



**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST**

**FINANCIAL STATEMENTS AND SUPPLEMENTAL
SCHEDULES WITH INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2021 AND 2020



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
Retiree Other Postemployment Benefits Plan
Laurel, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2021 and 2020, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the schedule of changes in net OPEB 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audits 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 November 1, 2022, 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

Baltimore, Maryland
November 1, 2022

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

This Management’s Discussion and Analysis (“MD&A”) of the financial activities of the Washington Suburban Sanitary Commission Retiree Other Postemployment Benefits Plan (the “Plan”) is an overview of its fiscal operations for the years ended December 31, 2021 and 2020. The Plan is a single-employer plan of the Washington Suburban Sanitary Commission (“WSSC Water”). 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 statements and the required disclosures are presented 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 Plan’s financial condition and trends, including information on employer contributions, actuarial assumptions, funding status and investments.

2021 Financial Highlights

- Net position restricted for postemployment benefits other than pension (“OPEB”), as reported in the Statements of Fiduciary Fund Net Position, total \$211.3 million, an increase of \$30.8 million or 17.1% from prior year.
- Total additions of \$47.5 million, as reflected in the Statements of Changes in Fiduciary Fund Net Position, increased by \$2.7 million due to the increase in contributions and a decrease in investment income.

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2020 Financial Highlights

- Net position restricted for postemployment benefits other than pension (“OPEB”), as reported in the Statements of Fiduciary Fund Net Position, total \$180.5 million, an increase of \$30.0 million or 19.9% from prior year.
- Total additions of \$44.7 million, as reflected in the Statements of Changes in Fiduciary Fund Net Position, decreased by \$1.7 million due to the decrease in contributions and a slight increase in investment gains.

Financial Analysis

Table 1 – Condensed Statements of Fiduciary Fund Net Position as December 31, 2021, 2020 and 2019

	2021	2020	2019	2021-2020		2020-2019		
				Variance	% Variance	Variance	% Variance	
ASSETS								
Cash and Cash Equivalents	\$ 67,309	\$ 105,354	\$ 113,650	\$ (38,045)	-36.1%	\$ (8,296)	-7.3%	
Investments:								
Vanguard Wellington Fund	60,108,576	50,466,897	45,591,725	9,641,679	19.1%	4,875,172	10.7%	
Vanguard Total Bond	44,621,772	37,662,192	31,976,744	6,959,580	18.5%	5,685,448	17.8%	
Vanguard International Stock	25,535,971	23,497,407	21,114,917	2,038,564	8.7%	2,382,490	11.3%	
Vanguard Total Stock Market Index	38,473,133	30,599,031	25,288,728	7,874,102	25.7%	5,310,303	21.0%	
T.Rowe Price Global Growth Fund	42,525,301	38,190,345	26,438,307	4,334,956	11.4%	11,752,038	44.5%	
Total Assets	<u>211,332,062</u>	<u>180,521,226</u>	<u>150,524,071</u>	<u>30,810,836</u>	17.1%	<u>29,997,155</u>	19.9%	
LIABILITIES								
Net Position Restricted for Postemployment Benefits Other than Pensions	<u>\$ 211,332,062</u>	<u>\$ 180,521,226</u>	<u>\$ 150,524,071</u>	<u>\$ 30,810,836</u>	17.1%	<u>\$ 29,997,155</u>	19.9%	

Fiscal Year 2021

The Plan’s net position increased by \$30.8 million or 17.1% because of investment income of \$23.2 million and contributions of \$24.2 million less OPEB expenses of \$16.6 million. The decrease in investment income is due to the overall negative performance of the Vanguard Total Bond and a decline in the performance of the T.Rowe Price Global Growth Fund.

As of December 31, 2021, the Plan had \$211.3 million in net position held for other post-employment benefits compared to \$180.5 million as of December 31, 2020, an increase of 17.1%. There were no liabilities at December 31, 2021 or 2020.

**WASHINGTON SUBURBAN SANITARY COMMISSION
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Fiscal Year 2020

The Plan's net position increased by \$30.0 million or 19.9% because of investment income of \$26.7 million and contributions of \$18.0 million less OPEB expenses of \$14.7 million. The increase in investment income is due to the returns from Vanguard Wellington, Vanguard Total Bond, Vanguard International Stock, Vanguard Total Stock Market Index and T.Rowe Price Global Growth funds.

