



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

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

DECEMBER 31, 2019 AND 2018



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position of the Washington Suburban Sanitary Commission's Retiree Other Postemployment Benefits Plan (the Plan), a component unit of the Washington Suburban Sanitary Commission as of and for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2020, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
August 27, 2020

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

This Management’s Discussion and Analysis (“MD&A”) of the financial activities of the Washington Suburban Sanitary Commission Retiree Other Postemployment Benefit Plan (the “Plan”) is an overview of its fiscal operations for the years ended December 31, 2019 and 2018. 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.

2019 Financial Highlights

- Net position restricted for postemployment benefits other than pension (“OPEB”), as reported in the Statements of Fiduciary Fund Net Position, total \$150.5 million, an increase of \$30.7 million or 25.6% from prior year.
- Total additions, as reflected in the Statements of Changes in Fiduciary Fund Net Position, increased by \$30.4 million due to an increase in investment income.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

2018 Financial Highlights

- Net position restricted for postemployment benefits other than pensions, as reported in the Statements of Fiduciary Fund Net Position, total \$119.8 million, an increase of \$1.3 million or 1.1% from prior year.
- Total additions, as reflected in the Statements of Changes in Fiduciary Fund Net Position, decreased by \$23.9 million due to performance of investments.

Financial Analysis

Table 1 – Condensed Statements of Fiduciary Fund Net Position as December 31, 2019, 2018 and 2017

	2019	2018	2017	2019-2018		2018-2017	
				Variance	% Variance	Variance	% Variance
ASSETS							
Cash and Cash Equivalents	\$ 113,650	\$ 38,499	\$ 90,032	\$ 75,151	195.2%	\$ (51,533)	-57.2%
Investments:							
Vanguard Wellington Fund - Admiral Shares	45,591,725	37,184,695	58,556,171	8,407,030	22.6%	(21,371,476)	-36.5%
Vanguard Total Bond	31,976,744	20,330,311	-	11,646,433	57.3%	20,330,311	n/a
Vanguard International Stock	21,114,917	17,370,515	-	3,744,402	21.6%	17,370,515	n/a
Vanguard Total Stock Market Index Inst	25,288,728	19,331,854	10,973,182	5,956,874	30.8%	8,358,672	76.2%
Lord Abbett Multi-Asset Global Opportunity Fund	-	25,557,313	48,936,319	(25,557,313)	-100.0%	(23,379,006)	-47.8%
T.Rowe Price Global Growth Fund	26,438,307	-	-	26,438,307	n/a	-	n/a
Total Assets	150,524,071	119,813,187	118,555,704	30,710,884	25.6%	1,257,483	1.1%
LIABILITIES							
Net Position Restricted for Postemployment Benefits Other than Pensions	-	1,250	10,000	(1,250)	-100.0%	(8,750)	-87.5%
Net Position Restricted for Postemployment Benefits Other than Pensions	\$ 150,524,071	\$ 119,811,937	\$ 118,545,704	\$ 30,712,134	25.6%	\$ 1,266,233	1.1%

Fiscal Year 2019

The Plan's net position increased by \$30.7 million or 25.6% because of investment income of \$25.3 million and contributions to the Plan of \$5.4 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, 2019, the Plan had \$150.5 million in net position held for other post-employment benefits compared to \$119.8 million as of December 31, 2018, an increase of 25.6%. There were no liabilities at December 31, 2019, and there was a liability of \$1,250 at December 31, 2018.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Fiscal Year 2018

