WASHINGTON SUBURBAN SANITARY COMMISSION EMPLOYEES' RETIREMENT PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

A COMPONENT UNIT OF THE
WASHINGTON SUBURBAN SANITARY COMMISSION

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INDEPENDENT AUDITORS' REPORT

The Commissioners and Board of Trustees
Washington Suburban Sanitary Commission
Employees' Retirement Plan
Laurel, Maryland

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 Employees' Retirement Plan (the Plan), a component unit of the Washington Suburban Sanitary Commission, as of and for the years ended December 31, 2020 and 2019, 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.

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, 2020 and 2019, 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 pension liability and related ratios, the schedule of employer 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 20, 2021, 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 results of that testing, and not to provide an opinion on the effectiveness of the Plan'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 Plan's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 20, 2021

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2020 AND 2019

The Washington Suburban Sanitary Commission Employees' Retirement Plan (the "Plan") provides retirement benefits to the employees, retirees, and beneficiaries of the Washington Suburban Sanitary Commission ("WSSC Water"). To facilitate understanding the Plan's financial performance for the years ended December 31, 2020 and 2019, management has prepared this discussion and analysis. The following discussion and analysis should be read in conjunction with the Plan's financial statements and supplementary information provided in this report.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SCHEDULES

The financial information presented in this report includes two financial statements, the notes to the financial statements, and supplementary information.

The Statements of Fiduciary Net Position show the amount of assets and deferred outflow of resources, liabilities and deferred inflow of resources, and net position held in trust for pension beneficiaries as of the end of the current and prior calendar years.

The Statements of Changes in Fiduciary Net Position show the additions to, and reductions in, the Plan's net position during the current and prior fiscal years. The statements present the major sources and uses of funds.

The Notes to Financial Statements contain disclosures and discussions which support the data presented in the financial statements. The notes present information about the creation and administration of the Plan, significant accounting policies and investments. The notes are an integral part of the financial statements and should be considered in conjunction with any review of the financial statements.

The Required Supplementary Information includes additional information on the Plan's financial condition and trends, including information on changes in the net pension liability and related ratios, benefits changes, actuarial assumption changes, contributions, methods and assumptions used to determine contribution rates and investment returns.

FINANCIAL HIGHLIGHTS

Fiscal Year 2020

- As of December 31, 2020, the Plan's net position held in trust for current and future retirement benefits was $897.6 million. This reflects an increase in the Plan's net position of $36.9 million from the prior year.

- The net investment gain was $82.7 million for fiscal year 2020. This was comprised of $60.2 million net appreciation in the fair market value of investments, $24.0 million in dividends and interest income, less investment expenses of $1.5 million. For fiscal year 2019, the net investment income was $151.8 million. The 2020 decrease reflects the world equity markets decline and the volatility due to on-going concerns over trade tensions and global growth.

- The total investment return for 2020 was 10.4%. For the period ended December 31, 2020, the Plan returned 9.5% per annum over the past five years and 8.0% annualized over the past ten years.

Fiscal Year 2019

- As of December 31, 2019, the Plan's net position held in trust for current and future retirement benefits was $860.7 million. This reflects an increase in the Plan's net position of $119.1 million from the prior year.

  The net investment gain was $151.8 million for fiscal year 2019. This was comprised of $131.5 million net appreciation in the fair market value of investments, $22.9 million in dividends and interest income, less investment expenses of $2.6 million. For fiscal year 2018, the net investment loss was $60.3 million. The 2019 increase reflects the continued bull markets for global equities, led by U.S. returns.

- The total investment return for 2019 was 20.6%. For the period ended December 31, 2019, the Plan returned 7.2% per annum over the past five years and 8.2% annualized over the past ten years.

FINANCIAL ANALYSIS

Table 1 – Condensed Statements of Plan Net Position as of December 31, 2020, 2019, and 2018.

				2020-2019		2019-2018	
	2020	2019	2018	Variance	% Variance	Variance	% Variance
ASSETS							
Cash, Cash Equivalents and Investments	$ 950,187,949	$ 903,471,697	$ 769,142,802	$ 46,716,252	5.17%	$ 134,328,895	17.46%
Receivables	832,619	983,093	606,391	(150,474)	-15.31%	376,702	62.12%
Total Assets	951,020,568	904,454,790	769,749,193	46,565,778	5.15%	134,705,597	17.50%
LIABILITIES							
Payables for Collateral Received under Securities Lending Agreements	52,322,729	42,673,508	27,643,078	9,649,221	22.61%	15,030,430	54.37%
Benefits payable and accrued expenses	1,093,543	1,093,673	521,273	(130)	-0.01%	572,400	109.81%
Total Liabilities	53,416,272	43,767,181	28,164,351	9,649,091	22.05%	15,602,830	55.40%
Net Position Restricted for Pension	$ 897,604,296	$ 860,687,609	$ 741,584,842	$ 36,916,687	4.29%	$ 119,102,767	16.06%

Fiscal Year 2020

The Plan's cash, cash equivalents and investments for fiscal year 2020 increased by $46.7 million or 5.2%. The increase was due primarily to investment gains of $84.2 million, contributions totaling $21.3 million, and benefit payments and refunds of $67.1 million.

As shown in Table 2a - Investments by Manager/Advisor with Average Annual Rates of Returns for the year ended December 31, 2020, a significant portion of the Plan's investments were managed by Vanguard (37.3%), Morgan Stanley Asset Management (9.9%), Investment Counselors of Maryland (8.2%) and Northern Trust Asset Management (7.2%). For the year ended December 31, 2020, managers/advisors reflected a positive returns ranging from 2.7% to 38.3% for funds under management. Overall, the weighted average annual rate return was 9.9% which contributed to a decrease in net investment income by 45.4% to $82.7 million.

Table 2a - Investments by Manager/Advisor with Rates of Returns as of December 31, 2020.

