WSSC RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018 AND 2017

WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

The Commissioners and Board of Trustees
Washington Suburban Sanitary Commission
Retiree Other Postemployment Benefits Plan

Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position of the Washington Suburban Sanitary Commission's Retiree Other Postemployment Benefits Plan (the Plan),), a component unit of the Washington Suburban Sanitary Commission as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019, on our consideration of the Plan'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of 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 Plan's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 25, 2019

This Management's Discussion and Analysis ("MD&A") of the financial activities of the Washington Suburban Sanitary Commission ("WSSC") Retiree Other Post-Employment Benefit Plan (the "Plan") is an overview of its fiscal operations for the years ended December 31, 2018 and 2017. Readers are encouraged to consider the information presented in conjunction with the financial statements and the notes to the financial statements. Amounts contained in the discussion have been rounded to facilitate their readability.

Overview of Financial Statements

The financial statement and the required disclosures are in compliance with the accounting standards and reporting guidelines as set forth by the Governmental Accounting Standards Board ("GASB"), utilizing the accrual basis of accounting. The financial statements of the Plan are presented on a comparative basis with the previous fiscal year.

The Plan has two financial statements and the notes to the financial statements. The Statement of the Fiduciary Fund Net Position is a snapshot of account balances at fiscal year-end. The Statement of Changes in Fund Net Position reflects all the activities that occurred during the fiscal year, and the impact of those activities on the Plan's net position.

The notes to the financial statements provide a detailed discussion of key policies and activities that occurred during the fiscal year. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary information is also disclosed which includes additional information on the Trust's financial condition and trends, including information on employer contributions, actuarial assumptions, funding status and investments.

2018 Financial Highlights

- Net position restricted for Postemployment benefits other than pension, as reported in the Statements of Fiduciary Fund Net Position, total $119.8 million, an increase of $1.3 million or 1.1% from prior year.

- Total Additions, as reflected in the Statements of Changes in Fiduciary Fund Net Position, decreased by $23.9 million due to performance of investments.

2017 Financial Highlights

- Net position restricted for post-employment benefits other than pensions, as reported in the Statements of Fiduciary Fund Net Position, total $118.6 million, an increase of $24.2 million or 26% from prior year.
- Total Additions, as reflected in the Statements of Changes in Fiduciary Fund Net Position, increased by $6.3 million due to increase in investment income.

Financial Analysis

Table 1 – Condensed Statements of Fiduciary Fund Net Position as December 31, 2018, 2017 and 2016

				2018-2017		2017-2016	
	2018	2017	2016	Variance	% Variance	Variance	% Variance
ASSETS							
Investments:							
Cash and Cash equivalents	$ 38,499	$ 90,032	$ -	$ (51,533)	-57%	$ 90,032	n/a
Vanguard Wellington Fund - Admiral Shares	37,184,695	58,556,171	50,998,572	(21,371,476)	-36%	7,557,599	15%
Vanguard Total Bond	20,330,311	-	-	20,330,311	n/a	-	n/a
Vanguard International Stock	17,370,515	-	-	17,370,515	n/a	-	n/a
Vanguard Total Stock Market Index Fund Institutional	19,331,854	10,973,182	-	8,358,672	76%	10,973,182	n/a
Lord Abbett Multi-Asset Global Opportunity Fund	25,557,313	48,936,319	43,319,664	(23,379,006)	-48%	5,616,655	13%
Total Assets	119,813,187	118,555,704	94,318,236	1,257,483	1%	24,237,468	26%
LIABILITIES	1,250	10,000	-	(8,750)	-88%	10,000	n/a
Net Position Restricted for Post-Employment Benefits Other than Pensions	$ 119,811,937	$ 118,545,704	$ 94,318,236	$ 1,266,233	1%	$ 24,227,468	26%

Fiscal Year 2018

The Plan's investments increased by $1.3 million or 1.1% as a result of cash contributions to the Plan of $10.0 million and investment loss of $8.7 million. The investment loss is due to the negative returns from Vanguard Wellington, Vanguard International Stock, Vanguard Total Bond and Lord Abbett Multi-Asset Global Opportunity Fund.

