



**Accounting Disclosure Report  
of the  
Florida Public Utilities Company**  
For Postemployment Benefits other than  
Pension  
For the Fiscal Year Ended  
December 31, 2020

**Bolton**

*Submitted by:*

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# Bolton

Employee Benefits, Actuarial & Investment Consulting

January 13, 2021

Ms. Beth Cooper  
Senior Vice President and CFO  
Chesapeake Utilities Corporation  
Post Office Box 615  
Dover, Delaware 19903

*Re: FASB ASC 715 Statements (Formerly Financial Accounting Standards No. 106 and 158)*

Dear Beth:

The following report sets forth the information required for compliance with FASB ASC 715 (Formerly FAS 106 and FAS 158) for the fiscal year ended December 31, 2020. This report is based on census data provided as of November 2020.

The experience gain is due primarily to higher than anticipated retiree contributions.

Actuarial computations under FASB ASC 715 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with FASB ASC 715. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from these results. Accordingly, additional determinations may be needed for other purposes.

Mark Lynne is a Certified Employee Benefit Specialist with special expertise in health benefit consulting. Kevin Binder is a Fellow of the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

This report is based on plan provisions, census data, and claims data submitted by Chesapeake Utilities. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. The plan sponsor is solely responsible for the validity and completeness of this information.

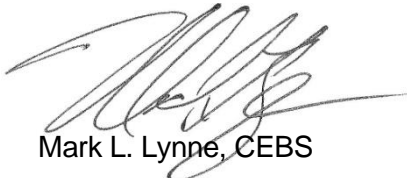
After you have had the opportunity to review this report, should you have any questions or desire additional information, please do not hesitate to contact us.

Sincerely,

**BOLTON PARTNERS, INC.**



Kevin Binder, FSA, EA



Mark L. Lynne, CEBS



## Reconciliation for the Fiscal Year Ended December 31, 2020

Accumulated Postretirement Benefit Obligation	
Retirees	\$(1,008,621)
Fully Eligible Active Employees	0
Other Active	<u>0</u>
Total Accumulated Postretirement Benefit Obligation	\$(1,008,621)
Plan Assets at Fair Value	<u>0</u>
Plan Assets in Excess of Accumulated Postretirement Benefit Obligation	\$(1,008,621)
Unrecognized Net Transition Obligation/(Asset)	0 <sup>1</sup>
Unrecognized Prior Service Cost	0 <sup>1</sup>
Unrecognized Net (Gain)/Loss	<u>(193,566)</u> <sup>1</sup>
(Accrued)/Prepaid Postretirement Benefit Cost	\$(1,202,187)

<sup>1</sup> The sum of these unrecognized items (\$193,566) is equal to the Accumulated Other Comprehensive Income under FASB ASC 715 (formerly FAS 158) (see page 11).



## Disclosure of Net Periodic Postretirement Benefit Cost for the Fiscal Year Ended December 31, 2020

Service Cost	\$ 0
<i>Plus:</i> Interest Cost	29,627
<i>Plus:</i> Net Amortization [(a) + (b) + (c)]	(19,063)
(a) Transition Amount	\$ 0
(b) Prior Service Cost	0
(c) (Gain)/Loss	(19,063)
Net Periodic Postretirement Benefit Cost	\$10,564

## Employees in the Valuation

	Current Year	Prior Year
Retirees and Dependents	16	18
Actives Fully Eligible	0	0
Actives Not Yet Fully Eligible	0	0
Total Employees in the Valuation	16	18



## Unrecognized Prior Service Cost

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Unrecognized Amount as of January 1, 2020	\$0
Less: Amount Recognized in Net Periodic Cost	0
Unrecognized Amount as of December 31, 2020	\$0

## Effect of A 1% Change in the Assumed Health Care Cost Trend Rate

### 1% Increase

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Increase in APBO	\$100,670
Increase in Aggregate of Service Cost and Interest Cost	\$2,517

### 1% Decrease

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Decrease in APBO	\$88,305
Decrease in Aggregate of Service Cost and Interest Cost	\$2,208

## Determination of (Accrued)/Prepaid Postretirement Benefit Cost

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(Accrued)/Prepaid Postretirement Benefit Cost as of December 31, 2019	\$(1,255,921)
Less: Net Periodic Cost	10,564
Plus: Actual Expenditures for:	
Health Benefits	\$87,865
Administrative Fees	13,273
	101,138
Less: Payments from Retirees	36,840
(Accrued)/Prepaid Postretirement Benefit Cost as of December 31, 2020	\$(1,202,187)



## Changes in Benefit Obligation

	Current Year	Prior Year
Benefit Obligation as of Beginning of Year	\$1,223,705	\$1,187,067
Service Cost	0	0
Interest Cost	29,627	47,669
Benefits Paid	(101,138)	(96,191)
Participants' Contributions	36,840	38,499
Change in Discount Rate	63,743	100,440
Change in Baseline Costs	17,269	(33,821)
Change in Plan	0	0
Change in Mortality Table	(41,631)	0
Actuarial (Gain)/Loss	(214,794)	(19,958)
Benefit Obligation as of End of Year	1,008,621	1,223,705



## Actuarial Methods and Assumptions

### Attribution Method:

Projected Unit Credit Cost Method.