	Investment Value	Percentage of Total Assets	Average Annual Rate of Return %
CastleArk Management	$ 42,584,068	4.8%	38.3%
Northern Trust Asset Management	64,252,320	7.2%	7.6%
Income Research & Management	33,410,692	3.8%	10.9%
State Street Global Advisors	42,282,418	4.7%	2.9%
Prudential Retirement Insurance and Annuity Company	59,067,300	6.6%	2.8%
Vanguard	331,779,417	37.3%	12.2%
Morgan Stanley Asset Management	88,570,109	9.9%	11.9%
Dimensional Fund Advisors	39,583,086	4.4%	2.7%
Investment Counselors of Maryland	72,814,600	8.2%	2.8%
MFS Low Volatility Global Equity Fund	58,389,946	6.6%	6.0%
Dodge & Cox Global Stock	57,561,501	6.5%	6.0%
Total Investments	$ 890,295,457	100.0%	

During the year, the Board of Trustees met regularly to monitor investment manager performance. During calendar year 2020, Board actions included:

- Voted in December 2019 to correct a U.S. Equity overweight by funding 1Q20 annuity payments via a January transfer of $15 million from CastleArk to the Prudential Guaranteed Deposit Account, and then voted again in July for another identical $15 million transfer to fund payments through the end of the year.

- Revised its Investment Policy Statement to adopt Appendix C, which incorporates Environmental, Social, and Governance factors into its manager selection and retention process.

Receivables for fiscal year 2020 decreased by $0.2 million or 15.3% primarily due to a decrease in dividend and accrued interest receivable.

Total liabilities increased by $9.6 million or 22.0%. This is due primarily to an increase in payables for collateral received under securities lending agreements which increased from $42.7 million in 2019 to $52.3 million in 2020 or 22.6%.

Fiscal Year 2019

The Plan's cash, cash equivalents and investments for fiscal year 2019 increased by $134.3 million or 17.5%. The increase was due primarily to investment gains of $154.5 million, contributions totaling $31.5 million, and benefit payments and refunds of $64.2 million.

As shown in Table 2b - Investments by Manager/Advisor with Rates of Returns as of December 31, 2019, a significant portion of the Plan's investments were managed by Vanguard (34.7%), Morgan Stanley Asset Management (9.2%), Investment Counselors of Maryland (8.3%) and Prudential Retirement Insurance and Annuity Company (8.3%). For the year ended December 31, 2019, most managers/advisors reflected an average annual rate return in excess of 8% for funds under management. Overall, the weighted average annual rate return was 20.9% which contributed to an increase in net investment income by 350.9% to $151.8 million.

Table 2b - Investments by Manager/Advisor with Rates of Returns as of December 31, 2019.

	Investment Value	Percentage of Total Assets	Average Annual Rate of Return %
CastleArk Management	$ 56,367,608	6.6%	29.5%
Northern Trust Asset Management	63,370,325	7.4%	9.9%
Income Research & Management	30,126,001	3.5%	8.4%
State Street Global Advisors	41,101,412	4.8%	26.5%
Prudential Retirement Insurance and Annuity Company	71,295,218	8.3%	3.0%
Vanguard	297,015,631	34.7%	25.7%
Morgan Stanley Asset Management	79,159,865	9.2%	20.8%
Dimensional Fund Advisors	38,529,365	4.5%	9.6%
Investment Counselors of Maryland	70,833,086	8.3%	26.2%
MFS Low Volatility Global Equity Fund	54,925,272	6.4%	9.9%
Dodge & Cox Global Stock	54,293,417	6.3%	8.6%
Total Investments	$ 857,017,200	100.0%	

During the year, the Board of Trustees met regularly to monitor investment manager performance. During calendar year 2019, Board actions included:

- Revised its Investment Policy Statement to eliminate its allocation to the Global Tactical Asset Allocation space, with the 10% target allocation added back to equities (+4%, split equally U.S. and non-U.S.), fixed income (+4%), and real estate (+2%).
- Terminated Global Tactical Asset Allocation manager Wellington and Global Equity manager J.P. Morgan, with a portion of the proceeds used to fund allocations to new Global Equity managers, Dodge and Cox and MFS Investments. The residual was transferred to the Prudential Guaranteed Deposit Account.
- Voted to permit a fee increase for Investment Consultant, Marquette Associates – their only increase in over nine years of service to the Board.
- Voted in December to correct a U.S. Equity overweight by funding 1Q20 annuity payments via a January transfer of $15 million from CastleArk to the Prudential Guaranteed Deposit Account.

Receivables for fiscal year 2019 increased by $0.4 million or 62.1% primarily due to an increase in dividend and accrued interest receivable.

Total liabilities increased by $15.6 million or 55.4%. This is due primarily to an increase in payables for collateral received under securities lending agreements which increased from $27.6 million in 2018 to $42.7 million in 2019 or 54.4%.

Table 3 – Condensed Statements of Changes in Plan Net Position as of December 31, 2020, 2019 and 2018.

				2020-2019		2019-2018	
	2020	2019	2018	Variance	Percent Variance	Variance	Percent Variance
ADDITIONS							
Net Investment Income (Loss)	$ 82,671,915	$ 151,804,808	$ (60,337,268)	$ (69,132,893)	-45.54%	$ 212,142,076	351.59%
Contributions	21,340,965	31,469,748	29,630,198	(10,128,783)	-32.19%	1,839,550	6.21%
Net Increase (Decrease)	104,012,880	183,274,556	(30,707,070)	(79,261,676)	-43.25%	213,981,626	696.85%
DEDUCTIONS							
Benefits Payments and Refunds	66,403,809	63,732,796	61,533,446	2,671,013	4.19%	2,199,350	3.57%
Administrative Expenses	692,384	438,993	-	253,391	57.72%	438,993	100.00%
Total Deductions	67,096,193	64,171,789	61,533,446	2,924,404	4.56%	2,638,343	4.29%
Net Increase (Decrease)	36,916,687	119,102,767	(92,240,516)	(82,186,080)	-69.00%	211,343,283	229.12%
NET POSITION							
Beginning of Year	860,687,609	741,584,842	833,825,358	119,102,767	16.06%	(92,240,516)	-11.06%
End of Year	$ 897,604,296	$ 860,687,609	$ 741,584,842	$ 36,916,687	4.29%	$ 119,102,767	16.06%

Fiscal Year 2020

Net investment income was comprised of interest and dividends and net appreciation/depreciation in the fair value of investments less investment expenses. Interest and dividends increased, from $22.9 million in 2019, to $24.0 million in 2020. The financial markets reflected unfavorable conditions during the year and, accordingly, the net gain in the fair value of the investments was $60.2 million for 2020, compared to $131.5 million for year 2019. The decrease in net investment income was primarily due to the Plan's funds rates of return in 2019 had exceeded 2020. The Plan had an overall rate of return of 10.4% for fiscal year 2020.

