$ 66,692,418	\$ 62,912,157
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	348,864	106,699	91,863
Deferred Outflows - OPEB	1,514	1,538	1,382
TOTAL DEFERRED OUTFLOWS	\$ 350,378	\$ 108,237	\$ 93,245
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 69,681,350	\$ 66,800,655	\$ 63,005,402
LIABILITIES			
Current Liabilities	\$ 7,341,380	\$ 7,511,339	\$ 7,353,921
Noncurrent Liabilities	17,800,588	17,103,466	19,823,494
TOTAL LIABILITIES	\$ 25,141,967	\$ 24,614,805	\$ 27,177,416
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	378,717	900,911	106,100
TOTAL LIABILITIES & DEFERRED INFLOWS	\$ 25,520,684	\$ 25,515,716	\$ 27,283,516
NET POSITION			
Investment in Capital Assets	636,476	397,682	425,588
Restricted Pension Asset	350,554	854,706	-
Unrestricted Net Position	43,173,636	40,032,551	35,296,298
TOTAL NET POSITION	\$ 44,160,666	\$ 41,284,939	\$ 35,721,886
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$ 69,681,350	\$ 66,800,655	\$ 63,005,402

Financial Statement Analysis

Net Position

WSTIP's total net position reflects a \$636K investment in capital assets such as our land, building, building improvements, furnishings and equipment and Right-to-Use Subscriptions. 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. Net position also includes a \$351K restricted pension asset which is also not available for future spending. Of the amounts unrestricted, \$79K is designated for a building reserve and \$484K is designated for a technology grant reserve. These designated reserves are not legally restricted reserves. Indeed, all of the unrestricted net position is available to support future obligations of the Pool.

WSTIP's 2022 net position increased by 7% or \$2.9M as compared to 2021. This is a combination of (1) intentional efforts by WSTIP Members to levy excess contributions to further support the Pool's ability to withstand financial adversity, (2) unspent operations budgets and (3) favorable claims development.

WSTIP's 2021 net position increased by 16% or \$5.6M as compared to 2020. This is a combination of (1) intentional efforts by WSTIP Members to levy excess contributions to further support the Pool's ability to withstand financial adversity, (2) unspent operations budgets and (3) favorable claims development.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

For the years ended December 31,

	2022	2021	2020
OPERATING REVENUES			
Member Assessments (All Types)	\$ 17,260,776	\$ 16,267,167	\$ 15,422,586
Other Operating Revenues	270,233	136,549	87,452
TOTAL OPERATING REVENUES	\$ 17,531,009	\$ 16,403,716	\$ 15,510,038
OPERATING EXPENSES			
Claims & Loss Adjustments	7,000,171	4,462,026	7,218,651
Insurance Services	4,485,417	4,081,510	3,703,765
General & Administrative	2,931,042	2,504,725	2,967,660
TOTAL OPERATING EXPENSES	\$ 14,416,629	\$ 11,048,261	\$ 13,890,076
TOTAL OPERATING INCOME	\$ 3,114,380	\$ 5,355,456	\$ 1,619,962
OTHER INCOME (EXPENSE)			
Other Income (expense)	\$ (238,653)	\$ 207,596	\$ 1,231,761
TOTAL OTHER INCOME (EXPENSE)	\$ (238,653)	\$ 207,596	\$ 1,231,761
TOTAL CHANGE IN NET POSITION	\$ 2,875,727	\$ 5,563,052	\$ 2,851,722

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.

Performance 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. Although the effects of the pandemic lessened, and transit operations returned more to normal, the recovery has impacted our Members who travelled 8% fewer miles than as compared to their 2022 estimates and employed and average of 5% fewer employees. As a result, the 2022 financial statements include a \$1.1M PPAA (a return of assessment, a -6.1% change from the assessment) and a corresponding \$1.1M liability related to the excess assessment due back to our Members. The 2021 PPAA was \$1.4M, an -8% change from the assessment. The 2020 PPAA was \$3.8M, an -20% change from the assessment.

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) – 2022
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Operating Expenses

WSTIP's operating expenses are predominantly 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 2022 loss year budget of approximately \$8.7M was developed in 2021 based on estimated miles that would be travelled in 2022. Due to the economic impacts related to the pandemic, our Members travelled an average of 8% fewer miles. Our Actuary estimates the 2022 loss year will be closer to \$7.7M, a savings of \$1M which is reflected in the total value of claims & loss adjustments in the 2022 financial statements. Our Actuary also lowered reserves by \$690K due to favorable claims development related to prior year reserves.

Insurance Services includes excess/reinsurance premiums for liability and property coverage. This 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 2022 & 2021 years created a challenge for the measurement in that Operating Revenue decreased by \$1.1M and \$1.4M, respectively, to account for a return of assessment. The 2020 ratios were impacted to an even greater extent due to a \$3.8M return of assessment in that year.

Expense Classification ÷ Operating Revenue	Target Ratios	2022		2021		2020	
		Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Claims & Loss Adjustments	≤ 50%	47%	40%	47%	27%	47%	47%
Insurance Services	≤ 20%	24%	26%	23%	25%	19%	24%
General & Administrative	≤ 25%	20%	17%	21%	15%	18%	19%
Total Operating Expenses	≤ 95%	91%	83%	91%	67%	84%	90%

Non-Operating Revenues (Expenses)

WSTIP's non-operating revenues/expenses include interest income, changes in the fair value of investments, changes in equity in GEM and any other revenue and expense not meeting the operational revenue or expense criteria are reported as nonoperating revenues and expenses. In 2022 WSTIP recorded \$889K in interest income before being offset with \$1.4M in unrealized loss on investments due to market rates of return. WSTIP also recorded a \$307K gain related to equity in GEM and \$6K in interest expenses related to Subscription Based Information Technology Arrangements (GASB 96).

Financial Outlook

WSTIP and its Members continue to experience economic impacts related to the pandemic. Hiring and retaining operators & mechanics remains a challenge for transit agencies. In terms of aggregate miles, 2022 was a continued restoration of service over 2021 with positive outcomes in fixed route and paratransit operations and a rebound of the public rideshare (Vanpool). The recovery since 2020 has been slow, but each year improved on the prior leading us to believe 2023 will get us one step closer to normal.