### Discount Rate:

Determination:	3.25% per annum, 4.25% previous year.
Reconciliation:	2.50% per annum, 3.25% previous year.

These rates were selected by the employer.

### Mortality:

Pri-2012 Total Dataset Employee, Retiree, and Disability Mortality Tables projected with Scale MP-2020.

### Health Care Cost Trend Rate:

5.00%

### Amortization of Gain/Loss:

Since all of the participants in the plan are inactive, the gain/loss outside the 10% corridor is amortized over the average life expectancy of the inactive population.

### Data:

It was assumed that retirees less than 65, retired prior to 2012 with no benefits after age 65.





## Actuarial Methods and Assumptions

### Baseline Costs:

The annual per person costs assumed for the current retiree population are based on the experience for Chesapeake Retirees:

Age	Medical Base Cost	Drug
Under 55	\$8,092	\$1,156
55-59	9,186	1,312
60-64	10,935	1,562
65-69	2,946	2,410
70-74	3,580	2,929
75-79	3,692	3,020
80-84	3,915	3,203
85+	3,729	3,051

### Prior Year:

Age	Medical Base Cost	Drug
Under 55	\$8,397	\$1,200
55-59	9,532	1,362
60-64	11,347	1,621
65-69	2,775	2,270
70-74	3,372	2,759
75-79	3,477	2,845
80-84	3,688	3,017
85+	3,512	2,874

The baseline costs are derived from a combination of actual costs and national data on retiree medical and drug costs.



## Summary of Plan Provisions

### Employee Eligibility:

Prior to 01/01/2012, employees are covered by the plan if they retired after meeting the following conditions:

- Age 65 with 5 Years of Service
- Age 60 with 10 Years of Service
- Age 55 with 20 Years of Service

Effective 01/01/2012 participants must retire after having attained a minimum age of 55 with at least 20 years of service with Florida Public Utilities (including any time worked for Chesapeake Utilities).

### Retiree Contributions:

Prior to 01/01/2012, Participants retiring Pre-Medicare are eligible to continue coverage until they reach Medicare age. Participants that retire at Medicare age can continue coverage for life.

Effective 01/01/2012 eligible employees who retire will be required to pay a portion of the total cost based on the year in which they retire in accordance with the following schedule: (The cost will be determined for retirees separately and will be based on the cost of FPU and Chesapeake Utilities retirees)

Retirement Date	Employee %	Employer Subsidy %
2012	60%	40%
2013	75%	25%
2014	90%	10%
2015 +	100%	0%

These subsidies are for both Pre-Medicare and Post-Medicare age retirees and continue for the participant's lifetime regardless of their age at retirement date.

Participants who retire in 2015 and after are required to pay the full cost to participate in the plan and there will be no OPEB liability associated with these people.

Spouses of eligible retirees are eligible to receive the same subsidy as the participant.

Surviving Spouses of eligible retirees are not eligible to continue to participate in the plan.



## FASB Accounting Standards Codification 715 (Formerly Known as FAS No. 158)

### Obligations and Funded Status

	December 31 <sup>st</sup>	
	2020	2019
<b>Change in Benefit Obligation</b>		
Benefit Obligation at Beginning of year	\$1,223,705	\$1,187,067
Service Cost	0	0
Interest Cost	29,627	47,669
Plan Participants' Contributions	36,840	38,499
Curtailment (Gain)/Loss	0	0
Actuarial Loss (Gain)	(180,413)	46,661
Benefits Paid	(101,138)	(96,191)
Benefit Obligation at End of Year	\$1,008,621	\$1,223,705
<b>Change in Plan Assets</b>		
Fair Value of Plan Assets at Beginning of Year	\$ 0	\$ 0
Actual Return on Plan Assets	0	0
Employer Contribution	64,298	57,692
Plan Participant's Contribution	36,840	38,499
Benefits Paid	(101,138)	(96,191)
Fair Value of Plan Assets at End of year	\$ 0	\$ 0



## FASB Accounting Standards Codification 715 (Formerly Known as FAS No. 158)

### Statement of Financial Accounting Standards No. 158

	December 31 <sup>st</sup>	
	2020	2019
<b>Components of Net Periodic Benefit Cost</b>		
Service Cost	\$ 0	\$ 0
Interest Cost	29,627	47,669
Expected Return on Plan Assets	0	0
Amortization of Transition Asset	0	0
Amortization of Prior Service Cost	0	0
Amortization of Actuarial Loss/(Gain)	<u>(19,063)</u>	<u>0</u>
<b>Net Periodic Benefit Cost</b>	<b>\$ 10,564</b>	<b>\$ 47,669</b>
<b>Assumptions</b>		
<b>Weighted-Average Assumptions Used to Determine Benefit Obligations as of December 31<sup>st</sup></b>		
Discount Rate	2.50%	3.25%
Rate of Compensation Increase	N/A	N/A
<b>Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for years ended December 31<sup>st</sup></b>		
Discount Rate	3.25%	4.25%
Expected Long Term Return on Plan Assets	N/A	N/A
Rate of Compensation Increase	N/A	N/A
<b>Measurement Dates</b>	<b>12/31/2020</b>	<b>12/31/2019</b>