Investment expenses decreased by $1.1 million or 41.4%. This is due primarily to the termination of Global Tactical Asset Allocation manager Wellington and Global Equity manager J.P. Morgan. Investment expenses represent approximately 0.17% or 17 basis points of average net position.

Participant and Plan sponsor contributions decreased in 2020 to $21.3 million from $31.5 million in 2019. This decrease is due to the change in payment frequency of the Plan sponsor's cash contributions from lump-sum in early July of the audited year to an equal ten payments from July 2020 to April 2021, with all payments occurring within the Commission's Fiscal Year 2021. The change was implemented as part of a plan to improve the Commission's liquidity as WSSC Water customers were impacted by the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic.

Fiscal Year 2019

Net investment income was comprised of interest and dividends and net appreciation/depreciation in the fair value of investments less investment expenses. Interest and dividends increased, from $16.5 million in 2018, to $22.9 million in 2019. The financial markets reflected favorable conditions during the year and, accordingly, net appreciation in the fair value of the investments was $131.5 million for 2019, compared to net depreciation of $74.1 million for fiscal year 2018. The increase in net investment income was primarily due to most of the Plan's funds reflecting positive rates of return. The Plan had an overall rate of return of 20.6% for fiscal year 2019.

Investment expenses decreased by $0.2 million or 6.2%. This is due primarily to reclassification of the administrative expenses. Investment expenses represent approximately 0.31% or 31 basis points of average net position.

Participant and Plan sponsor contributions increased in 2019 to $31.5 million from $29.6 million in 2018 due to an increase in the number of employees and higher salary levels. Retirement annuity benefit payments totaled $63.7 million. This represented an increase of $2.2 million over 2018, which is due to an increase in cost-of-living and the number of retirees.

PLAN FUNDING

Fiscal Year 2020

On an annual or biennial basis, the market value of the Plan's assets and its investment gains and losses are reviewed by the Plan's actuary to determine the viability and funding progress of the Plan, the latest of which was performed effective June 30, 2020. The Plan's actuarially determined target rate of investment return is 7.0% net of expenses, reflecting the most recent Assumption Study, which also updated assumptions concerning mortality, inflation, and salary scale.

The Plan began using the average value method to determine actuarial asset value effective July 1, 2007. This smoothing method explicitly recognizes each year's investment gain or loss over a five-year period with the final actuarial value not less than 80% or more than 120% of the market. There are currently no known facts, decisions, or conditions that will significantly impact the net position in the future.

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents (Note D)	$ 7,569,763	$ 3,780,989
Collateral Received under		
Securities Lending Agreements (Note E)	52,322,729	42,673,508
Investments at Fair Value (Note F):		
Mutual Fund	501,738,604	460,671,499
Commingled Funds	189,242,473	175,186,549
U.S. Government and Agency Bonds	69,552,663	67,998,430
Corporate Bonds	28,085,364	25,469,606
Common Stock	42,584,068	56,367,608
Investment Contracts with Insurance Company	59,067,300	71,295,218
Limited Partnership Units	20,000	20,000
Other Fixed Holdings	4,985	8,290
Total Investments	890,295,457	857,017,200
Dividends and accrued interest receivable	530,146	681,203
Contributions receivable from employees	302,473	301,890
Total Assets	951,020,568	904,454,790
LIABILITIES		
Payable for Collateral Received under		
Securities Lending Agreements (Note E)	52,322,729	42,673,508
Benefits Payable and Accrued Expenses	1,093,543	1,093,673
Total Liabilities	53,416,272	43,767,181
Net Position Restricted for Pension	$ 897,604,296	$ 860,687,609

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

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
ADDITIONS		
Investment Income		
Net Appreciation in the Fair Value of Plan Investments	$ 60,244,531	$ 131,521,146
Dividends and Interest	23,983,900	22,939,508
	84,228,431	154,460,654
Less Investment Expenses	(1,556,516)	(2,655,846)
Net Investment Income	82,671,915	151,804,808
Contributions		
WSSC Water Contributions	16,412,238	26,524,110
Employee Contributions	4,928,727	4,945,638
Total Contributions	21,340,965	31,469,748
Total Additions	104,012,880	183,274,556
DEDUCTIONS		
Benefit Payments to Retirees and Refunds	66,403,809	63,732,796
Administrative Expenses	692,384	438,993
Total Deductions	67,096,193	64,171,789
Net Increase/Decrease in Net Position	36,916,687	119,102,767
Net Position Restricted for Pension		
Beginning of Year	860,687,609	741,584,842
End of Year	$ 897,604,296	$ 860,687,609

The accompanying notes are an integral part of these financial statements

NOTE A. DESCRIPTION OF PLAN

General

The Washington Suburban Sanitary Commission Employees' Retirement Plan (the Plan), a single employer contributory defined benefit retirement plan, was established in 1967 to provide retirement and death benefits for the employees of the WSSC Water under conditions set forth in the Plan Document based on an employee's age, length of service and compensation. The Retirement Plan Document is amended from time to time. As of December 31, 2020, the Plan was last amended in April 2019. The Plan may be amended by Commission resolution or by the Executive Director on behalf of the Commission.