As of December 31, 2020, the Plan had \$180.5 million in net position held for other post-employment benefits compared to \$150.5 million as of December 31, 2019, an increase of 19.9%. There were no liabilities at December 31, 2020 or 2019.

Table 2 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u>		<u>2020-2019</u>		
				<u>Variance</u>	<u>% Variance</u>	<u>Variance</u>	<u>% Variance</u>	
ADDITIONS								
Income from Investments								
Net Appreciation in the Fair Value of Trust Investments	\$ 12,858,131	\$ 20,121,508	\$ 21,184,137	\$ (7,263,377)	-36.1%	\$ (1,062,629)	-5.0%	
Dividends and Interest	10,431,380	6,684,360	4,159,185	3,747,020	56.1%	2,525,175	60.7%	
Less Investment Expenses	(65,000)	(60,000)	(50,000)	(5,000)	8.3%	(10,000)	20.0%	
Net Investment Income	<u>23,224,511</u>	<u>26,745,868</u>	<u>25,293,322</u>	<u>(3,521,357)</u>	<u>-13.2%</u>	<u>1,452,546</u>	<u>5.7%</u>	
Contributions	<u>24,243,096</u>	<u>17,978,812</u>	<u>21,134,641</u>	<u>6,264,284</u>	<u>34.8%</u>	<u>(3,155,829)</u>	<u>-14.9%</u>	
Total Additions	<u>47,467,607</u>	<u>44,724,680</u>	<u>46,427,963</u>	<u>2,742,927</u>	<u>6.1%</u>	<u>(1,703,283)</u>	<u>-3.7%</u>	
DEDUCTIONS								
OPEB Expenses	<u>(16,656,771)</u>	<u>(14,727,525)</u>	<u>(15,715,829)</u>	<u>(1,929,246)</u>	<u>13.1%</u>	<u>988,304</u>	<u>-6.3%</u>	
Increase in Net Position	<u>30,810,836</u>	<u>29,997,155</u>	<u>30,712,134</u>	<u>813,681</u>	<u>2.7%</u>	<u>(714,979)</u>	<u>-2.3%</u>	
Net Position Restricted for Postemployment Benefits Other than Pensions, Beginning of Year	<u>180,521,226</u>	<u>150,524,071</u>	<u>119,811,937</u>	<u>29,997,155</u>	<u>19.9%</u>	<u>30,712,134</u>	<u>25.6%</u>	
Net Position Restricted for Postemployment Benefits Other than Pensions, End of Year	<u>\$ 211,332,062</u>	<u>\$ 180,521,226</u>	<u>\$ 150,524,071</u>	<u>\$ 30,810,836</u>	<u>17.1%</u>	<u>\$ 29,997,155</u>	<u>19.9%</u>	

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Fiscal Year 2021

WSSC Water Cash Contributions to the Plan increased by \$4.3 million or 133.3% from \$3.3 million in fiscal year 2020 to \$7.6 million in fiscal year 2021. This increase is due to the change in payment frequency of the cash contributions, with all payments occurring within the Commission's Fiscal Year, resulting in a lesser amount in calendar year 2020 and a greater amount in 2021, \$3,251,287 and \$7,586,325, respectively. 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.

Net investment income, which is comprised of net appreciation in the fair value of investments, dividends and interest income, less investment expenses, decreased by \$3.5 million or 13.2%, from a net investment income of \$26.7 million in fiscal year 2020 to \$23.2 million in fiscal year 2021. The net investment income is due to the overall positive performance of the funds. Dividends and interest increased by \$3.7 million or 56.1%, from \$6.7 million for fiscal year 2020 to \$10.4 million in fiscal year 2021. Net appreciation in the fair value of investments decreased by \$7.3 million or 36.1%, from \$20.1 million for fiscal year 2020 to \$12.8 million in fiscal year 2021.

Fiscal Year 2020

WSSC Water Cash Contributions to the Plan decreased by \$2.1 million or 40.0% from \$5.4 million in fiscal year 2019 to \$3.3 million in fiscal year 2020. This decrease is due to the change in payment frequency of the 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.

Net investment income, which is comprised of net appreciation in the fair value of investments, dividends and interest income, less investment expenses, increased by \$1.4 million or 5.7%, from a net investment income of \$25.3 million in fiscal year 2019 to \$26.7 million in fiscal year 2020. The net investment income is due to the overall positive performance of the funds. Dividends and interest increased by \$2.5 million or 60.7%, from \$4.2 million for fiscal year 2019 to \$6.7 million in fiscal year 2020. Net appreciation in the fair value of investments decreased by \$1.1 million or 5.0%, from \$21.2 million for fiscal year 2019 to \$20.1 million in fiscal year 2020.