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

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

Table 2 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019-2018</u>		<u>2018-2017</u>		
				<u>Variance</u>	<u>% Variance</u>	<u>Variance</u>	<u>% Variance</u>	
ADDITIONS								
Income from Investments								
Dividends and Interest	\$ 4,159,185	\$ 7,765,550	\$ 5,517,372	\$ (3,606,365)	-46.4%	\$ 2,248,178	40.7%	
Net Appreciation (Depreciation) in the Fair Value of Trust Investments	<u>21,184,137</u>	<u>(16,455,567)</u>	<u>8,730,096</u>	<u>37,639,704</u>	228.7%	<u>(25,185,663)</u>	-288.5%	
Net Investment Income (Loss)	<u>25,343,322</u>	<u>(8,690,017)</u>	<u>14,247,468</u>	<u>34,033,339</u>	391.6%	<u>(22,937,485)</u>	-161.0%	
Contributions	<u>21,134,641</u>	<u>24,760,127</u>	<u>25,754,612</u>	<u>(3,625,486)</u>	-14.6%	<u>(994,485)</u>	-3.9%	
Total Additions	<u>46,477,963</u>	<u>16,070,110</u>	<u>40,002,080</u>	<u>30,407,853</u>	189.2%	<u>(23,931,970)</u>	-59.8%	
DEDUCTIONS								
OPEB Expenses	<u>(15,765,829)</u>	<u>(14,803,877)</u>	<u>(15,774,612)</u>	<u>(961,952)</u>	6.5%	<u>970,735</u>	-6.2%	
Increase in Net Position	<u>30,712,134</u>	<u>1,266,233</u>	<u>24,227,468</u>	<u>29,445,901</u>	2325.5%	<u>(22,961,235)</u>	-94.8%	
Net Position Restricted for Postemployment Benefits Other than Pensions, Beginning of Year	<u>119,811,937</u>	<u>118,545,704</u>	<u>94,318,236</u>	<u>1,266,233</u>	1.1%	<u>24,227,468</u>	25.7%	
Net Position Restricted for Postemployment Benefits Other than Pensions, End of Year	<u>\$ 150,524,071</u>	<u>\$ 119,811,937</u>	<u>\$ 118,545,704</u>	<u>\$ 30,712,134</u>	25.6%	<u>\$ 1,266,233</u>	1.1%	

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Fiscal year 2019

Cash Contributions to the Plan decreased by \$4.6 million or 45.8% from \$10.0 million in fiscal year 2018 to \$5.4 million in fiscal year 2019. This decrease was the result of a long-range actuarial funding study, and, when combined with all other contributions, still exceeds the Actuarially Determined Employer Contribution of recent years.

Net investment income, which is comprised of dividend and interest and net appreciation in the fair value of investments, increased by \$34.0 million, from a net investment loss of \$8.7 million in fiscal year 2018 to net investment income of \$25.3 million in fiscal year 2019. The net investment income is due to the overall positive performance of the funds. Dividends and interest decreased by \$3.6 million or 46.4%, from \$7.8 million for fiscal year 2018 to \$4.2 million in fiscal year 2019. Net change in the fair value of investments increased from a net depreciation in fair value of investments of \$16.5 million in 2018 to a net appreciation in fair value of investments of \$21.2 million for 2019.

Fiscal year 2018

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

Dividend and interest increased from \$5.5 million to \$7.8 million for fiscal years 2017 and 2018, respectively.

Net appreciation in the fair value of investments decreased from a net appreciation of \$8.7 million in 2017 to a net depreciation in fair value of investments of \$16.5 million for 2018.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 113,650	\$ 38,499
Investments at Fair Value		
Vanguard Wellington Fund - Admiral Shares	45,591,725	37,184,695
Vanguard Total Bond Fund	31,976,744	20,330,311
Vanguard Total Stock Market Index Institutional Shares	25,288,728	19,331,854
Vanguard International Stock Fund	21,114,917	17,370,515
T.Rowe Price Global Growth	26,438,307	-
Lord Abbett Multi-Asset Global Opportunity Fund	-	25,557,313
Total Investments	150,410,421	119,774,688
Total Assets	150,524,071	119,813,187
LIABILITIES		
Accrued Expenses	-	1,250
Net Position Restricted for Postemployment Benefits Other than Pension	\$ 150,524,071	\$ 119,811,937