WSSC Water implemented the Open Version of the Plan on July 1, 1978. Members of the Plan as of June 30, 1978 had an option to be included in the Open Version. This option expired December 31, 1978. The Open Version is mandatory for new employees. It generally provides for reduced employee contributions and benefits.

As of December 31, 2020, and 2019, there were 1,682 and 1,662 employees, respectively, participating in the Open Version of the Plan, and 4 and 5 employees, respectively, participating in the Closed Version of the Plan, a total of 1,686 and 1,667 employee participants, respectively.

As of December 31, 2020, and 2019, there were 1,681 and 1,662 retirees and/or beneficiaries, respectively, receiving benefits from the Plan, and there were 121 and 116 terminated vested employees, respectively, not yet receiving benefits. Nine and sixteen employees retired in fiscal years 2020 and 2019, respectively, and began receiving benefits in subsequent fiscal years.

The Plan provides a review process for participants whose claim for benefits is denied. There were no reviews pending as of December 31, 2020 and 2019.

Contributions

The Plan requires employees under the Closed Version to contribute 6% of gross wages and employees under the Open Version to contribute 3% of gross wages as a condition of employment. WSSC Water contributions are determined through the budget process as recommended by the Executive Director annually based upon a level percentage of payroll costs based on the advice and recommendation of an Actuary based on generally accepted actuarial principles.

NOTE A. DESCRIPTION OF PLAN (Continued)

Expenses

WSSC Water pays the administrative expenses of the Plan, other than investment management, legal, and consulting fees. WSSC Water is reimbursed by the Plan for the paid administrative expenses. As of December 31, 2020 and 2019, the Plan reimbursed WSSC Water of $692,384 for full year 2020 and $438,993 for final six-months of 2019 per Plan amendment of July 1, 2019 for paid administrative expenses.

Pension Benefits

The Plan provides for 100% vesting of retirement benefits after five years of credited service.

Generally, the normal retirement benefits payable to an eligible participant are equal to the sum of:

1. 2.1% of final average monthly compensation multiplied by the Closed Version credited service, plus
2. 1.4% of final average monthly compensation multiplied by the Open Version credited service where the sum of Closed Version credited service and Open Version credited service, exclusive of accumulated sick leave service is subject to a maximum of 36 years.

The Plan provides options for disability and early retirement to eligible participants or their surviving spouses.

The Plan provides for periodic cost of living increases to retirement benefits. Participants covered by the Closed Version will receive an increase two months following a sustained increase (over two consecutive months) in the Consumer Price Index of 3% or more. Participants in the Open Version receive an increase each March 1, based on the preceding calendar year's increase in the Consumer Price Index. The first increase may be pro-rated depending on the time of retirement.

Plan Termination

In the event of termination, Plan assets are to be allocated in the following priorities:

1. Expenses, fees and other charges under the Plan, not previously paid.
2. Pension benefits based upon contributions made by employees and interest earned thereon.
3. Pension benefits based upon contributions made by the employer which are vested.
4. All other pension benefits under the Plan.

NOTE A. DESCRIPTION OF PLAN (Continued)

Plan Governance

WSSC Water established a Board of Trustees (the "Board") for the Plan to be responsible for the investment management of the Plan's assets for the exclusive benefit of the Plan's participants. The trustees are governed by a Trust Agreement. The agreement provides for trustees to be appointed by WSSC Water and for the eleven-member Board to be composed of two Commissioners, four employees who are participants of the Plan, two representatives of the public, two retirees who are participants in the Plan, and the Executive Director of the Plan.

The administration of the Plan is managed by the Executive Director of the Washington Suburban Sanitary Commission Employees' Retirement Plan who is appointed by the General Manager of WSSC Water.

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 WSSC Water. 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.

Reclassification

Certain amounts have been reclassified from the year 2019 investment expenses to administrative expenses to agree to the 2020 investment and administrative expenses presentation.

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.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Plan categorize 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 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.

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.

The Plan holds investment contracts with Prudential Financial. The fair value of these contracts is determined based on the fair value of the underlying pooled assets and is an estimate only and not the result of a precise calculation which would be done at contract discontinuance or to measure the impact of excess withdrawals in any calendar year. It does not constitute an offer by Prudential Financial or a final experience adjustment.

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

The Plan obtained its latest determination letter dated April 26, 2017, in which the Internal Revenue Services stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code; therefore, the Plan was qualified, and the related Trust was tax exempt as of December 31, 2020 and 2019.

NOTE D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of short-term investments funds of $7,569,763 and $3,780,989 as of December 31, 2020 and 2019, respectively.

At December 31, 2020, the weighted average maturity (WAM) for the Trust's Short Term Investments was 55 days. At December 30, 2020 the rating for Short Term Investments was A1+ by Standard& Poors.

NOTE E. SECURITY LENDING

The Board of Trustees permits the Plan to lend its securities to broker-dealers and other entities (the "Borrowers") for collateral that will be returned for the same securities in the future. The Plan's custodian is the agent in lending the Plan's securities for collateral of 102 percent for domestic securities and 105 percent for international securities. The custodian receives cash, securities, or irrevocable bank letters of credit as collateral. All securities loans can be terminated on demand by either the Plan or the Borrowers. Cash collateral received from the Borrowers is invested by the lending agent, as an agent for the Plan, in a short-term investment pool in the name of the Plan, with guidelines approved by the Board. Such investments are considered a collateralized investment pool. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of securities loans made by other plan entities that invest cash collateral in the investment pool, and which the Plan cannot determine. The Plan records a liability for the return of the cash collateral shown as collateral held for securities lending in the Statements of Plan Net Position. The Board does not restrict the amount of loans the lending agent may make on its behalf. The agent indemnifies the Plan by agreeing to purchase replacement securities, or return the cash collateral thereof, in the event a Borrower fails to return loaned securities or pay distributions thereon.