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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 Water. 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 Water. Retiree contributions are also withheld from the retiree’s monthly pension payments and are utilized to pay plan premiums also paid by WSSC Water. These amounts are also recorded on the 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.

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, Washington Suburban Sanitary Commission Employees’ Retirement Plan, WSSC Water, 14501 Sweitzer Lane, Laurel MD 20707-5901.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
STATEMENTS OF FIDUCIARY FUND NET POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 67,309	\$ 105,354
Investments at Fair Value		
Vanguard Wellington Fund	60,108,576	50,466,897
Vanguard Total Bond Fund	44,621,772	37,662,192
Vanguard Total Stock Market Index	38,473,133	30,599,031
Vanguard International Stock Fund	25,535,971	23,497,407
T.Rowe Price Global Growth Fund	42,525,301	38,190,345
Total Investments	211,264,753	180,415,872
Total Assets	211,332,062	180,521,226
LIABILITIES		
Accrued Expenses	-	-
Net Position Restricted for Postemployment Benefits Other than Pension	\$ 211,332,062	\$ 180,521,226

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, 2021 AND 2020**

	2021	2020
ADDITIONS		
Investment Income		
Net Appreciation (Depreciation) in the Fair Value of Investments	\$ 12,858,131	\$ 20,121,508
Dividends and Interest	10,431,380	6,684,360
	23,289,511	26,805,868
Less Investment Expenses	(65,000)	(60,000)
Net Investment Income	23,224,511	26,745,868
Contributions		
WSSC Water Contributions	7,586,325	3,251,287
WSSC Water Contributions as Benefit Payment	11,969,356	10,179,669
Retiree Contributions	4,687,415	4,547,856
Total Contributions	24,243,096	17,978,812
Total Additions	47,467,607	44,724,680
DEDUCTIONS		
Retiree Benefit Payments	16,656,771	14,727,525
Increase in Net Position	30,810,836	29,997,155
Net Position Restricted for Postemployment Benefits Other than Pensions, Beginning of Year	180,521,226	150,524,071
Net Position Restricted for Postemployment Benefits Other than Pensions, End of Year	\$ 211,332,062	\$ 180,521,226

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

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE A. DESCRIPTION OF THE PLAN

General Information

The provisions of postemployment 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 WSSC Water under conditions set forth in the Trust Agreement, including the payment of reasonable administrative expenses. WSSC Water 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, 2021, and 2020, there were 1,674 and 1,686 active employees and 1,706 and 1,681 retirees, respectively. WSSC Water has the right to amend the Plan Fund Agreement.

Member and Employer Contributions

WSSC Water contributes to the Plan as it deems appropriate based on biennial actuarial valuations performed by an independent actuary and consistent with the Actuarial Determined Employer Contribution. The WSSC Water made cash contributions of \$7,586,325 and \$3,251,287 for the years 2021 and 2020, respectively, based on the Commission’s budgeted annual contributions of \$5,418,800 for each fiscal year.

**WASHINGTON SUBURBAN SANITARY COMMISSION
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NOTES TO FINANCIAL STATEMENTS
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NOTE A. DESCRIPTION OF THE PLAN (continued)

Member and Employer Contributions (continued)

The Plan recognizes revenues and expenses for employee payments made by WSSC Water related to benefits payments. Accordingly, the Plan has included "on behalf" payments made by WSSC Water during the fiscal years 2021 and 2020 of \$16,656,771 and \$14,727,525, 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 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.

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.

**WASHINGTON SUBURBAN SANITARY COMMISSION
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NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 (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.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 \$67,309 and \$105,354 at December 31, 2021, and 2020, respectively were money market funds that were 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 policy was amended in August 2020 to incorporate environmental, social, and governance provisions.