As of December 31, 2018, the Plan had $119.8 million in net position held for other postemployment benefits compared to $118.5 million as of December 31, 2017, an increase of 1.1%. There was a liability of $1,250 and $10,000 at December 31, 2018 and 2017 respectively.

Fiscal Year 2017

The Plan's investment increased by $24.2 million or 26% as a result of cash contribution to the Plan of $10.0 million and investment gains of $14.2 million. The investment gain is due to the positive return from Vanguard Wellington, Vanguard Total Stock and Lord Abbett Multi-Asset Global Opportunity Fund.

As of December 31, 2017, the Plan had $118.5 million in net position held for other postemployment benefits compared to $94.3 million as of December 31, 2016 an increase of 26%. There was a liability of $10,000 at December 31, 2017 and there was no liability for 2016.

Table 2 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended December 31, 2018, 2017 and 2016

				2018-2017		2017-2016	
	2018	2017	2016	Variance	% Variance	Variance	% Variance
ADDITIONS							
Income from investments							
Dividends and Interest	$ 7,765,550	$ 5,517,372	$ 4,104,301	$ 2,248,178	41%	$ 1,413,071	34%
Net Appreciation (depreciation) in the fair value of Trust investments	(16,455,567)	8,730,096	4,258,365	(25,185,663)	-288%	4,471,731	105%
Net investment income (loss)	(8,690,017)	14,247,468	8,362,666	(22,937,485)	-161%	5,884,802	70%
Contributions	24,760,127	25,754,612	25,315,408	(994,485)	-4%	439,204	2%
Total Additions	16,070,110	40,002,080	33,678,074	(23,931,970)	-60%	6,324,006	19%
DEDUCTIONS							
OPEB expenses	(14,803,877)	(15,774,612)	(15,315,408)	970,735	-6%	(459,204)	3%
Increase in Net Position	1,266,233	24,227,468	18,362,666	(22,961,235)	-95%	5,864,802	32%
Net Position Restricted for Post-Employment Benefits Other than Pensions, Beginning of Year	118,545,704	94,318,236	75,955,570	24,227,468	26%	18,362,666	24%
Net Position Restricted for Post-Employment Benefits Other than Pensions, End of Year	$ 119,811,937	$ 118,545,704	$ 94,318,236	$ 1,266,233	1%	$ 24,227,468	26%

Fiscal year 2018

Cash Contributions to the Plan remained at $10 million, the same as in the prior year. Net investment income, which is comprised of dividend and interest and net depreciation in the fair value of investments, decreased by $22.9 million or 161%, from a net investment income of $14.2 million in fiscal year 2017 to net investment loss of $8.7 million in fiscal year 2018. The net investment loss is due to the overall negative performance of the funds. Dividend and interest increased from $5.5 million to $7.8 million for fiscal years 2017 and 2018, respectively. Net appreciation in the fair value of investments decreased from a net appreciation of $8.7 million in 2017 to a net depreciation in fair value of investments of $16.5 million for 2018.

Fiscal year 2017

Cash Contributions to the Plan remained at $10 million, the same as in the prior year. Net investment income, which is comprised of dividend and interest and net appreciation in the fair value of investments, increased by $5.9 million or 70%, from a net investment income of $8.4 million in fiscal year 2016 to net investment income of $14.2 million in fiscal year 2017. The net investment income is due to the overall positive performance of the funds. Dividend and interest increased from $4.1 million to $5.5 million for fiscal years 2016 and 2017, respectively. Net appreciation in the fair value of investments increased from a net appreciation of $4.3 million in 2016 to a net appreciation in fair value of investments of $8.7 million for 2017.

Other Information

The Plan's actuarially determined target investment return is 7.0% net of expenses, lowered from the 7.5% chosen at Plan inception. Administrative expenses and benefit payments are currently handled on a "pay-as-you-go" basis by WSSC. Investment expenses are paid from the Plan. For presentation purposes, benefit payments are shown as an expense of the Plan, however these payments are made on behalf of the Plan by WSSC. Retiree contributions are also withheld from plan participant's pension payments by WSSC and are utilized to pay plan premiums, these amounts are also recorded on financial statements.