As of December 31, 2020, and 2019, the fair value of securities on loan was $50,925,704 and $41,515,563, respectively. Cash received as collateral and the related liability of $52,322,729 and $42,673,508 as of December 31, 2020 and 2019 are shown on the Statements of Plan Net Position. Securities received as collateral are not reported as assets since the Plan does not have the ability to pledge or sell the collateral securities.

Securities lending revenues and expenses amounting to $315,002 and $204,633, respectively, for December 31, 2020 and $997,009 and $920,974, respectively, for December 31, 2019, have been classified with investment income and investment expenses, respectively, in the accompanying financial statements.

NOTE E. SECURITY LENDING (Continued)

The following represents the balances relating to the securities lending transactions as of December 31:

	2020		2019	
	Fair Value of Underlying Securities	Cash Collateral Investment Value	Fair Value of Underlying Securities	Cash Collateral Investment Value
Securities Loaned for Cash Collateral				
Corporate Bonds	$ 5,051,156	$ 5,162,023	$ 4,123,325	$ 4,227,051
Common Stock	5,619,645	5,801,332	9,830,361	10,053,288
U.S. Government & Agency Bonds	40,254,903	41,359,374	27,561,877	28,393,169
Total	$ 50,925,704	$ 52,322,729	$ 41,515,563	$ 42,673,508

The Plan is fully indemnified by its custodial bank against any losses incurred as a result of Borrower default.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2020 and 2019, there were no funds held by a counterparty that was acting as the Plan's agent in securities lending transactions.

NOTE F. 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 most recent version of the policy was approved in July 2020 and contains long-term asset allocation ranges.

The primary objective of the investment policy is to assure that assets will be available to pay retirement 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.

NOTE F. INVESTMENTS (Continued)

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.

The Plan has a rebalancing policy, which allows the Executive Director and staff the flexibility to adjust assets classes for purposes of rebalancing without approval from the Board of Trustees.

As of December 31, 2020, and 2019, the Plan's long-term asset allocation ranges were as follows:

	2020			2019		
	Target%	**Actual%**	**Range %**	**Target%**	**Actual%**	**Range %**
U.S. Stocks	42.0%	45.8%	37-47%	42.0%	44.3%	37-47%
Non-U.S. Stocks	14.0%	16.6%	10-18%	14.0%	16.2%	10-18%
Emerging Markets Stocks	5.0%	4.4%	2-8%	5.0%	4.5%	2-8%
Total equity	61.0%	66.8%		61.0%	65.0%	
Fixed Income	27.0%	23.3%	23-31%	27.0%	24.7%	23-31%
Real Return Strategies	5.0%	3.7%	0-10%	5.0%	3.5%	0-10%
Real Estate	7.0%	6.2%	4-10%	7.0%	6.8%	4-10%
Total	100.0%	100.0%		100.0%	100.0%	

Money-Weighted Rate of Return

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on Plan investments, net of investment expense, was 9.9% and 20.9% respectively. The money-weighted rate of return considers the changing amounts invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

NOTE F. INVESTMENTS (Continued)

The Plan has the following fair value measurements as of December 31, 2020 and 2019:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of December 31, 2020
Investments by fair value level:				
Fixed Income Securities:				
Government and Agency Bonds				
Domestic Bonds	$ -	$ 69,552,663	$ -	$ 69,552,663
Corporate Bonds and Securities				
Domestic Bonds and Securities	-	23,938,335	-	23,938,335
International Bonds and Securities	-	4,147,029	-	4,147,029
Common Stock:				
U.S. Stock	40,343,443	-	-	40,343,443
International Stock	-	2,240,625	-	2,240,625
Mutual Funds:				
U.S. Equity Funds	409,092,277	-	-	409,092,277
Non-U.S. Equity Funds	-	92,646,327	-	92,646,327
Limited partnership units	-	20,000	-	20,000
Other fixed holdings	-	4,985	-	4,985
	$ 449,435,720	$ 192,549,964	$ -	641,985,684
Investments carried at the Net Asset Value (NAV):				
Commingled funds				189,242,473
Stable Value funds				59,067,300
Total Investments				$ 890,295,457

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of December 31, 2019
Investments by fair value level:				
Fixed Income Securities:				
Government and Agency Bonds				
Domestic Bonds	$ -	$ 67,998,430	$ -	$ 67,998,430
Corporate Bonds and Securities				
Domestic Bonds and Securities	-	12,115,854	-	12,115,854
International Bonds and Securities	-	13,353,752	-	13,353,752
Common Stock:				
U.S. Stock	53,308,852	-	-	53,308,852
International Stock	-	3,058,757	-	3,058,757
Mutual Funds:				
U.S. Equity Funds	367,855,025	-	-	367,855,025
Non-U.S. Equity Funds	-	92,816,473	-	92,816,473
Limited partnership units	-	20,000	-	20,000
Other fixed holdings	-	8,290	-	8,290
	$ 421,163,877	$ 189,371,556	$ -	610,535,433
Investments carried at the Net Asset Value (NAV):				
Commingled funds				175,186,549
Stable Value funds				71,295,218
Total Investments				$ 857,017,200

NOTE F. INVESTMENTS (Continued)

Common stock and mutual funds classified in Level 1 of the fair value hierarchy are valued utilizing prices last quoted sales/bid prices provided by independent pricing vendors. U.S government and agency securities, municipal and corporate bonds, international common stocks, and mutual funds classified in Level 2 of the fair value hierarchy are valued utilizing a matrix pricing technique. Matrix pricing is utilized to value securities based on the securities' relationship to benchmark quoted prices.