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 2023 and beyond.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF NET POSITION

	As of December 31,	
	2022	2021
ASSETS		
Current Assets		
Deposits and Investments	\$ 61,929,881	\$ 59,487,800
Accounts Receivable	36,234	28,796
Interest Receivable	227,703	77,216
Prepaid Insurance	3,243,247	3,201,028
Prepaid Expense	95,685	137,849
Total Current Assets	<u>65,532,750</u>	<u>62,932,689</u>
Noncurrent Assets		
Capital Assets, Net	636,476	397,682
Equity in GEM	2,810,619	2,503,630
Deposits held for RPLDP	573	3,711
Net Pension Asset	350,554	854,706
Total Noncurrent Assets	<u>3,798,222</u>	<u>3,759,729</u>
TOTAL ASSETS	<u>\$ 69,330,972</u>	<u>\$ 66,692,418</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension	348,864	106,699
Deferred Outflows - OPEB	1,514	1,538
TOTAL DEFERRED OUTFLOWS	<u>\$ 350,378</u>	<u>\$ 108,237</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>\$ 69,681,350</u>	<u>\$ 66,800,655</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 169,308	\$ 213,017
Compensated Absences	176,354	163,346
Subscription Liability	174,939	-
Unearned Revenues	750	900
Unpaid Claims Liability	6,817,000	7,131,000
Total OPEB Liability	3,029	3,076
Total Current Liabilities	<u>7,341,380</u>	<u>7,511,339</u>
Noncurrent Liabilities		
Compensated Absences	27,326	25,009
Subscription Liability	34,988	-
Due to RPLDP	573	3,711
Due to Members	2,592,702	2,082,774
Unpaid Claims Liability - Reserves	5,983,870	5,922,723
Unpaid Claims Liability - IBNR	7,728,995	7,674,345
Unpaid Claims Liability - ULAE	840,000	860,000
Total OPEB Liability	390,462	453,277
Net Pension Liability	201,672	81,627
Total Long-Term Liabilities	<u>17,800,588</u>	<u>17,103,466</u>
TOTAL LIABILITIES	<u>\$ 25,141,967</u>	<u>\$ 24,614,805</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension	378,717	900,911
TOTAL LIABILITIES & DEFERRED INFLOWS	<u>\$ 25,520,684</u>	<u>\$ 25,515,716</u>
NET POSITION		
Investment in Capital Assets	636,476	397,682
Restricted Pension Asset	350,554	854,706
Unrestricted Net Position	43,173,636	40,032,551
TOTAL NET POSITION	<u>\$ 44,160,666</u>	<u>\$ 41,284,939</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	<u>\$ 69,681,350</u>	<u>\$ 66,800,655</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the years ended December 31,	
	2022	2021
OPERATING REVENUES		
Member Assessments	\$ 17,637,989	\$ 16,626,241
Other Insurance Products	738,153	896,893
Performance Period Assessment Audit (PPAA)	(1,115,366)	(1,255,966)
Other Operating Revenues	270,233	136,549
TOTAL OPERATING REVENUES	\$ 17,531,009	\$ 16,403,716
OPERATING EXPENSES		
Claims & Loss Adjustments	7,000,171	4,462,026
Purchased Insurance - Liability	2,027,728	1,894,102
Purchased Insurance - Property	2,046,669	1,770,186
Other Insurance Products	411,021	417,223
Payroll & Benefits	1,545,315	1,158,778
Contracted Services	346,517	443,975
Risk & Loss Prevention	143,821	220,044
Training & Education	164,450	76,017
Technical & Subscription Services	84,847	301,077
General & Administrative	407,600	276,928
Depreciation & Amortization	238,491	27,906
TOTAL OPERATING EXPENSES	\$ 14,416,629	\$ 11,048,261
TOTAL OPERATING INCOME	\$ 3,114,380	\$ 5,355,456
OTHER INCOME (EXPENSE)		
Interest Income	\$ 888,980	\$ 545,698
Unrealized Loss on Investments	(1,428,936)	(797,722)
Change in Equity in GEM	306,989	459,620
Interest Expense	(5,686)	-
TOTAL OTHER INCOME (EXPENSE)	\$ (238,653)	\$ 207,596
TOTAL CHANGE IN NET POSITION	\$ 2,875,727	\$ 5,563,052
NET POSITION, BEGINNING OF THE YEAR	\$ 41,284,939	\$ 35,721,886
NET POSITION, ENDING OF THE YEAR	\$ 44,160,666	\$ 41,284,939

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF CASH FLOWS

	For the years ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from member assessments	\$ 17,770,708	\$ 14,237,940
Cash from members and others	172,517	190,294
Cash paid for claims	(7,218,374)	(4,890,089)
Cash paid for excess/reinsurance	(4,304,097)	(6,042,211)
Cash paid for employee wages and benefits	(1,729,371)	(1,555,858)
Cash paid for contracted services	(347,791)	(703,187)
Cash paid for general and administrative expenses	(1,088,511)	(953,085)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,255,081	\$ 283,804
CASH FLOWS FROM CAPITAL ACTIVITIES		
Cash paid to acquire or improve capital assets	(216,750)	-
NET CASH PROVIDED (USED) BY CAPITAL ACTIVITIES	\$ (216,750)	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash from long-term investments	\$ -	\$ 5,000,000
Cash from interest on investments	(596,250)	(273,249)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (596,250)	\$ 4,726,751
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ 2,442,081	\$ 5,010,555
BALANCES - BEGINNING OF THE YEAR	\$ 59,487,800	\$ 54,477,245
BALANCES - ENDING OF THE YEAR	\$ 61,929,881	\$ 59,487,800
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
OPERATING INCOME	\$ 3,114,380	\$ 5,355,456
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation & Amortization	238,491	27,906
Change in assets and liabilities		
Accounts Receivable	(7,438)	(386)
Interest Receivable	(150,487)	10,721
Prepaid Insurance	(42,219)	(2,377,729)
Prepaid Expense	42,164	(92,414)
Net Pension Asset	504,152	(854,706)
Deferred Outflows - Pension	(242,165)	(14,836)
Deferred Outflows - OPEB	24	(156)
Accounts Payable	(43,710)	74,959
Compensated Absences	15,325	12,299
Unearned Revenues	(150)	(145,686)
Due to Members	509,928	(1,700,218)
Unpaid Claims Liability	(218,203)	(428,063)
Total OPEB Liability	(62,862)	(118,355)
Net Pension Liability	120,045	(259,799)
Deferred Inflows - Pension	(522,194)	794,811
	\$ 3,255,081	\$ 283,804

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 coverage. 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 assets were depleted, Members would be responsible for outstanding liabilities of WSTIP. There were no changes in Pool Members in 2022. See RSI – 7 List of Participating Members.