The primary objective of the investment policy is to assure that assets will be available to pay postemployment 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 Plan's mutual fund investments are not subject to custodial credit risk for 2021 and 2020 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, 2021, and 2020, the Plan held one fixed income fund as of June 30, 2021 and 2020, the Vanguard Total Bond Index which was not rated. The Plan has no policy to address any additional amounts potentially at risk.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
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NOTE D. INVESTMENTS (continued)

- Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2021, and 2020, the Plan held no direct investments in debt securities and was not exposed to interest rate risk, other than securities held and managed via mutual funds. The average effective maturity for the Plan's Vanguard Total Bond Fund was 8.8 years in December 2021 and 8.6 years in December 2020.
- 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 generally in domestic stocks and bonds; however, the T.Rowe Price Global Growth and Vanguard International Stock Funds are invested 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:

	2021		2020	
	Investment	%	Investment	%
Vanguard Wellington Fund	\$ 60,108,576	28.5%	\$ 50,466,897	28.0%
Vanguard Total Bond	44,621,772	21.1%	37,662,192	20.9%
Vanguard Total Stock Market Index	38,473,133	18.2%	30,599,031	17.0%
Vanguard International Stock	25,535,971	12.1%	23,497,407	13.0%
T.Rowe Price Global Growth Fund	42,525,301	20.1%	38,190,345	21.1%

The Plan had the following fair value measurement as of December 31, 2021:

	Total 12/31/2021	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Vanguard Wellington Fund	\$ 60,108,576	\$ 60,108,576	\$ -	\$ -
Vanguard Total Stock Market Index	38,473,133	38,473,133	-	-
Vanguard Total Bond	44,621,772	44,621,772	-	-
Vanguard International Stock	25,535,971	25,535,971	-	-
T.Rowe Price Global Growth Fund	42,525,301	42,525,301	-	-
Total Investment	\$ 211,264,753	\$ 211,264,753	\$ -	\$ -

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE D. INVESTMENTS (continued)

The Plan had the following fair value measurement as of December 31, 2020:

	Total 12/31/2020	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Vanguard Wellington Fund	\$ 50,466,897	\$ 50,466,897	\$ -	\$ -
Vanguard Total Stock Market Index	30,599,031	30,599,031	-	-
Vanguard Total Bond	37,662,192	37,662,192	-	-
Vanguard International Stock	23,497,407	23,497,407	-	-
T.Rowe Price Global Growth Fund	38,190,345	38,190,345	-	-
Total Investment	<u>\$ 180,415,872</u>	<u>\$ 180,415,872</u>	<u>\$ -</u>	<u>\$ -</u>

Rate of Return

For the year ended December 31, 2021 and 2020, the annual money-weighted rate of return on OPEB plan investments, net of expense, was 12.6% and 17.6%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

NOTE E. TRUSTEES OF THE FUND

WSSC Water 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 Water and, per the terms of WSSC Water Adopted Resolution 2015-2076, and updated per the terms of WSSC Water Adopted Resolutions 2017-2135, 2019-2205, and 2019-2229, the Board has been re-appointed for a four-year term which commenced on July 1, 2019. The Board of Trustees was updated by Resolution 2021-2278 to reflect the replacement of one of the trustees for the remainder of the existing term.

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

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
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NOTE F. NET OPEB LIABILITY

The components of the net OPEB liability of the Plan as of December 31, 2021 and 2020, were as follows:

	2021	2020
Total OPEB Liability	\$ 248,555,107	\$ 265,766,145
Plan Fiduciary Net Position	211,332,062	180,521,226
Net OPEB Liability	\$ 37,223,045	\$ 85,244,919
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	85.0%	67.9%

Actuarial Assumptions

The total OPEB liability as of December 31, 2021 and 2020, were determined by rolling forward the actuarial valuation as of July 1, 2021 and July 1, 2019 to the measurement date, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2021	July 1, 2019
Actuarial method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Asset valuations methodology	Assets are based on market value.	Assets are based on market value.
Investment rate return	7.00%	7.00%

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
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NOTE F. NET OPEB LIABILITY (continued)

Healthcare cost trend rates for 2021 and 2020 were as follows:

Year	UHC POS (Pre-65)	UHC EPO/HMO (Pre-65)	Medicare Plus/Supplement
2020	6.25%	6.75%	4.25%
2021	6.00%	6.50%	4.00%
2022	5.75%	6.25%	4.00%
2023	5.50%	6.00%	4.00%
2024	5.25%	5.75%	4.00%
2025	5.00%	5.50%	4.00%
2026	4.75%	5.25%	4.00%
2027	4.50%	5.00%	4.00%
2028	4.25%	4.75%	4.00%
2029 +	4.25%	4.50%	4.00%

Mortality rates in July 1, 2021 were based on the Pub-2010G (below median) headcount-weighted Mortality Tables for Males or Females, projected generationally using Scale SSA. The Pub2010G Disabled tables were used for the valuation of disabled lives, projected generationally using Scale SSA. A 109% factor is applied to female rates.