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, 2019 AND 2018**

	2019	2018
ADDITIONS		
Investment Income		
Dividends and Interest	\$ 4,159,185	\$ 7,765,550
Net Appreciation (Depreciation) in the Fair Value of Investments	21,184,137	(16,455,567)
Net Investment Income (Loss)	25,343,322	(8,690,017)
Contributions:		
WSSC Water Contributions	5,418,812	10,000,000
WSSC Water Contributions as Benefit Payment	11,228,441	10,420,568
Retiree Contributions	4,487,388	4,339,559
Total Contributions	21,134,641	24,760,127
Total Additions	46,477,963	16,070,110
DEDUCTIONS		
Retiree Benefit Payments	15,715,829	14,760,127
Administrative Expenses	50,000	43,750
Total Deductions	15,765,829	14,803,877
Increase in Net Position	30,712,134	1,266,233
Net Position Restricted for Postemployment Benefits Other than Pensions, Beginning of Year	119,811,937	118,545,704
Net Position Restricted for Postemployment Benefits Other than Pensions, End of Year	\$ 150,524,071	\$ 119,811,937

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, 2019 AND 2018**

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, 2019, and 2018, there were 1,667 and 1,646 active employees and 1,662 and 1,630 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. WSSC Water made cash contributions of \$5,418,812 and \$10,000,000 for the years 2019 and 2018, respectively.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE A. DESCRIPTION OF THE PLAN (continued)

Member and Employer Contributions (continued)

The Plan recognizes revenues and expenditures for employee payments made by WSSC Water related to benefits payments and administrative expenses. Accordingly, the Plan has included "on behalf" payments made by WSSC Water during the fiscal years 2019 and 2018 of \$15,715,829 and \$14,760,127, 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
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
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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
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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 \$113,650 and \$38,499 at December 31, 2019, and 2018, 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 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 2019 and 2018 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, 2019, and 2018, the Plan held one fixed income fund as of June 30, 2019 and 2018, the Vanguard Total Bond Index which was not rated.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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, 2019, and 2018, the Plan held no direct investments in debt securities and was not exposed to interest rate risk. At March 31, 2020, the average effective maturity for the Plan's Vanguard Total Bond Fund was 8.1 years.
- 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:

	2019		2018	
	Investment	%	Investment	%
Vanguard Wellington Fund- Admiral Shares	\$ 45,591,725	30.3%	\$ 37,184,695	31.0%
Vanguard Total Bond	31,976,744	21.3%	20,330,311	17.0%
Vanguard Total Stock Market Index Inst.	25,288,728	16.8%	19,331,854	16.1%
Vanguard International Stock	21,114,917	14.0%	17,370,515	14.5%
T.Rowe Price Global Growth Fund	26,438,307	17.6%	-	-
Lord Abbett Multi- Asset Global Opportunity Fund	-	-	25,557,313	21.3%

The Plan had the following fair value measurement as of December 31, 2019:

	Total 12/31/2019	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 - Admiral Shares	\$ 45,591,725	\$ 45,591,725	\$ -	\$ -
Vanguard Total Stock Market Index Inst	25,288,728	25,288,728	-	-
Vanguard Total Bond	31,976,744	31,976,744	-	-
Vanguard International Stock	21,114,917	21,114,917	-	-
Lord Abbett Multi-Asset Global Opportunity Fund	-	-	-	-
T.Rowe Price Global Growth Fund	26,438,307	26,438,307	-	-
Total Investment	\$ 150,410,421	\$ 150,410,421	\$ -	\$ -

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

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

	Total 12/31/2018	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 Fund:				
Vanguard Wellington Fund - Admiral Shares	\$ 37,184,695	\$ 37,184,695	\$ -	\$ -
Vanguard Total Stock Market Index Inst	19,331,854	19,331,854	-	-
Vanguard Total Bond	20,330,311	20,330,311	-	-
Vanguard International Stock	17,370,515	17,370,515	-	-
Lord Abbett Multi-Asset Global Opportunity Fund	25,557,313	25,557,313	-	-
Total Investment	<u>\$ 119,774,688</u>	<u>\$ 119,774,688</u>	<u>\$ -</u>	<u>\$ -</u>