The fair value of the Plan's assets, and its investment gains and losses are also reviewed at least biannually by an actuary to determine viability of the Plan. The Plan was instituted in 2007 in order to comply with the requirements of Government Accounting Standards Board's (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and* subsequently Statement No. 74 (GASB 74), *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*.

Request for Information

This financial report is designed to provide the Executive Director with a general overview of the Plan's finances and to show accountability for the Plan's funds. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, WSSC Employees' Retirement Plan, Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel MD 20707-5901.

WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
STATEMENTS OF FIDUCIARY FUND NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 38,499	$ 90,032
Investments at fair value		
Vanguard International Stock	17,370,515	-
Vanguard Total Bond	20,330,311	-
Vanguard Wellington Fund - Admiral Shares	37,184,695	58,556,171
Vanguard Total Stock Market Index Institutional Shares	19,331,854	10,973,182
Lord Abbett Multi-Asset Global Opportunity Fund	25,557,313	48,936,319
Total Investments	119,774,688	118,465,672
Total Assets	119,813,187	118,555,704
LIABILITIES		
Accrued expenses	1,250	10,000
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	$ 119,811,937	$ 118,545,704

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

WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
STATEMENTS OF CHANGES IN FIDUCIARY FUND NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
ADDITIONS		
Investment income:		
Dividends and interest	$ 7,765,550	$ 5,517,371
Net appreciation (depreciation) in the fair value of investments	(16,455,567)	8,730,096
Net Investment Income (Loss)	(8,690,017)	14,247,468
Contributions:		
WSSC contributions	10,000,000	10,000,000
WSSC Contribution as benefit Payment	10,420,568	11,586,194
Retiree Contribution	4,339,559	4,168,418
Total Contribution	24,760,127	25,754,612
Total Additions	16,070,110	40,002,080
DEDUCTIONS		
Retiree Benefit Payments	14,760,127	15,754,612
Administrative expenses	43,750	20,000
Total Deductions	14,803,877	15,774,612
INCREASE IN NET POSITION	1,266,233	24,227,468
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, BEGINNING OF YEAR	118,545,704	94,318,236
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, END OF YEAR	$ 119,811,937	$ 118,545,704

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

NOTE A. DESCRIPTION OF THE PLAN

General Information

The provision of post-employment benefits are determined under a set of personnel policies (herein referred to, collectively, as the "Plan"). The Plan and its underlying trust, a single employer defined benefit plan, was established in 2007 to provide life insurance, healthcare and prescription drug benefits for Plan participants and beneficiaries of the Washington Suburban Sanitary Commission ("WSSC") under conditions set forth in the Trust Agreement, including the payment of reasonable administrative expenses. WSSC employees are eligible to continue group insurance coverage after retirement provided that retiring employees have had coverage in effect for two years prior to retirement.

Benefits Provided

The Plan pays 70-80% of the full premium for medical and prescription drug coverage for eligible participants and qualified dependents. In addition, employees who retired in 1982 and after are eligible for life insurance benefits. The amount of retiree life insurance coverage begins at 85% of the employee's salary as of the day immediately prior to retirement, and decreases over a four-year period, until coverage equals either 25% of that salary or $5,000, whichever is greater.

Plan Membership

As of December 31, 2018, and 2017, there were 1,646 and 1,623 active employees and 1,630 and 1,600 retirees, respectively. WSSC has the right to amend the Trust Fund Agreement.

Member and Employer Contribution

WSSC contributes to the Plan as it deems appropriate. WSSC made cash contributions of $10,000,000 for the years ending December 31, 2018 and 2017.

NOTE A. DESCRIPTION OF THE PLAN (continued)

Member and Employer Contribution (continued)

The Plan recognizes revenues and expenditures for employee payments made by WSSC related to benefits payments and administrative expenses. Accordingly, the Plan has included "on behalf" payments made by WSSC during the fiscal years 2018 and 2017 of $14,760,127 and $15,754,612, respectively.