Mortality rates in the July 1, 2019 valuation were based on the RP-2000 Blue Collar Healthy Annuitant Mortality Tables for Males or Females, with one year set forward, and projected to 2025 using Scale BB. The RP2000 Disabled tables were used for the valuation of disabled lives.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study performed in 2021, covering 2015 through 2020. The actuarial assumptions used in the 2019 valuation were based on the results of an actuarial experience performed 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 baseline expected return.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 and the final investment return assumption; and are summarized as follows:

As of December 31, 2021

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	40.00%	5.85%
Non-US Equity	25.00%	6.85%
US Fixed Income - Investment	35.00%	1.35%
Total Weighted Average Real Return	100.00%	4.53%
Plus Inflation		2.50%
Total Return without Adjustment		7.03%
Risk Adjustment		-0.03%
Total Expected Return		7.00%

As of December 31, 2020

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	40.00%	6.10%
Non-US Equity	25.00%	6.50%
US Fixed Income - Investment	35.00%	1.40%
Total Weighted Average Real Return	100.00%	4.56%
Plus Inflation		2.50%
Total Return without Adjustment		7.06%
Risk Adjustment		-0.06%
Total Expected Return		7.00%

Discount rate

The discount rate used to measure the total OPEB liability was 7.0%. The Plan's funding expectations/policy is to contribute approximately \$5.4 million in each Commission's fiscal 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 benefits payments to determine the total OPEB liability.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE F. NET OPEB LIABILITY (continued)

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:

December 31, 2021	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 278,578,107	\$ 248,555,107	\$ 223,649,790
Plan Fiduciary Net Position	<u>211,332,062</u>	<u>211,332,062</u>	<u>211,332,062</u>
Net OPEB Liability	<u>\$ 67,246,045</u>	<u>\$ 37,223,045</u>	<u>\$ 12,317,728</u>
Ratio of Plan Net Position to Total OPEB Liability	75.9%	85.0%	94.5%

December 31, 2020	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 297,307,888	\$ 265,766,145	\$ 239,496,731
Plan Fiduciary Net Position	<u>180,521,226</u>	<u>180,521,226</u>	<u>180,521,226</u>
Net OPEB Liability	<u>\$ 116,786,662</u>	<u>\$ 85,244,919</u>	<u>\$ 58,975,505</u>
Ratio of Plan Net Position to Total OPEB Liability	60.7%	67.9%	75.4%

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Commission, calculated using the trend assumptions below, as well as what WSSC Water'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, 2021	1% Decrease 3.0% - 3.5%	Current Healthcare Cost Trend 4.0% - 4.5%	1% Increase 5.0 - 5.5%
Total OPEB Liability	\$ 223,536,788	\$ 248,555,107	\$ 279,012,349
Plan Fiduciary Net Position	<u>211,332,062</u>	<u>211,332,062</u>	<u>211,332,062</u>
Net OPEB Liability	<u>\$ 12,204,726</u>	<u>\$ 37,223,045</u>	<u>\$ 67,680,287</u>
Ratio of Plan Net Position to Total OPEB Liability	94.5%	85.0%	75.7%

December 31, 2020	1% Decrease 3.0% - 3.5%	Current Healthcare Cost Trend 4.0% - 4.5%	1% Increase 5.0 - 5.5%
Total OPEB Liability	\$ 239,458,947	\$ 265,766,145	\$ 297,581,999
Plan Fiduciary Net Position	<u>180,521,226</u>	<u>180,521,226</u>	<u>180,521,226</u>
Net OPEB Liability	<u>\$ 58,937,721</u>	<u>\$ 85,244,919</u>	<u>\$ 117,060,773</u>
Ratio of Plan Net Position to Total OPEB Liability	75.4%	67.9%	60.7%