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 by 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.

- D. Use of Estimates** – The preparation of financial statements in conformity with GAAP 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 IRS Revenue Ruling 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 MissionSquare Retirement 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** – Consists of customer account receivables and interest receivables.
- 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** – Consists 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 the 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 expensed. 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. A right-to-use subscription with total payments for fixed costs over the subscription term greater than or equal to \$50,000 will be capitalized as an intangible asset. Subscriptions that do not meet these criteria are recognized as current period expenses. Right-to-use subscriptions are recorded at net present value of subscriptions and reported net of accumulated amortization using the straight-line method of amortization over the subscription term. See Note 4.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

- G.5. Deposits Held For Risk Pool Leadership Development Program (RPLDP)** – WSTIP is the Treasurer for the RPLDP, an educational program formed under a 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 for agreed upon 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 funds 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 Entities 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 \$500K and in 2005 WSTIP made an additional \$250K investment. 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 – See Note 11. For more details about GEM or GEM's annual report visit www.gemre.com.
- G.7. Deferred Outflows/Inflows of Resources Related to Pensions** – See Note 7.
- G.8. Deferred Outflows/Inflows of Resources Related to OPEB** – See Note 6.
- G.9. Accounts Payable** – Consists of amounts owed based on invoices for goods 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.
- G.11. Subscription Liability** – A subscription is defined as a contract that conveys control of the right to use another party's information technology software for a period of time in an exchange or exchange-like transaction. WSTIP records a right-to-use subscription asset and corresponding subscription liability where total payments for fixed costs over the subscription term are greater than or equal to \$50,000. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term and is recorded at the commencement of the subscription term, which is when the subscription asset is placed into service. See Note 4.
- G.12. 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 advance for training classes which are reclassified as revenue after training is provided or cancellation terms are applied.
- G.13. Owed to Risk Pool Leadership Development Program** – See 1G.5

G.14. Due to Members – On an annual basis, following the end of the calendar year, the Pool conducts a performance period assessment audit of Member underwriting criteria. See H.1. below. This process reconciles actual performance as compared to estimates previously provided relative to miles, employee head counts, underinsured/uninsured motorists (UIM) miles and individuals monitored in WSTIP’s driver record monitoring program. In general, our Members estimate high and perform just under the estimate resulting in a return of assessment. The Due to Members amounts will be used to offset a future assessment.

G.15. 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.

In accordance with GASB 92, paragraph 11, estimated amounts of claim recoveries such as salvage, subrogation, deductible, and excess/reinsurance on unpaid claims are deducted from the estimated ultimate cost. Claims reserves are reported net of estimated claims recoveries.

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 5, Unpaid Claims Liabilities and Required Supplementary Information, related to Claims Development and Claims Liabilities by Coverage.

G.16. 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 coverage creates an implicit subsidy, the cost of which creates an OPEB Liability for plan participants like WSTIP. See Note 6.

G.17. 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. Restricted net position related to the net pension asset is equal to the net pension asset. See Note 7.

G.18. 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 and right-to-use subscriptions net of accumulated amortization.

Restricted Pension Asset represent and equals the net pension asset – See Note 7.

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. The reserve as of December 31, 2022, was \$79,166.

Unrestricted Technology Grant Reserve allows for up to \$500,000 in unspent technology grant funding to be carried forward and awarded in future years. The reserve as of December 31, 2022, was \$484,328.

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.

Performance 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, interest expense and any other revenue and expense not meeting the operational revenue or expense criteria are reported as nonoperating revenues and expenses.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments are classified by type as of December 31, 2022 and 2021 as follows:

Type	Entity	2022	2021
Investment Pool	Thurston County Investment Pool	31,237,898	53,851,485
Investment Pool	State Local Government Investment Pool	20,714,431	646,441
US Treasury Note	Thurston County Treasurer	9,977,552	4,989,874
Subtotal of Deposits and Current Investments		\$ 61,929,881	\$ 59,487,800

- 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 Depository 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 Securities & Exchange Commission (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 LGIP. 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.

- 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 Thurston 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 1.71 years as of December 31, 2022.

Thurston County prepares a Annual Comprehensive Financial Report that includes financial information relative to the TCIP. A copy of the report is available from the Thurston County Auditor, Financial Services, 3000 Pacific Avenue SE, Olympia, Washington 98501, or online at <https://www.thurstoncountywa.gov/auditor/Pages/finance-reports.aspx>

- D. Designated Securities Investment Portfolio** – In 2022 WSTIP invested \$10,000,000 in U.S. Treasury Notes held in a segregated investment account established per an agreement with the Thurston County Treasurer. The U.S. Treasury Note matures June 30, 2023, as follows:

Type	Description	Fair Value	3m - 1 year	1 - 3 years
Debt Securities	U.S. Treasury Note	\$ 9,977,552	\$ 9,977,552	\$ -

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance			Balance
	Jan 1, 2022	Increases	Decreases	Dec 31, 2022
Capital Assets, Not Being Depreciated				
Land	\$ 91,010	\$ -	\$ -	\$ 91,010
Subtotal	\$ 91,010	\$ -	\$ -	\$ 91,010
Capital Assets, Being Depreciated & Amortized				
Buildings	387,990	-	-	387,990
Building Improvements	64,118	-	-	64,118
Furnishings & Equipment	114,094	-	-	114,094
Right-to-Use Subscriptions	-	477,285	-	477,285
Subtotal	\$ 566,202	\$ 477,285	\$ -	\$ 1,043,487
Less Accumulated Depreciation & Amortization				
Buildings	199,434	9,924	-	209,358
Building Improvements	17,774	3,948	-	21,722
Furnishings & Equipment	42,322	14,004	-	56,326
Right-to-Use Subscriptions	-	210,615	-	210,615
Subtotal	\$ 259,530	\$ 238,491	\$ -	\$ 498,021
Total Capital Assets, Net of Depreciation & Amortization	\$ 306,672	\$ 238,794	\$ -	\$ 545,466
Total Capital Assets, Net	\$ 397,682	\$ 238,794	\$ -	\$ 636,476