Commingled funds consist of investments in three investments trusts, the objectives of these funds are to invest in a diversified portfolio of international equity securities for capital appreciation, approximate the performance of the Russell 1000 Value Index, and investing in a portfolio of equity securities of companies in developed and emerging markets. These investments are valued at the net asset value (NAV) of units of the commingled trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

The Prudential Guaranteed Deposit Fund is a stable value fund that invests in a broadly diversified, fixed-income portfolio. The portfolio is primarily invested in public bonds, commercial mortgages, and private placement bonds. The valuations are based on manager-provided net asset values located in monthly statements.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2020 and 2019 is presented on the following tables:

	December 31, 2020			
	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Investment Management International Equity Trust	$ 88,570,109	$ -	Daily	Daily
MFS Low Volatility	58,389,946	-	30 Days	30 Days
State Street Global Advisor	42,282,418	-	Daily	Daily
Prudential Guaranteed Deposit	59,067,300	-	Daily	Daily
	$ 248,309,773	$ -		

	December 31, 2019			
	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Investment Management International Equity Trust	$ 79,159,865	$ -	Daily	Daily
MFS Low Volatility	54,925,272	-	30 Days	30 Days
State Street Global Advisor	41,101,412	-	Daily	Daily
Prudential Guaranteed Deposit	71,295,218	-	Daily	Daily
	$ 246,481,767	$ -		

NOTE F. INVESTMENTS (Continued)

Risks Common to Investments

The Plan's investments are subject to the following risks common to investments:

- ***Custodial Credit Risk*** is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name.

  The Plan's investments for fiscal year 2020 and 2019 are partially insured and registered in the Plan's name and are generally segregated by the counterparty in a manner to protect them from certain claims by creditors. The Plan also invests in mutual and commingled trust funds which are not generally exposed to custodial credit risks. At December 31, 2020 and 2019, there were no deposits subject to custodial credit risk. The Plan has no policy to address any additional amounts potentially at risk.

- ***Credit Risk*** is the risk that an issuer to an investment will not fulfill its obligations. The Plan seeks to maintain a diversified portfolio of fixed income securities in order to obtain the highest total return at an acceptable level of risk. As of December 31, 2020, and 2019, the quality ratings of the Plan's fixed income investments in U.S. Government obligations and corporate bonds were as follows.

	2020		2019	
Fiscal Year Quality Rating	**Fair Value**	**Percentage of Total**	**Fair Value**	**Percentage of Total**
U.S Government and Agency Bonds:				
AAA/AA+	$ 69,428,357	71.11%	$ 67,879,400	72.62%
BBB+	124,306	0.13%	119,030	0.13%
	69,552,663	71.24%	67,998,430	72.75%
Corporate Bonds:				
AAA	510,019	0.52%	5,512,442	5.90%
AA	914,782	0.94%	674,401	0.72%
AA-	-	-	-	-
A+	-	-	-	-
A	3,526,294	3.61%	2,737,244	2.93%
A-	-	-	-	-
BAA	-	-	-	-
BBB+	-	-	-	-
BBB	20,388,197	20.88%	11,984,384	12.82%
BBB-	-	-	-	-
BA	-	-	-	-
BB	73,851	0.07%	-	-
Unrated	2,672,221	2.74%	4,561,135	4.88%
Total Corporate Bonds	28,085,364	28.76%	25,469,606	27.25%
Total	$ 97,638,027	100.00%	$ 93,468,036	100.00%

NOTE F. INVESTMENTS (Continued)

Certain mutual funds of the Plan maintain investments that include fixed income securities, such as, the Vanguard High Yield Corporate Fund (Vanguard). As of December 31, 2020, and 2019, the ratings of the underlying securities of the Vanguard Fund were AAA/BBB/BB/B/Below B. The other mutual funds were equity-based, and the investment contracts were unrated. The Plan has no policy to address any additional amounts potentially at risk.

- ***Interest Rate Risk*** is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's fixed income investments by maturity:

Fiscal Year 2020

Investment Type	Total	Remaining Maturities (In Months) 12 Months Or Less	13 to 24 Months	25 - 60 Months	More Than 60 Months
U.S. Government and Agency bonds:					
Mortgage-backed securities	$ 17,665,057	$ 134,032	$ 1,274,067	$ 15,992,057	$ 264,901
U.S. Treasury Notes	51,887,606	2,884,847	8,803,768	26,363,487	13,835,504
Corporate bonds	28,085,364	229,391	1,765,499	7,731,557	18,358,917
	$ 97,638,027	$ 3,248,270	$ 11,843,334	$ 50,087,101	$ 32,459,322

Fiscal Year 2019

Investment Type	Total	Remaining Maturities (In Months) 12 Months Or Less	13 to 24 Months	25 - 60 Months	More Than 60 Months
U.S. Government and Agency bonds:					
Mortgage-backed securities	$ 17,636,844	$ 1,541,353	$ 3,461,027	$ 10,011,330	$ 2,623,134
U.S. Treasury Notes	50,361,586	2,764,141	9,392,089	21,895,712	16,309,644
Corporate bonds	25,469,606	207,444	62,051	11,933,839	13,266,272
	$ 93,468,036	$ 4,512,938	$ 12,915,167	$ 43,840,881	$ 32,199,050

The mortgage-back securities listed above are considered highly sensitive to interest rate risk. The Plan has no policy to address any additional amounts potentially at risk.

NOTE F. 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 non-U.S. securities. As of December 31, 2020, and 2019, the Plan held no investments in foreign currency denominations, however the following mutual and/or comingled funds contained underlying foreign related investments as follows:

	2020	2019
Morgan Stanley Investment Management International Equity Trust	$ 88,570,109	$ 79,159,865
MFS Low Volatility	58,389,946	31,307,405
Dodge & Cox Global Stock	57,561,501	30,187,140
Dimensional Fund Advisors	39,583,086	38,529,365
Vanguard Global EX-US R/E Index Fund	22,440,522	24,099,968
Total	$ 266,545,164	$ 203,283,743

- ***Concentration of Credit Risk*** - Individual investments that represent 5 percent or more of the Plan's net position are as follows as of December 31:

	2020	2019
Vanguard Total Stock Market Index Fund	$194,818,424	$ 160,985,204
Morgan Stanley Investment Management International Equity Trust	88,570,109	79,159,865
Vanguard High Yield Corporate Fund	81,914,707	77,729,069
Investment Counselors of Maryland	72,814,600	70,833,086
MFS Low Volatility Global Equity Fund	58,389,946	54,925,272
Dodge & Cox Global Stock	57,561,501	54,293,417
	$ 554,069,287	$ 497,925,913

NOTE F. INVESTMENTS (Continued)

For U.S. Government or Agency securities, investment managers invest no more than 7 percent of their portion of Plan assets, at cost, and no more than 10 percent at market, in securities of any one issuer or its subsidiaries or affiliates.