Rate of Return

For the year ended December 31, 2019 and 2018, the annual money-weighted rate of return on OPEB plan investments, net of expense, was 20.8% and (7.1%), 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 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
 DECEMBER 31, 2019 AND 2018**

NOTE F. NET OPEB LIABILITY

The components of the net OPEB liability of the Plan as of December 31, 2019 and 2018, were as follows:

	2019	2018
Total OPEB Liability	\$ 255,252,917	\$ 249,340,570
Plan Fiduciary Net Position	150,524,071	119,811,937
Net OPEB Liability	104,728,846	129,528,633
Plan Fiduciary Net Position as a Percentage of		
Total OPEB Liability	59.0%	48.1%

Actuarial Assumptions

The total OPEB liability as of December 31, 2019 and 2018, were determined by rolling forward the actuarial valuation as of July 1, 2019, and July 1, 2017 to the measurement date, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2019	July 1, 2017
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
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DECEMBER 31, 2019 AND 2018**

NOTE F. NET OPEB LIABILITY (continued)

Healthcare cost trend rates were as follows:

2019

Year	UHC POS (Pre-65)	UHC EPO/HMO (Pre-65)	Medicare Plus/Supplement
2019	6.50%	7.00%	4.50%
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%

2018

Year	Rates	Post-Medicare
2018	5.50%	4.50%
2019	5.25%	4.50%
2020	4.75%	4.50%
2021 +	4.50%	4.50%

The actuarial assumptions used in the 2019 and 2018 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 base line expected return.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE F. NET OPEB LIABILITY (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2019, and the final investment return assumption, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	35.00%	5.85%
Non-US Equity	35.00%	6.20%
US Fixed Income - Investment	20.00%	1.65%
US Fixed Income - High Yield	5.00%	4.50%
Emergency Markets Currency	5.00%	3.80%
Total Weighted Average Real Return	<u>100.00%</u>	4.96%
Plus Inflation		<u>2.50%</u>
Total Return without Adjustment		7.46%
Risk Adjustment		<u>-0.46%</u>
Total Expected Return		<u>7.00%</u>

Discount rate

The discount rate used to measure the total OPEB liability was 7.00%. The Plan's funding expectations/policy is to contribute approximately \$5.4 million per year to the OPEB trust, in addition to paying benefits for retirees. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the expected trust return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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:

<u>December 31, 2019</u>	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 285,079,299	\$ 255,252,917	\$ 230,467,266
Plan Fiduciary Net Position	150,524,071	150,524,071	150,524,071
Net OPEB Liability	<u>\$ 134,555,228</u>	<u>\$ 104,728,846</u>	<u>\$ 79,943,195</u>
Ratio of Plan Net Position to Total OPEB Liability	52.8%	59.0%	65.3%

<u>December 31, 2018</u>	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 277,965,072	\$ 249,340,570	\$ 225,542,062
Plan Fiduciary Net Position	119,811,937	119,811,937	119,811,937
Net OPEB Liability	<u>\$ 158,153,135</u>	<u>\$ 129,528,633</u>	<u>\$ 105,730,125</u>
Ratio of Plan Net Position to Total OPEB Liability	43.1%	48.1%	53.1%

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:

<u>December 31, 2019</u>	1% Decrease 3.0% - 3.5%	Current Healthcare Cost Trend 4.0% - 4.5%	1% Increase 5.0 - 5.5%
Total OPEB Liability	\$ 229,473,831	\$ 255,252,917	\$ 286,473,606
Plan Fiduciary Net Position	150,524,071	150,524,071	150,524,071
Net OPEB Liability	<u>\$ 78,949,760</u>	<u>\$ 104,728,846</u>	<u>\$ 135,949,535</u>
Ratio of Plan Net Position to Total OPEB Liability	65.6%	59.0%	52.5%

<u>December 31, 2018</u>	1% Decrease 3.50%	Current Healthcare Cost Trend 4.50%	1% Increase 5.50%
Total OPEB Liability	\$ 223,520,994	\$ 249,340,570	\$ 280,641,900
Plan Fiduciary Net Position	119,811,937	119,811,937	119,811,937
Net OPEB Liability	<u>\$ 103,709,057</u>	<u>\$ 129,528,633</u>	<u>\$ 160,829,963</u>
Ratio of Plan Net Position to Total OPEB Liability	53.6%	48.1%	42.7%

**WASHINGTON SUBURBAN SANITARY COMMISSION
RETIREE OTHER POSTEMPLOYMENT BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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.