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance			Balance
	Jan 1, 2021	Increases	Decreases	Dec 31, 2021
Capital Assets, Not Being Depreciated				
Land	\$ 91,010	\$ -	\$ -	\$ 91,010
Subtotal	\$ 91,010	\$ -	\$ -	\$ 91,010
Capital Assets, Being Depreciated & Amortized				
Buildings	387,990	-	-	387,990
Building Improvements	64,118	-	-	64,118
Furnishings & Equipment	114,094	-	-	114,094
Right-to-Use Subscriptions	-	-	-	-
Subtotal	\$ 566,202	\$ -	\$ -	\$ 566,202
Less Accumulated Depreciation & Amortization				
Buildings	189,510	9,924	-	199,434
Building Improvements	13,796	3,978	-	17,774
Furnishings & Equipment	28,318	14,004	-	42,322
Right-to-Use Subscriptions	-	-	-	-
Subtotal	\$ 231,624	\$ 27,906	\$ -	\$ 259,530
Total Capital Assets, Net of Depreciation & Amortization	\$ 334,578	\$ (27,906)	\$ -	\$ 306,672
Total Capital Assets, Net	\$ 425,588	\$ (27,906)	\$ -	\$ 397,682

NOTE 4 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

In 2022, WSTIP implemented GASB 96, Subscription-Based Information Technology Arrangements (SBITA). A SBITA is a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Variable payments arrangements are a common component of WSTIP agreements in that the Pool procures risk management solutions (or platforms) and our Members gain access based on user licensing. In accordance with GASB 96, paragraph 17, variable payments for the number of user seats or licenses should not be included in the measurement of the subscription liability. As such, WSTIP will exclude payments for variable costs related to user licensing and bulk user licensing (e.g. 500 seats). WSTIP records a right-to-use subscription asset and corresponding subscription liability where total payments for fixed costs over the subscription term are greater than or equal to \$50,000. Subscriptions that do not meet this capitalization criteria are recognized as current period expenses.

WSTIP may end up with an aggregate of excluded agreements that is greater than \$50,000 due to the nature of how WSTIP supports its Members. WSTIP procures risk management solutions that our Members want to try and test to see if those risk management solutions will be effective for them. If a tested solution works for all WSTIP Members, they could elect to have the Pool renew or renegotiate for a longer-term arrangement at which time the Pool would evaluate that new agreement to the SBITA guidance and act accordingly. It is not anticipated that excluded agreements would exceed \$100,000 in any given year. Aggregate amounts under \$100,000 are not significant to WSTIP’s financial statements.

Right-to-Use Subscription and Subscription Liability

In 2021, WSTIP entered into an agreement to use a vendor’s Risk Management Information System (RMIS). The fixed cost agreement provides WSTIP and its Members with access to the RMIS for the period March 2021 to March 2024. GASB 96 requires that SBITAs be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year of implementation (2022). The subscription asset and liability should be measured using the remaining subscription term and discount rate as of the beginning of the fiscal year of implementation. At the beginning of 2022, the Pool had \$50,607 of the Year 1 payment remaining on the books that was reclassified as a right-to-use subscription asset and amortized over the remaining three months of that payment term.

The SBITA agreement did not indicate an interest rate. As such, the Pool utilized an incremental borrowing rate. WSTIP determined the U.S. Prime Rate to be a stable and reliable source for the purposes of establishing an incremental borrowing rate. The U.S. Prime Rate was 3.25%. The remaining payments of \$216,751 resulted in present value of \$426,678 which was recorded as a right-to-use subscription asset and subscription liability.

As of December 31, 2022, the outstanding balances asset net of amortization and liability are:

	Asset, Net	Liability Total	Liability Current
RMIS Agreement	\$ 266,670	\$ 209,927	\$ 174,939

As of December 31, 2022, we note the final payment of the agreement will be made in 2023. As such, the principal and interest requirements to maturity on the liability don’t extend beyond December 31, 2023. It is anticipated WSTIP and the SBITA Vendor will enter into a RMIS Agreement for the years 2023 and beyond which will result in a new liability to record in 2023.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – UNPAID CLAIMS LIABILITY

As discussed in Note 1G.15, 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, 2022 and 2021:

Change in Unpaid Claims Liabilities by Program	2022	2021
Unpaid claim and claim adjustment expenses at beginning of the fiscal year	\$ 21,588,068	\$ 22,016,131
Incurred claim and claim adjustment expenses:		
Provision for insured events of the current fiscal year	7,711,000	6,094,000
Changes in provision for insured events of prior fiscal years	(690,829)	(1,647,974)
Changes in ULAE	(20,000)	16,000
Total incurred claim and claim adjustment expenses	\$ 7,000,171	\$ 4,462,026
Payments:		
Claim and claim adjustment expense attributable to insured events of the current fiscal year	1,091,458	1,010,167
Claim and claim adjustment expense attributable to insured events of the prior fiscal years	6,126,916	3,879,922
Total payments	\$ 7,218,374	\$ 4,890,089
Total unpaid claim and claim adjustment expenses at the end of the fiscal year	\$ 21,369,865	\$ 21,588,068
Components of Unpaid Claims Liability:		
Open Claims Reserves - Current	\$ 6,817,000	\$ 7,131,000
Open Claims Reserves - Noncurrent	5,983,870	5,922,723
Open Claims Reserves - Total	\$ 12,800,870	\$ 13,053,723
Incurred But Not Reported (IBNR)	7,728,995	7,674,345
Unallocated Loss Adjustment Expenses (ULAE)	840,000	860,000
Unpaid claim and claim adjustment expense	\$ 21,369,865	\$ 21,588,068

NOTE 6 – 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 2022, with a measurement date of June 30, 2022 and as of December 31, 2022 and 2021:

Aggregate OPEB Amounts – All Plans		
	2022	2021
OPEB liabilities	\$ 393,491	\$ 456,353
OPEB assets	\$ -	\$ -
Deferred outflows of resources	\$ 1,514	\$ 1,538
Deferred inflows of resources	\$ -	\$ -
OPEB expenses/expenditures	\$ 62,838	\$ 118,511