NOTE G. RISKS AND UNCERTAINTIES

The Plan invests 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 at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of plan net position.

NOTE H. RELATED-PARTY TRANSACTIONS

An affiliate of the Plan's custodian, Northern Trust Asset Management, became an investment manager for the Plan in fiscal year 2014. At December 31, 2020, funds managed totaled $69.9 million, and comprised of cash equivalents and investments of $5.7 million and $64.2 million, respectively. For the year ended December 31, 2020, the Plan incurred approximately $117,710 in management fees with this investment manager.

At December 31, 2019, funds managed totaled $65.0 million, and comprised of cash equivalents and investments of $1.6 million and $63.4 million, respectively. For the year ended December 31, 2019, the Plan incurred approximately $109,137 in management fees with this investment manager.

NOTE I. NET PENSION LIABILITY OF WSSC WATER

The measurement date for implementation of GASB 67 is the Plan's fiscal year end, December 31, 2020. Plan assets (Fiduciary Net Position) are measured as of this date. The Total Pension Liability (TPL) as of this date is based on an actuarial valuation as of June 30, 2020, with adjustments made for the half-year difference. Adjustments include service cost, interest on total pension liability, and expected benefit payments during the half-year. Under GASB 67, the Net Pension Liability (NPL) is established as the difference between the Total Pension Liability and the Plan Fiduciary Net Position.

The components of the net pension liability of WSSC Water at December 31, 2020 and 2019 were as follows:

	2020	2019
Total Pension Liability	$1,019,217,157	$980,962,150
Plan Fiduciary Net Position	(897,604,296)	(860,687,609)
WSSC Water's Net Pension Liability	$ 121,612,861	$ 120,274,541
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	88.1%	87.7%

Actuarial assumptions

The total pension liability as of June 30, 2020 and June 30, 2019 was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included the measurement:

	2020	2019
Inflation	2.50%	2.50%
Salary increases	2.75% to 7.50%	2.75% to 7.50%
Investment rate of return	7.00%	7.00%

Mortality rates applicable to 2020 were based on the Pub-2010(B) Mortality Tables for Males and Females, projected on a generational basis using Scale SSA. A 109% adjustment factor is applied to female mortality rates. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience analysis covering 2015 through 2020.

Mortality rates applicable to 2019 were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, with Blue Collar adjustments and one-year age set-forward and projected to 2025 using Scale BB. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience analysis covering 2011 through 2015.

NOTE I. NET PENSION LIABILITY OF WSSC WATER (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan 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 adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation and the final investment return assumption, and are summarized in the following table:

	2020	Approximate Portfolio Allocation	2019	Approximate Portfolio Allocation
Asset class:				
U.S. Equity	6.10%	42.00%	5.85%	40.00%
Non-U.S. Equity	6.50%	19.00%	6.00%	25.00%
U.S. Fixed Income	1.40%	32.00%	1.65%	30.00%
Real Estate	4.15%	7.00%	4.45%	5.00%
Total Weighted Average Real Return	4.54%	100.00%	4.56%	100.00%
Plus Inflation	2.50%		2.50%	
Total Return without Adjustment	7.04%		7.06%	
Risk Adjustment	-0.04%		-0.06%	
Total Expected Return	7.00%		7.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of December 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE I. NET PENSION LIABILITY OF WSSC WATER (Continued)

Other Key Actuarial Assumptions

The other key actuarial assumptions that determined the total pension liability as of December 31, 2020 and 2019 included:

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

Valuation date	July 1, 2020	July 1, 2019
Measurement date	December 31, 2020	December 31, 2019
Inflation	2.50%	2.50%
Salary increases including inflation	2.75% to 7.50%	2.75% to 7.50%

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00% for 2020 and 2019, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	2020		
	1% Decrease 6.00%	**Current Discount Rate 7.00%**	**1% Increase 8.00%**
Net pension liability (2020)	$ 237,915,986	$ 121,612,861	$ 23,764,316

	2019		
	1% Decrease 6.00%	**Current Discount Rate 7.00%**	**1% Increase 8.00%**
Net pension liability (2019)	$ 230,367,731	$ 120,274,541	$ 27,148,285

NOTE I. NET PENSION LIABILITY OF WSSC WATER (Continued)

The Plan's change in total pension liability, plan fiduciary net position and net pension liability are presented below:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of December 2018	$ 968,212,704	$ 741,584,842	$ 226,627,862
Service cost	11,958,124	-	11,958,124
Interest on total pension liability	66,286,257	-	66,286,257
Difference between expected and actual experience	(1,762,139)	-	(1,762,139)
Benefit payments, including refunds of contributions	(63,732,796)	(63,732,796)	-
Administrative expenses		(438,993)	438,993
Employer contributions	-	26,524,110	(26,524,110)
Member contributions	-	4,945,638	(4,945,638)
Investment income net of investment expenses	-	151,804,808	(151,804,808)
Net Change	12,749,446	119,102,767	(106,353,321)
Balance as of December 2019	980,962,150	860,687,609	120,274,541
Service cost	12,537,197	-	12,537,197
Interest on total pension liability	67,260,129	-	67,260,129
Difference between expected and actual experience	2,389,307	-	2,389,307
Changes in assumptions	22,472,183		22,472,183
Benefit payments, including refunds of contributions	(66,403,809)	(66,403,809)	-
Administrative expenses		(692,384)	692,384
Employer contributions	-	16,412,238	(16,412,238)
Member contributions	-	4,928,727	(4,928,727)
Investment income net of investment expenses	-	82,671,915	(82,671,915)
Net Change	38,255,007	36,916,687	1,338,320
Balance as of December 2020	$ 1,019,217,157	$ 897,604,296	$ 121,612,861