Plan Termination

In the event of the Plan termination, Plan assets shall be allocated for the payment of benefits and administrative expenses in accordance with the Plan and Trust Agreement.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Basis of Accounting

The reporting entity consists of the Plan, which is a component unit of the Washington Suburban Sanitary Commission. The financial statements of the Plan are presented using the economic resources measurement focus and the accrual basis of accounting. Member contributions are recognized as revenue in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Benefits and refunds are recognized when due and payable. Investment income is recognized when earned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Plan considers all cash and highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Fair Value Measurements

The Plan categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.
Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Net appreciation (depreciation) in the fair value of investments reflected in the Statements of Changes in Fiduciary Net Position includes realized gains and losses on investments that were sold during the year and unrealized appreciation in the fair value of investments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTE C. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Plan’s deposits may not be returned to it. The Plan does not have a policy for custodial credit risk for deposits and the balance of $38,499 and $90,032 at December 31, 2018 and 2017 respectively was uninsured and uncollateralized.

NOTE D. INVESTMENTS

Investment Policy

The Plan's investment policy and any changes to the policy are adopted by the Board of Trustees of the Plan. The current policy was approved in June 2018 and contains long-term asset allocation ranges.

The primary objective of the investment policy is to assure that assets will be available to pay post-employment benefits throughout the life of the Plan and to maintain or improve the market value of the fund relative to vested and accrued benefit liabilities. The objectives seek to preserve the actuarial soundness of the Plan by achieving a long-term return of at least the actuarial return rate and to prudently manage the inherent investment risks that are related to the achievement of this goal.

Long-term asset allocation ranges are developed based on several factors including: the long-term investment goals of the Plan; the Trustee's tolerance for short-term losses; the Plan's liquidity needs; and any legal or regulatory requirements.

- Custodial Credit Risk is the risk that the Plan will not be able to recover the value of its investments if the counterparty fails. The Trust's mutual fund investments are not subject to custodial credit risk for 2018 and 2017 in accordance with *GASB Statement No. 40, Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3* as the investments are open-end mutual funds.

- Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. As of December 31, 2018, and 2017, the Plan held one fixed income fund, the Vanguard Total Bond Index which was not rated.

- Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2018, and 2017, the Plan held no direct investments in debt securities and was not exposed to interest rate risk. At December 31, 2018, the weighted average maturity (WAM) for the Plan's fixed income fund was 8.3 years.

NOTE D. INVESTMENTS (continued)

- Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan mitigates this risk by limiting its investments in funds with foreign exposure. The underlying assets of the Vanguard Wellington Fund Admiral are in domestic stocks and bonds; however, the Lord Abbett Multi-Asset Global Opportunity Fund underlying funds invest in foreign assets that may be exposed to exchange rate changes.

- Concentration risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The following investments represent over 5% of total investments with a single investor as of December 31:

	2018		2017	
	Investment	%	Investment	%
Vanguard Wellington Fund- Admiral Shares	$ 37,184,695	31.05%	$ 58,556,171	49.43%
Lord Abbett Multi- Asset Global Opportunity Fund	25,557,313	21.34%	48,936,319	41.31%
Vanguard Total Stock Market Index Inst.	19,331,854	16.14%	10,973,182	9.26%
Vanguard International Stock	17,370,515	14.50%	-	-
Vanguard Total Bond	20,330,311	16.97%	-	-

The Plan had the following fair value measurement as of December 31, 2018:

		Fair Value Measurement Unsing		
	Total 12/31/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs(Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Fund:				
Vanguard Wellington Fund - Admiral Shares	$ 37,184,695	$ 37,184,695	$ -	$ -
Vanguard Total Stock Market Index Inst	19,331,854	19,331,854	-	-
Vanguard Total Bond	20,330,311	20,330,311	-	-
Vanguard International Stock	17,370,515	17,370,515	-	-
Lord Abbett Multi-Asset Global Opportunity Fund	25,557,313	25,557,313	-	-
Total Investment	$ 119,774,688	$ 119,774,688	$ -	$ -

The Plan had the following fair value measurement as of December 31, 2017:

		Fair Value Measurement Unsing		
	Total 12/31/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs(Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Fund:				
Vanguard Wellington Fund - Admiral Shares	$ 58,556,171	$ 58,556,171	$ -	$ -
Vanguard Total Stock Market Index Inst	48,936,319	48,936,319	-	-
Lord Abbett Multi-Asset Global Opportunity Fund	10,973,182	10,973,182	-	-
Total Investment	$ 118,465,672	$ 118,465,672	$ -	$ -