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

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, 2022 and 2021, WSTIP had the following employees covered by the benefit terms:

Classification	2022	2021
Active employees	12	12
Inactive employees currently receiving benefits	1	1
Inactive employees entitled to but not yet receiving benefits	-	-
Total Plan Members	13	13

- 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 2.16% for the beginning of the measurement year and 3.54% for the end of the measurement year. Projected salary changes were 3.50% plus service-based increases. Healthcare Trend rates had initial rate ranges from about 2% to 11% reaching an ultimate rate of approximately 4.3% in 2075. Mortality rates were calculated using the PubG.H-2010 (General) base mortality table with a 0-year age setback, mortality improvements of MP-2017 long-term rates 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 2020 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 medical and dental cost healthcare cost trend rate of 10.7 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (9.7%) or 1-percentage point higher (11.7%) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	9.7%	10.7%	11.7%
Net OPEB Liability	\$ 313,921	\$ 393,491	\$ 500,180

- b. The following presents the total OPEB liability if WSTIP calculated using the discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current rate.

	1% Decrease	Discount Rate as of June 30, 2022	1% Increase
	2.54%	3.54%	4.54%
Net OPEB Liability	\$ 480,310	\$ 393,491	\$ 325,634

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

Changes in the Total OPEB Liability

The schedule of changes in the total OPEB liability as of the measurement date of June 30, 2022 and as of December 31, 2022 and 2021 are as follows:

PEBB - Health Care Authority	2022	2021
Total OPEB liability - beginning	\$ 456,353	\$ 574,708
Service cost	29,936	39,810
Interest cost	10,478	13,542
Changes in experience data & assumptions	(100,860)	(168,173)
Changes in benefit terms	-	-
Benefit payments	(2,416)	(3,534)
Other changes	-	-
Total OPEB liability - ending	\$ 393,491	\$ 456,353

- a. The measurement and valuation dates are June 30, 2022. 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, 2021. 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 (gain) recognized by WSTIP in the reporting period was (\$60,446).
- h. At December 31, 2022 and 2021, WSTIP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
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	1,514	-	1,538	-
TOTAL	\$ 1,514	\$ -	\$ 1,538	\$ -

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the years 2022 and 2021:

Aggregate Pension Amounts – All Plans		
	2022	2021
Pension liabilities	\$ (201,672)	\$ (81,627)
Pension assets	\$ 350,554	\$ 854,706
Deferred outflows of resources	\$ 348,864	\$ 106,699
Deferred inflows of resources	\$ (378,717)	\$ (900,911)
Pension expenses/expenditures	\$ (15,906)	\$ (211,035)

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR 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.

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 2022 were as follows:

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

PERS Plan 1 – Actual Contribution Rates					
Jan – Aug 2022	ER	EE*	Sep – Dec 2022	ER	EE*
PERS Plan 1	6.36%	6.00%	PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%		PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Total	10.25%	6.00%	Total	10.39%	6.00%

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 \$46,093 for 2022 and \$46,369 for 2021.

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 3 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

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 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 2022 were as follows:

PERS Plans 2/3 – Actual Contribution Rates					
Jan – Aug 2022	ER	EE*	Sep – Dec 2022	ER	EE*
PERS Plan 2/3	6.36%	6.36%	PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%		PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
EE PERS Plan 3		Varies	EE PERS Plan 3		Varies
Total	10.25%	6.36%	Total	10.39%	6.36%

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

* For employees participating in JBM, the contribution rate was 15.90%.

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. For the years ended December 31, 2022, and 2021 the amounts allocated to PERS Plan 1 UAAL were \$46,093 and 46,369 respectively. For the year ended December 31, 2022, the Plan 2/3 amounts included employer contributions of \$78,163 and administrative fees of \$2,22 for a total of \$80,37. For the year ended December 31, 2021, the Plan 2/3 amounts included employer contributions of \$77,123 and administrative fees of \$1,939 for a total of \$79,062.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, 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 their lifetime.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 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 7.0 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 7.0 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, 2022, 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
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 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

PERS Plan	1% Decrease	June 30, 2022 Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Plan 1	\$ 269,431	\$ 201,672	\$ 142,534
Plan 2/3	\$ 412,823	\$ (350,554)	\$ (977,717)

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, WSTIP reported its proportionate share of the net pension liabilities (assets) as follows:

PERS Plan	Liability (Asset)	
	2022	2021
Plan 1	\$ 201,672	\$ 81,627
Plan 2/3	\$ (350,554)	\$ (854,706)
Total	\$ (148,882)	\$ (773,079)

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

PERS Plan	Proportionate Share of Collective Net Pension Liabilities			Change in Proportion	
	June, 30 2022	June, 30 2021	June, 30 2020	2022 to 2021	2021 to 2020
Plan 1	0.007243%	0.006684%	0.006560%	0.000559%	0.000124%
Plan 2/3	0.009452%	0.008580%	0.008587%	0.000872%	-0.000007%

Employer contribution transmittals received and processed by 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 DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

Pension Expense

For the year ended December 31, 2022 and 2021, WSTIP’s recognized pension expense as follows:

PERS Plan	Pension Expense	
	2022	2021
Plan 1	\$ 107,279	\$ (10,898)
Plan 2/3	\$ (123,185)	\$ (200,137)
Total	\$ (15,906)	\$ (211,035)

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022 and 2021, WSTIP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 1				
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(33,423)	-	(90,579)
Changes of assumptions	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions subsequent to the measurement date	22,917	-	21,214	-
TOTAL	\$ 22,917	\$ (33,423)	\$ 21,214	\$ (90,579)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	PERS Plans 2/3			
Differences between expected and actual experience	\$ 86,859	\$ (7,936)	\$ 41,512	\$ (10,478)
Net difference between projected and actual investment earnings on pension plan investments	-	(259,167)	-	(714,334)
Changes of assumptions	195,385	(51,159)	1,249	(60,698)
Changes in proportion and differences between contributions and proportionate share of contributions	5,258	(27,032)	6,510	(24,822)
Contributions subsequent to the measurement date	38,445	-	36,214	-
TOTAL	\$ 325,947	\$ (345,294)	\$ 85,485	\$ (810,332)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	PERS Plans 1,2,3			
Differences between expected and actual experience	\$ 86,859	\$ (7,936)	\$ 41,512	\$ (10,478)
Net difference between projected and actual investment earnings on pension plan investments	-	(292,590)	-	(804,913)
Changes of assumptions	195,385	(51,159)	1,249	(60,698)
Changes in proportion and differences between contributions and proportionate share of contributions	5,258	(27,032)	6,510	(24,822)
Contributions subsequent to the measurement date	61,362	-	57,428	-
TOTAL	\$ 348,864	\$ (378,717)	\$ 106,699	\$ (900,911)