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 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 those changes could materially affect the amounts reported in the Statements of Fund Net Position.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Employer Contributions	\$ 13,150,740	\$ 13,157,686	\$ 14,094,584	\$ 14,004,405	\$ 14,960,787	\$ 14,960,787	\$ 16,766,000	\$ 16,752,000	\$ 20,128,000	\$ 20,180,734
Contributions in Relation to the Actuarially Determined Contribution	<u>19,555,681</u>	<u>13,430,956</u>	<u>16,647,253</u>	<u>20,420,568</u>	<u>21,586,194</u>	<u>21,348,096</u>	<u>22,379,000</u>	<u>20,437,000</u>	<u>19,060,000</u>	<u>17,539,809</u>
Contribution Deficiency (excess)	<u>\$ (6,404,941)</u>	<u>\$ (273,270)</u>	<u>\$ (2,552,669)</u>	<u>\$ (6,416,163)</u>	<u>\$ (6,625,407)</u>	<u>\$ (6,387,309)</u>	<u>\$ (5,613,000)</u>	<u>\$ (3,685,000)</u>	<u>\$ 1,068,000</u>	<u>\$ 2,640,925</u>
Covered Employee Payroll	\$ 132,434,758	\$ 135,906,251	\$ 138,548,098	\$ 132,955,474	\$ 124,331,306	\$ 122,144,339	\$ 119,006,893	\$ 111,648,014	\$ 109,165,841	\$ 101,390,459
Contribution as a Percentage of Covered Employee Payroll	14.8%	9.9%	12.0%	15.4%	17.4%	17.5%	18.8%	18.3%	17.5%	17.3%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Total OPEB Liability</u>						
Service Cost	\$ 3,056,746	\$ 2,967,715	\$ 2,881,277	\$ 2,797,356	\$ 2,715,880	\$ 2,852,227
Interest	18,405,760	17,725,182	17,269,181	16,658,625	16,104,693	15,302,770
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(32,317,251)	-	(3,009,670)	-	4,927,026	-
Changes in assumptions	5,613,063	-	-	-	-	-
Net Employer Benefit payments	(11,969,356)	(10,179,669)	(11,228,441)	(10,420,568)	(11,586,194)	(11,348,096)
Net change in Total OPEB Liability	(17,211,038)	10,513,228	5,912,347	9,035,413	12,161,405	6,806,901
Total OPEB Liability - Beginning Year	265,766,145	255,252,917	249,340,570	240,305,157	228,143,752	221,336,851
Total OPEB Liability - End of Year	<u>\$ 248,555,107</u>	<u>\$ 265,766,145</u>	<u>\$ 255,252,917</u>	<u>\$ 249,340,570</u>	<u>\$ 240,305,157</u>	<u>\$ 228,143,752</u>
<u>Plan Fiduciary Net Position</u>						
Contributions - employer including benefits paid	\$ 19,555,681	\$ 13,430,956	\$ 16,647,253	\$ 20,420,568	\$ 21,586,194	\$ 21,348,096
Contributions - member	4,687,415	4,547,856	4,487,388	4,339,559	4,168,418	3,967,312
Net investment income	23,224,511	26,745,868	25,343,322	(8,690,017)	14,247,468	8,362,666
Total Benefit payments	(16,656,771)	(14,727,525)	(15,715,829)	(14,760,127)	(15,754,612)	(15,315,408)
Administrative expenses	-	-	(50,000)	(43,750)	(20,000)	-
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	30,810,836	29,997,155	30,712,134	1,266,233	24,227,468	18,362,666
Plan Fiduciary Net Position Beginning of Year	180,521,226	150,524,071	119,811,937	118,545,704	94,318,236	75,955,570
Plan Fiduciary Net Position End of Year	<u>\$ 211,332,062</u>	<u>\$ 180,521,226</u>	<u>\$ 150,524,071</u>	<u>\$ 119,811,937</u>	<u>\$ 118,545,704</u>	<u>\$ 94,318,236</u>
Net OPEB Liability - Beginning of Year	\$ 85,244,919	\$ 104,728,846	\$ 129,528,633	\$ 121,759,453	\$ 133,825,516	\$ 145,381,281
Net OPEB Liability - End of Year	\$ 37,223,045	\$ 85,244,919	\$ 104,728,846	\$ 129,528,633	\$ 121,759,453	\$ 133,825,516
Net Position as a percentage of Total OPEB Liability	85.0%	67.9%	59.0%	48.1%	49.3%	41.3%
Covered Employee Payroll	\$ 132,434,758	\$ 135,906,251	\$ 138,548,098	\$ 132,955,474	\$ 124,331,306	\$ 122,144,339
Net OPEB Liability as a percentage of Covered Employee	28.1%	62.7%	75.6%	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 POSTEMPLOYMENT BENEFITS TRUST
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 (Unaudited)**

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	12.6%	17.6%	20.8%	-7.1%	14.5%

The Plan adopted GASB 74 during fiscal year 2017; therefore, only five years of returns are shown.