NOTE I. SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities including the Washington Suburban Sanitary Commission Retiree Other Postemployment Benefit Plan. Specific to the WSSC Water OPEB Plan, COVID-19 may impact various 2020 operations and financial results including, but not limited to, decreased investment market values, lost investment earnings revenue, as well as deductions or increases for additional health related claims. Management and the Board of Trustees are taking appropriate actions to mitigate the negative impact.

However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing. During the period from January 1, 2020 through August 7, 2020 both domestic and international equity markets have experienced significant fluctuations. Any potential losses are not reflected in the financial statements as of and for the year ended December 31, 2019 as these events occurred subsequent to year end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Employer Contributions	\$ 14,094,584	\$ 14,004,405	\$ 14,960,787	\$ 14,960,787	\$ 16,766,000	\$ 16,752,000	\$ 20,128,000	\$ 20,180,734	\$ 21,298,235	\$ 21,175,619
Contributions in Relation to the Actuarially Determined Contribution	16,647,253	20,420,568	21,586,194	21,348,096	22,379,000	20,437,000	19,060,000	17,539,809	14,735,000	14,675,000
Contribution Deficiency (excess)	<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>	<u>\$ 6,563,235</u>	<u>\$ 6,500,619</u>
Covered Employee Payroll	\$ 138,548,098	\$ 132,955,474	\$ 124,331,306	\$ 122,144,339	\$ 119,006,893	\$ 111,648,014	\$ 109,165,841	\$ 101,390,459	\$ 99,513,383	\$ 97,055,169
Contribution as a Percentage of Covered Employee Payroll	12.0%	15.4%	17.4%	17.5%	18.8%	18.3%	17.5%	17.3%	14.8%	15.1%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Total OPEB Liability</u>				
Service Cost	\$ 2,881,277	\$ 2,797,356	\$ 2,715,880	\$ 2,852,227
Interest	17,269,181	16,658,625	16,104,693	15,302,770
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(3,009,670)	-	4,927,026	-
Changes in assumptions	-	-	-	-
Net Employer Benefit payments	<u>(11,228,441)</u>	<u>(10,420,568)</u>	<u>(11,586,194)</u>	<u>(11,348,096)</u>
Net change in Total OPEB Liability	5,912,347	9,035,413	12,161,405	6,806,901
Total OPEB Liability - Beginning Year	<u>249,340,570</u>	<u>240,305,157</u>	<u>228,143,752</u>	<u>221,336,851</u>
Total OPEB Liability - End of Year	<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	\$ 16,647,253	\$ 20,420,568	\$ 21,586,194	\$ 21,348,096
Contributions - member	4,487,388	4,339,559	4,168,418	3,967,312
Net investment income	25,343,322	(8,690,017)	14,247,468	8,362,666
Total Benefit payments	(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	<u>30,712,134</u>	<u>1,266,233</u>	<u>24,227,468</u>	<u>18,362,666</u>
Plan Fiduciary Net Position Beginning of Year	<u>119,811,937</u>	<u>118,545,704</u>	<u>94,318,236</u>	<u>75,955,570</u>
Plan Fiduciary Net Position End of Year	<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	\$ 129,528,633	\$ 121,759,453	\$ 133,825,516	\$ 145,381,281
Net OPEB Liability - End of Year	\$ 104,728,846	\$ 129,528,633	\$ 121,759,453	\$ 133,825,516
Net Position as a percentage of Total OPEB Liability	59.0%	48.1%	49.3%	41.3%
Covered Employee Payroll	\$ 138,548,098	\$ 132,955,474	\$ 124,331,306	\$ 122,144,339
Net OPEB Liability as a percentage of Covered Employee	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)**

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

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