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

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, 2022. 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
2023	\$ (14,144)	\$ (87,772)	\$ (101,916)
2024	\$ (12,846)	\$ (76,830)	\$ (89,676)
2025	\$ (16,115)	\$ (90,743)	\$ (106,858)
2026	\$ 9,683	\$ 117,915	\$ 127,598
2027	\$ -	\$ 40,240	\$ 40,240
Thereafter	\$ -	\$ 39,400	\$ 39,400

NOTE 8 – 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, 2022 and 2021 are as follows:

Primary Asset Test		2022	2021
Primary Assets, Net	[A]	\$ 58,158,352	\$ 59,003,901
Unpaid Claims - Expected Level	[B]	\$ 21,369,865	\$ 21,588,068
Margin [A] - [B]		\$ 36,788,487	\$ 37,415,833
Test to Standard [A] ≥ [B]		Met Standard	Met Standard

Primary & Secondary Asset Test		2022	2021
Primary & Secondary Assets, Net	[C]	\$ 65,207,743	\$ 62,842,761
Unpaid Claims - 80% Confidence Level	[D]	\$ 26,361,000	\$ 26,670,940
Margin [C] - [D]		\$ 38,846,743	\$ 36,171,821
Test to Standard [C] ≥ [D]		Met Standard	Met Standard

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – RISK FINANCING LIMITS

The following tables represents the risk financing limits on coverage policies issued and retained by WSTIP at December 31, 2022:

Liability	Member Deductibles	Self-Insured Retention	Reinsurance/Excess Limits
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
Endorsement - Communicable Disease	No deductible	\$500K	\$2M
Public Officials Errors and Omissions	\$5K	\$2M	\$25M
Endorsement - Violations of Wage & Hours Laws	\$25K	\$250K	None
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

Property [3]	Member Deductibles	Self-Insured Retention	Reinsurance/Excess Limits
Building and Contents	Varies by Member [5]	\$250K	\$500M
Boiler and Machinery	Varies by unit size [4]	None	\$100M
Auto Physical Damage (APD)			
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 \$1.5M per vehicle
Flood [6]			
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	\$35M
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 Transit purchases 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 2022 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) – 2022
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – RISK FINANCING LIMITS ... CONTINUED

Cyber Liability and First Party Computer Security [7]	Member Deductibles	Self-Insured Retention	Reinsurance/Excess Limits
Cyber Liability and First Party Computer Security	\$5K	None	\$45M** \$2M*
Breach Response Costs	\$5K	None	\$500K*
FIRST PARTY LOSS			
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	\$750K*
Data Recovery Costs	\$5K	None	\$750K*
LIABILITY			
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*
eCRIME			
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	\$100K*
Computer Hardware Replacement Costs	\$5K	None	\$100K*
Invoice Manipulation	\$5K	None	\$100K*
Cryptojacking	\$5K	None	\$25K*

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

* per Member aggregate

** the \$45M applies to all insureds that purchase the policy

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – 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	\$5M
Underground Storage Tank (UST)	Mid-Continent Casualty Company	\$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 2022.

NOTE 11 – 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 2022 financial year has not been determined. It is Pool management’s assessment that the adjustment will be immaterial to WSTIP’s 2022 financial statement, as such no estimate has been recorded. The amount attributed to the 2022 year will be recorded in 2023 when the amount is known and communicated.

WSTIP’s proportionate share of income from GEM’s 2021 financial year was \$306,989 and was included in WSTIP’s investment income for 2022.

NOTE 12 – SUBSEQUENT EVENT

WSTIP ended 2022 with a larger than usual balance in our State Local Government Investment Pool (LGIP) account, \$21M as compared to 600K at the end of 2021. On January 12, 2023, via Interlocal Agreement, WSTIP agreed to invest with the State of Washington, Office of the State Treasurer (OST), as part of their Separately Managed Account (SMA) program. On February 1, 2023, WSTIP transferred \$15M from our LGIP account to open (fund) the SMA.

NOTE 13 – Governmental Accounting Standards Board (GASB) Pronouncements

Several GASB pronouncements had implementation or effective dates that were delayed by the COVID-19 pandemic. The objective of this footnote is to communicate the status, outcomes or impacts of each of these pronouncements on the Pool.

The following GASB’s were evaluated when published and identified as not impacting WSTIP.

- GASB Statement No. 83, Certain Asset Retirement Obligations
- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 85, Omnibus 2017
- GASB Statement No. 86, Certain Debt Extinguishment Issues
- GASB Statement No. 87, Leases
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61
- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 93, Replacement of Interbank Offered Rates
- GASB Statement No. 94, Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements
- GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32
- GASB Statement No. 98, The Annual Comprehensive Financial Report

The following GASB’s are expected to impact WSTIP and will require implementation by WSTIP.

- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
WSTIP has elected to early implement this statement in connection with the 2022 financial reporting year. The implementation will be based on the facts and circumstances that existed at the beginning of 2022. See Note 4.
- GASB Statement No. 99, Omnibus 2022
GASB 99 changed the implementation date of GASB 96. WSTIP has elected to early implement GASB 96 in connection with the 2022 financial reporting year. See Note 4.

The following GASB’s are being evaluated to determine applicability to WSTIP.

- GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62
- GASB Statement No. 101, Compensated Absences

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

RSI NOTE 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 years 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.