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2020	*2019*	*2018*	*2017*	*2016*	*2015*	2011 - 2014**
Total Pension Liability:							
Service cost	$ 12,537,197	$ 11,958,124	$ 11,557,550	$ 10,744,774	$ 10,576,413	$ 9,828,010	
Interest on total pension liability	67,260,129	66,286,257	65,379,327	63,199,824	61,935,402	61,611,259	
Difference between expected and actual experience	2,389,307	(1,762,139)	16,447,791	3,474,382	(10,448,960)	(53,390,196)	
Effect of assumption changes or inputs	-	-	-	-	-	32,257,956	
Changes in assumptions	22,472,183	-	-	-	-	-	
Benefit payments, including refunds of contributions	(66,403,809)	(63,732,796)	(61,533,446)	(58,642,039)	(57,554,539)	(56,672,851)	
Net change in pension liability	38,255,007	12,749,446	31,851,222	18,776,941	4,508,316	(6,365,822)	
Total pension liability, beginning of the year	980,962,150	968,212,704	936,361,482	917,584,541	913,076,225	919,442,047	
Total pension liability, end of year (a)	1,019,217,157	980,962,150	968,212,704	936,361,482	917,584,541	913,076,225	
Plan Fiduciary Net Pension:							
Employer contributions	16,412,238	26,524,110	25,479,895	24,193,214	22,606,529	22,346,849	
Member contributions	4,928,727	4,945,638	4,150,303	5,290,757	4,213,793	3,930,364	
Investment income net of investment expenses	82,671,915	151,804,808	(60,337,268)	118,185,475	61,943,796	(10,371,883)	
Benefit payments	(66,403,809)	(63,732,796)	(61,533,446)	(58,642,039)	(57,554,539)	(56,672,851)	
*Administrative expenses	(692,384)	(438,993)	-	-	-	-	
Other	-	-			(91,655)		
Net change in plan fiduciary position	36,916,687	119,102,767	(92,240,516)	89,027,407	31,117,924	(40,767,521)	
Plan Fiduciary Net Position - Beginning of the Year	860,687,609	741,584,842	833,825,358	744,797,951	713,680,027	754,447,548	
Plan Fiduciary Net Position - End of Year (b)	897,604,296	860,687,609	741,584,842	833,825,358	744,797,951	713,680,027	
Net Pension Liability - Beginning of Year	120,274,541	226,627,862	102,536,124	172,786,590	199,396,198	164,994,499	
Net Pension Liability - End of Year (a-b)	$ 121,612,861	$ 120,274,541	$ 226,627,862	$ 102,536,124	$ 172,786,590	$ 199,396,198	
Plan Fiduciary Net Position as a percentage of Total Pension Liability	88.1%	87.7%	76.6%	89.0%	81.2%	78.2%	
Covered Payroll	$ 156,959,534	$ 156,947,396	$ 150,768,609	$ 143,155,101	$ 133,766,444	$ 132,229,882	
Net Pension Liability as a percentage of Covered Payroll	77.5%	76.6%	150.3%	71.6%	129.2%	150.8%	
Average Future Working Lifetime (years)	6	6	6	6	6	6	

**Administrative expenses are paid directly by WSSC Water and reimbursed by the Plan.*

***This schedule is presented to illustrate the requirement to show information for 10 years. The Plan presents information for available years and additional years will be displayed as they become available.*

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit changes – There have been no changes in benefit assumptions since the implementation of GASB 67 and 68.

Changes in assumptions – As a result of a 2020 Actuarial Assumption Study, numerous changes in assumptions have been implemented. Economic, Demographic, and Mortality Assumptions have been updated, with the most impactful change being an update to the Pub-2010(B) Mortality Tables for Males and Females from the RP-2000 Table.

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2011	$ 26,295,382	$ 18,686,402	$ 7,608,980	$ 110,570,426	16.9%
2012	22,757,807	19,038,875	3,718,932	112,656,065	16.9%
2013	22,739,819	20,498,919	2,240,900	121,295,379	16.9%
2014	25,745,448	20,965,016	4,780,432	124,053,349	16.9%
2015	20,100,358	22,346,850	(2,246,492)	132,229,882	16.9%
2016	18,393,733	22,606,529	(4,212,796)	133,766,444	16.9%
2017	18,591,764	24,193,212	(5,601,448)	143,155,101	16.9%
2018	18,232,265	25,479,895	(7,247,630)	150,768,609	16.9%
2019	21,183,914	26,524,110	(5,340,196)	156,947,396	16.9%
2020	21,178,200	16,412,238	4,765,962	156,959,534	10.5%

Notes to Schedule of Contributions:

Valuation date:

Actuarially determined contribution rates are calculated as of July 1st of the fiscal year in which the contributions are reported. WSSC Water’s policy is to complete an actuarial study at least once every two years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (funding valuation uses a fixed rate of contribution)
Inflation	2.50%
Salary increases	2.75 to 7.50 % including inflation
Investment rate of return	7.0% net of pension plan investment expenses, including inflation
Cost of living adjustments	2.50%
Retirement age	Table of rates by age and eligibility
Mortality	Mortality rates were based on the Pub-2010(B) Mortality Tables for Males and Females, projected on a generational basis using Scale SSA. A 109% adjustment factor is applied to female mortality rates. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience analysis covering 2015 through 2020.

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF INVESTMENT RETURNS

Year Ended December 31,	Net Money-weighted Rate of Return (%)
2011	(2.5)
2012	14.1
2013	17.3
2014	5.2
2015	(1.4)
2016	9.5
2017	16.2
2018	(7.4)
2019	20.9
2020	9.9

This schedule is presented to illustrate the requirement to show information for 10 years.