NOTE D. INVESTMENTS (continued)

Rate of Return For the year ended December 31, 2018 and 2017, the annual money-weighted rate of return on OPEB plan investments, net of expense, was (7.1)% and 14.5%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE E. TRUSTEES OF THE FUND

WSSC established a Board of Trustees for the Plan to be responsible for the investment management of the Trust's assets for the exclusive benefit of the Trust participants. A Trust Agreement governs the trustees. The agreement provides for Trustees to be appointed by WSSC and, per the terms of WSSC Adopted Resolution 2015-2076, and updated per the terms of WSSC Adopted Resolution 2017 – 2135, and 2019-2205, the Board has been re-appointed for a four-year term which commenced on July 1, 2015.

The administration of the Trust has been delegated to the Executive Director of the WSSC Employees' Retirement Plan, who is appointed by the WSSC.

NOTE F. NET OPEB LIABILITY

The components of the net OPEB liability of the Plan as of December 31, 2018 and 2017, were as follows:

	2018	2017
Total OPEB Liability	$ 249,340,570	$ 240,305,157
Plan Fiduciary Net Position	119,811,937	118,545,704
Net OPEB Liability	129,528,633	121,759,453
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	48.1%	49.3%

NOTE F. NET OPEB LIABILITY

Actuarial Assumptions.
The total OPEB liability as of June 30, 2019 was determined by rolling forward the actuarial valuation as of July 1, 2017, to the measurement date, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Actuarial method	Entry Age Normal
Inflation	2.50%
Asset valuations methodology	Assets are based on market value.
Investment rate of return	7.00%
Healthcare cost trend rates	5.75% for 2017, 5.50% for 2018, 5.25% for 2019, 4.75% for 2020, 4.50% thereafter, Post-Medicare 4.50% for all years

The actuarial assumption used in the July 1, 2017 valuation were based on the results of an actuarial experience analysis in 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

This is then modified through a Monte-Carlo simulation process, by which a (downward) risk is applied to the base line expected return.

NOTE F. NET OPEB LIABILITY (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2018, and the final investment return assumption, are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	40.70%	5.70%
Non-US Equity	24.80%	5.90%
US Fixed Income - Investment	30.20%	2.00%
US Fixed Income - High Yeild	2.60%	3.35%
Emergency Markets Currency	1.70%	3.80%
Total Weighted Average Real Return	100.00%	4.54%
Plus Inflation		2.50%
Total Return without Adjustment		7.04%
Risk Adjustment		-0.04%
Total Expected Return		7.00%

Discount rate

The discount rate used to measure the total OPEB liability was 7.00%. The Plan's funding expectations/policy is to contribute approximately $10,000,000 per year to the OPEB trust, in addition to paying benefits for retirees. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the expected trust return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Commission, calculated using the discount rate of 7.00%, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

NOTE F. NET OPEB LIABILITY (continued)

December 31, 2018	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 277,965,072	$ 249,340,570	$ 225,542,062
Plan Fiduciary Net Position	119,811,937	119,811,937	119,811,937
Net OPEB Liability	$ 158,153,135	$ 129,528,633	$ 105,730,125
Ratio of Plan Net Position to Total OPEB Liability	43.10%	48.05%	53.12%

December 31, 2017	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 268,418,094	$ 240,305,157	$ 216,939,788
Plan Fiduciary Net Position	118,545,704	118,545,704	118,545,704
Net OPEB Liability	$ 149,872,390	$ 121,759,453	$ 98,394,084
Ratio of Plan Net Position to Total OPEB Liability	44.16%	49.33%	54.64%

<u>Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates</u>

The following presents the net OPEB liability of the Commission, calculated using the trend assumptions below, as well as what WSSC's net OPEB liability would be if it were calculated using rates that are 1.00% lower or 1.00% higher than the current rate:

December 31, 2018	1% Decrease 3.50%	Current Healthcare Cost Trend 4.50%	1% Increase 5.50%
Total OPEB Liability	$ 223,520,994	$ 249,340,570	$ 280,641,900
Plan Fiduciary Net Position	119,811,937	119,811,937	119,811,937
Net OPEB Liability	$ 103,709,057	$ 129,528,633	$ 160,829,963
Ratio of Plan Net Position to Total OPEB Liability	53.60%	48.05%	42.69%