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

RSI NOTE 1 – CLAIMS DEVELOPMENT INFORMATION ... CONTINUED

	For the Year Ending December 31, 2022 (in thousands of dollars)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Member contribution & investment revenues:										
Gross	\$ 11,439	11,785	12,521	13,198	14,779	15,932	17,842	16,437	16,267	18,457
Ceded	\$ 2,166	2,206	1,999	2,150	2,215	2,324	2,573	3,252	3,664	4,074
Net earned	\$ 9,273	9,579	10,522	11,048	12,564	13,608	15,269	13,185	12,603	14,383
Unallocated operating expenses	\$ 2,433	2,500	3,058	3,142	2,735	2,781	2,983	2,880	3,163	3,111
Estimated losses & expenses end of policy year										
Incurred	\$ 5,470	7,047	5,764	5,395	8,106	9,068	8,998	5,969	6,094	7,711
Ceded	\$ 202	408	521	547	361	837	788	804	759	928
Net Incurred	\$ 5,268	6,639	5,243	4,848	7,745	8,231	8,210	5,165	5,335	6,783
Paid (cumulative) as of:										
End of policy year	\$ 1,075	983	1,086	805	1,870	1,115	1,097	773	1,010	1,091
One year later	\$ 2,172	2,050	2,270	2,056	2,819	2,808	2,633	1,383	1,743	
Two years later	\$ 3,141	3,815	4,814	3,231	3,344	3,805	3,758	2,180		
Three years later	\$ 3,827	5,730	5,662	3,878	4,235	5,247	6,714			
Four years later	\$ 4,951	5,993	6,267	4,105	5,006	6,801				
Five years later	\$ 6,191	6,020	6,644	4,114	5,075					
Six years later	\$ 6,278	6,023	6,674	4,132						
Seven years later	\$ 6,350	6,041	6,675							
Eight years later	\$ 6,352	6,039								
Nine years later	\$ 6,351									
Re-estimated ceded losses & expenses	\$ 1,209	31	3,083	1,128	31	56	861	211	582	
Re-estimated net incurred claims and expenses:										
End of policy year	\$ 5,470	7,047	5,764	5,395	8,106	9,068	8,998	5,969	6,094	
One year later	\$ 5,052	7,640	5,735	6,214	6,605	8,337	10,215	5,716	5,067	
Two years later	\$ 5,448	7,340	7,320	5,668	6,170	8,794	10,035	4,618		
Three years later	\$ 6,220	6,470	9,868	4,691	6,603	9,100	9,692			
Four years later	\$ 6,918	6,262	7,725	4,286	5,994	11,148				
Five years later	\$ 6,753	6,145	7,444	4,221	5,868					
Six years later	\$ 6,222	6,062	6,718	4,148						
Seven years later	\$ 6,368	6,065	6,689							
Eight years later	\$ 6,369	6,039								
Nine years later	\$ 6,351									
Increase (decrease) in estimated net incurred claims and expenses for end of the policy year	\$ 1,083	(600)	1,446	(700)	(1,877)	2,917	1,482	(547)	(268)	(6,783)

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

RSI NOTE 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, 2022 and 2021:

Change in Unpaid Claims Liabilities by Program	Liability Program		Property Program	
	2022	2021	2022	2021
Unpaid claim and claim adjustment expenses at beginning of the fiscal year	\$ 21,563,879	\$ 22,048,808	\$ 24,189	\$ (32,677)
Incurred claim and claim adjustment expenses:				
Provision for insured events of the current fiscal year	6,171,000	5,094,000	1,540,000	1,000,000
Changes in provision for insured events of prior fiscal years	(471,866)	(1,483,817)	(218,963)	(164,157)
Changes in ULAE	(18,665)	15,517	(1,335)	483
Total incurred claim and claim adjustment expenses	\$ 5,680,469	\$ 3,625,700	\$ 1,319,702	\$ 836,326
Payments:				
Claim and claim adjustment expense attributable to insured events of the current fiscal year	836,169	434,056	255,289	576,111
Claim and claim adjustment expense attributable to insured events of the prior fiscal years	6,464,330	3,676,573	(337,414)	203,349
Total payments	\$ 7,300,499	\$ 4,110,629	\$ (82,125)	\$ 779,460
Total unpaid claim and claim adjustment expenses at the end of the fiscal year	\$ 19,943,849	\$ 21,563,879	\$ 1,426,016	\$ 24,189
Components of Unpaid Claims Liability:				
Open Claims Reserves - Current	\$ 6,133,693	\$ 6,865,334	\$ 683,307	\$ 265,666
Open Claims Reserves - Noncurrent	5,384,072	5,702,072	599,798	220,651
Open Claims Reserves - Total	\$ 11,517,765	\$ 12,567,406	\$ 1,283,105	\$ 486,317
Incurred But Not Reported (IBNR)	7,642,137	7,535,413	86,858	138,932
Unallocated Loss Adjustment Expenses (ULAE)	783,947	834,059	56,053	25,941
Unpaid claim and claim adjustment expense	\$ 19,943,849	\$ 20,936,878	\$ 1,426,016	\$ 651,190

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

RSI NOTE 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*

PEBB - Health Care Authority	As of PEBB's Fiscal Year Ending June 30, 2022									
	2022	2021	2020	2019	2018	20XX	20XX	20XX	20XX	20XX
Total OPEB liability (TOL) - beginning	\$ 456,353	574,708	357,414	438,590	425,066					
Service cost	\$ 29,936	39,810	21,250	30,848	27,167					
Interest cost	\$ 10,478	13,542	13,215	18,089	16,152					
Changes in experience data & assumptions	\$ (100,860)	(168,173)	185,058	(126,019)	(27,639)					
Changes in benefit terms	\$ -	-	-	-	-					
Benefit payments	\$ (2,416)	(3,534)	(2,229)	(4,094)	(2,156)					
Other changes	\$ -	-	-	-	-					
Total OPEB liability (TOL) - ending	\$ 393,491	456,353	574,708	357,414	438,590					
Covered-employee payroll**	\$ 1,184,426	1,026,263	998,761	896,897	935,800					
TOL as a % of covered payroll	% 33.22%	44.47%	57.54%	39.85%	46.87%					

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).