## FASB Accounting Standards Codification 715 (Formerly Known as FAS No. 158)

### Statement of Financial Accounting Standards No. 158

Amounts Recognized in the Statement of Financial Position

	Current Year						
	2020 Expense	APBO	Assets	Unfunded	Unamort PSC	Unamort Loss	Accrued Expense
FYE19 Disclosure		1,223,705	0	1,223,705	0	(32,216)	1,255,921
Service Cost	0	0		0			0
Interest Cost	29,627	29,627		29,627			29,627
PSC Amort	0				0		0
Loss Amort	(19,063)					19,063	(19,063)
Liability (Gain)/Loss		(180,413)		(180,413)		(180,413)	0
Asset Loss			0	0		0	
Benefit Payments		(101,138)	101,138				
Employer Contributions			(64,298)	(64,298)			(64,298)
Retiree Contributions		36,840	(36,840)				
FYE20 Disclosure before FAS 158		1,008,621	0	1,008,621	0	(198,566)	1,202,187
AOCI					0	198,566	(198,566)
FYE20 Disclosure after FAS 158		1,008,621	0	1,008,621	0	0	1,008,621



## FASB Accounting Standards Codification 715 (Formerly Known as FAS No. 158)

### Statement of Financial Accounting Standards No. 158

Amounts Recognized in the Statement of Financial Position

	Prior Year						
	2019 Expense	APBO	Assets	Unfunded	Unamort PSC	Unamort Loss	Accrued Expense
FYE18 Disclosure		1,187,067	0	1,187,067	0	(78,877)	1,265,944
Service Cost	0	0		0			0
Interest Cost	47,669	47,669		47,669			47,669
PSC Amort	0				0		0
Loss Amort	0					0	0
Liability (Gain)/Loss		46,661		46,661		46,661	0
Asset Loss			0	0		0	
Benefit Payments		(96,191)	96,191				
Employer Contributions			(57,692)	(57,692)			(57,692)
Retiree Contributions		38,499	(38,499)				
FYE19 Disclosure before FAS 158		1,223,705	0	1,223,705	0	(32,216)	1,255,921
AOCI					0	32,216	(32,216)
FYE19 Disclosure after FAS 158		1,223,705	0	1,223,705	0	0	1,223,705



## FASB Accounting Standards Codification 715 (Formerly Known as FAS No. 158)

### Statement of Financial Accounting Standards No. 158

Amounts Recognized in the Statement of Financial Position

	2020	2019
<b>Assumed Health Care Cost Trend Rates at December 31<sup>st</sup></b>		
<b>Medical</b>		
Health Care Cost Trend Rate Assumed for next year	5.00%	5.00%
Rate to Which the Cost Trend is Assumed to Decline (the Ultimate Trend Rate)	5.00%	5.00%
Year that the Rate Reached the Ultimate Trend Rate	2016	2016
<b>Drug</b>		
Health Care Cost Trend Rate Assumed for next year	5.00%	5.00%
Rate to Which the Cost Trend is Assumed to Decline (the Ultimate Trend Rate)	5.00%	5.00%
Year that the Rate Reached the Ultimate Trend Rate	2016	2016
<b>Retiree Contributions</b>		
Health Care Cost Trend Rate Assumed for next year	5.00%	5.00%
Rate to Which the Cost Trend is Assumed to Decline (the Ultimate Trend Rate)	5.00%	5.00%
Year that the Rate Reached the Ultimate Trend Rate	2016	2016

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on Total of Service Cost and Interest Cost	\$2,517	\$(2,208)
Effect on Accumulated Postretirement Benefit Obligation	\$100,670	\$(88,305)

### Cash Flows

### Contributions

The Company expects to contribute \$66,542 to its other postretirement benefit plan in 2021.



## FASB Accounting Standards Codification 715 (Formerly Known as FAS No. 158)

### Statement of Financial Accounting Standards No. 158

Amounts Recognized in the Statement of Financial Position

Estimated Future Benefit Payments	
2021	66,542
2022	66,631
2023	66,414
2024	67,251
2025	66,570
2026 – 2030	317,048

Amounts in Accumulated Other Comprehensive Income expected to be recognized as component of Net Periodic Postretirement Benefit Cost during 2021		
Transition Obligation/(Asset)	\$	0
Prior Service Cost	\$	0
(Gain)/Loss	\$	(8,161)