December 31, 2017	1% Decrease 3.50%	Current Healthcare Cost Trend 4.50%	1% Increase 5.50%
Total OPEB Liability	$ 216,000,181	$ 240,305,157	$ 269,736,623
Plan Fiduciary Net Position	118,545,704	118,545,704	118,545,704
Net OPEB Liability	$ 97,454,477	$ 121,759,453	$ 151,190,919
Ratio of Plan Net Position to Total OPEB Liability	54.88%	49.33%	43.95%

NOTE G. INTERNAL REVENUE STATUS

The Plan operates as a Section 115 Grantor Trust under the Internal Revenue Code.

NOTE H. RISKS AND UNCERTAINTIES

The Plan may invest in various investment securities that are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with investment securities, it is possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Statements of Fund Net Position.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POST EMPLOYMENT BENEFITS TRUST
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Employer Contributions	$ 14,004,405	$ 14,960,787	$ 14,960,787	$ 16,766,000	$ 16,752,000	$ 20,128,000	$ 20,180,734	$ 21,298,235	$ 21,175,619	$ 22,745,474
Contribution in Relation to the Actuarially Determined Contribution	20,420,568	21,586,194	21,348,096	22,379,000	20,437,000	19,060,000	17,539,809	14,735,000	14,675,000	13,829,000
Contribution Deficiency (excess)	$ (6,416,163)	$ (6,625,407)	$ (6,387,309)	$ (5,613,000)	$ (3,685,000)	$ 1,068,000	$ 2,640,925	$ 6,563,235	$ 6,500,619	$ 8,916,474
Covered Employee Payroll	132,955,474	124,331,306	122,144,339	119,006,893	111,648,014	109,165,841	101,390,459	99,513,383	97,055,169	89,245,204
Contribution a a Percentage of Covered Employee Payroll	15.4%	17.4%	17.5%	18.8%	18.3%	17.5%	17.3%	14.8%	15.1%	15.5%

WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POST EMPLOYMENT BENEFITS TRUST
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Unaudited)

	2018	2017	2016
Total OPEB Liability			
Service Cost	$ 2,797,356	$ 2,715,880	$ 2,852,227
Interest	16,658,625	16,104,693	15,302,770
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	4,927,026	-
Change in assumption	-	-	-
Benefit payments	(10,420,568)	(11,586,194)	(11,348,096)
Net change in Total OPEB Liability	9,035,413	12,161,405	6,806,901
Total OPEB Liability- Beginning year	240,305,157	228,143,752	221,336,851
Total OPEB Liability- End of Year	$ 249,340,570	$ 240,305,157	$ 228,143,752
Plan Fiduciary Net Position			
Contributions - employer including benefits paid	$ 20,420,568	$ 21,586,194	$ 21,348,096
Contribution - member	4,339,559	4,168,418	3,967,312
Net investment income	(8,690,017)	14,247,468	8,362,666
Benefit payment	(14,760,127)	(15,754,612)	(15,315,408)
Administrative expenses	(43,750)	(20,000)	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	1,266,233	24,227,468	18,362,666
Plan Fiduciary Net Position Beginning of Year	118,545,704	94,318,236	75,955,570
Plan Fiduciary Net Position End of Year	$ 119,811,937	$ 118,545,704	$ 94,318,236
Net OPEB Liability-Beginning of Year	$ 121,759,453	$ 133,825,516	$ 145,381,281
Net OPEB Liability-End of Year	$ 129,528,633	$ 121,759,453	$ 133,825,516
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	48.1%	49.3%	41.3%
Covered Employee Payroll	132,955,474	124,331,306	122,144,339
Net OPEB Liability as a percentage of Covered Employee Payroll	97.4%	97.9%	109.6%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POST EMPLOYMENT BENEFITS TRUST
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	-7.0%	14.5%	10.4%

The Plan adopted GASB 74 during fiscal year 2017; therefore, only three years of information is presented in the above schedule.