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

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

RSI NOTE 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, 2022								
	2022	2021	2020	2019	2018	2017	2016	2015	20XX
PERS Plan 1									
Employer's proportion of the net pension liability (asset)	% .007243%	.006684%	.006560%	.006396%	.007042%	.007128%	.007568%	.007305%	
Employer's proportionate share of the net pension liability	% 201,672	81,627	231,603	245,959	314,498	338,229	406,437	382,119	
Covered payroll**	\$ 1,184,426	1,026,263	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	% 17.03%	7.95%	23.19%	27.42%	33.61%	37.63%	45.17%	45.62%	
Plan fiduciary net position as a % of the total pension liability	% 75.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	

	As of PERS Fiscal Year Ending June 30, 2022								
	2022	2021	2020	2019	2018	2017	2016	2015	20XX
PERS Plan 2/3									
Employer's proportion of the net pension liability (asset)	% .009452%	.008580%	.008587%	.008253%	.009084%	.009168%	.009710%	.009441%	
Employer's proportionate share of the net pension liability	% (350,554)	(854,706)	109,823	80,165	155,101	318,544	488,891	337,332	
Covered payroll**	\$ 1,184,426	1,026,263	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	% -29.60%	-83.28%	11.00%	8.94%	16.57%	35.44%	54.34%	40.28%	
Plan fiduciary net position as a % of the total pension liability	% 106.73%	120.29%	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).

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

RSI NOTE 5 – SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

	As of WSTIP's Fiscal Year Ending December 31, 2022									
PERS Plan 1	2022	2021	2020	2019	2018	2017	2016	2015	20XX	
Statutorily or contractually required contributions	\$ 46,093	46,369	49,398	45,866	46,397	45,256	42,974	38,352		
Contributions in relation to the statutorily or contractually required contributions***	\$ (46,093)	(46,369)	(49,398)	(45,866)	(46,397)	(45,256)	(42,974)	(38,352)		
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-		
Covered payroll**	\$ 1,228,320	1,077,105	1,029,981	928,595	916,494	923,350	900,923	874,004		
Contributions as a % of covered payroll	% 3.75%	4.30%	4.80%	4.94%	5.06%	4.90%	4.77%	4.39%		

	As of WSTIP's Fiscal Year Ending December 31, 2022									
PERS Plan 2/3	2022	2021	2020	2019	2018	2017	2016	2015	20XX	
Statutorily or contractually required contributions	\$ 78,164	77,123	81,575	71,745	68,735	63,398	56,127	49,248		
Contributions in relation to the statutorily or contractually required contributions***	\$ (78,164)	(77,123)	(81,575)	(71,745)	(68,735)	(63,398)	(56,127)	(49,248)		
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-		
Covered payroll**	\$ 1,228,320	1,077,105	1,029,981	928,595	916,494	923,350	900,923	874,004		
Contributions as a % of covered payroll	% 6.36%	7.16%	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).

*** 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) – 2022
SUPPLEMENTARY AND OTHER INFORMATION (SOI)

SOI NOTE 1 – DEPARTMENT OF ENTERPRISE SERVICES (DES) SCHEDULE OF EXPENSES

	For the years ended December 31,	
	2022	2021
OPERATING EXPENSES		
Claims & Loss Adjustments	\$ 7,000,171	\$ 4,462,026
Insurance Services		
Purchased Insurance - Liability	\$ 2,027,728	\$ 1,894,102
Purchased Insurance - Property	2,046,669	1,770,186
Other Insurance Products	411,021	417,223
Total Insurance Services	\$ 4,485,417	\$ 4,081,510
Contracted Services		
Actuarial	\$ 92,750	\$ 141,450
Audit Expenses	11,064	16,518
Brokerage Fees	101,200	109,000
Legal Fees	66,648	69,682
State Risk Manager	2,930	7,325
Accounting Services	10,215	10,435
IT Services	50,767	58,091
Other Consultant Fees	10,943	31,473
Total Contracted Services	\$ 346,517	\$ 443,975
General & Administrative Expenses		
Payroll & Benefits	\$ 1,545,315	\$ 1,158,778
Risk & Loss Prevention	143,821	220,044
Training & Education	164,450	76,017
Technical & Subscription Services	84,847	301,077
Board Expenses	179,481	84,119
Staff Travel & Professional Development	104,082	47,003
Occupancy	66,536	76,812
Administrative	57,501	68,994
Total General & Administrative Expenses	\$ 2,346,033	\$ 2,032,844
Depreciation & Amortization	\$ 238,491	\$ 27,906
Total Operating Expense	\$ 14,416,629	\$ 11,048,261

WASHINGTON STATE TRANSIT INSURANCE POOL (WSTIP) – 2022
SUPPLEMENTARY AND OTHER INFORMATION (SOI)

SOI NOTE 2 – LIST OF PARTICIPATING MEMBERS

Transit Agency	Board Member Representative	Role in Transit
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 Public Transportation	David Ocampo	CEO / Transit Director
Community Transit	Cyndie Eddy	Finance
C-TRAN	Scott Deutsch	Safety & Risk
Everett Transit	Tom Hingson	CEO / Transit Director
Grant Transit Authority	Brandy Heston	Administrative Services
Grays Harbor Transit	Ken Mehin	CEO / Transit Director
Intercity Transit	Jana Brown	Finance
Island Transit	Staci Jordan	Vanpool Administration
Jefferson Transit Authority	Nicole Gauthier	CEO / Transit Director
Kitsap Transit	Paul Shinnors	Finance
Link Transit	Justin Brockwell	Finance
Mason Transit Authority	Amy Asher	CEO / Transit Director
Pacific Transit	Michael Wagner	CEO / Transit Director
Pierce Transit	Amy Cleveland	Administrative Services
Pullman Transit	Wayne Thompson	CEO / Transit Director
RiverCities Transit	Jim Seeks	CEO / Transit Director
Skagit Transit	Joe Macdonald	Safety & Risk
Spokane Transit Authority	Monique Liard	Finance
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	Jesse Kinney, Valley Transit
Vice President	Scott Deutsch, C-TRAN
Secretary	Geri Beardsley, Community Transit / Danette Rogers, Pierce Transit
Small Member Rep.	David Ocampo, Columbia County Public Transportation
Medium Member Rep.	Joe Macdonald, Skagit Transit
Large Member Rep.	Monique Liard, Spokane Transit Authority
At-Large Rep.	Paul Shinnors, Kitsap Transit
Past President	Danette Rogers, Pierce Transit
Treasurer (ex-officio)	Monique F. Liard, CPA, Spokane Transit Authority

Appointed Officers	
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 – Olympia, WA
Actuary	PricewaterhouseCoopers – Seattle, WA
Accountant	StraderHallett PS – Lacey, WA
Treasury	Thurston County Treasurer – Olympia, WA

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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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