

**Accounting Disclosure Report
of the
Chesapeake Utilities Corporation**
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.

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.

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.

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.

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, MAAA



Mark L. Lynne, CEBS



Reconciliation for the Fiscal Year Ended December 31, 2020

Accumulated Postretirement Benefit Obligation	
Retirees	\$(975,036)
Fully Eligible Active Employees	(58,305)
Other Active	<u>0</u>
Total Accumulated Postretirement Benefit Obligation	\$(1,033,341)
Plan Assets at Fair Value	<u>0</u>
Plan Assets in Excess of Accumulated Postretirement Benefit Obligation	\$(1,033,341)
Unrecognized Net Transition Obligation/(Asset)	0 ¹
Unrecognized Prior Service Cost	(370,256) ¹
Unrecognized Net (Gain)/Loss	<u>546,195¹</u>
(Accrued)/Prepaid Postretirement Benefit Cost	\$(857,402)

¹ The sum of these unrecognized items (\$175,939) is equal to the Accumulated Other Comprehensive Income under FASB ASC 715 (formerly FAS 158) (see page 12).



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

Service Cost	\$ 0
<i>Plus:</i> Interest Cost	26,450
<i>Plus:</i> Net Amortization [(a) + (b) + (c)]	(52,548)
(a) Transition Amount	\$ 0
(b) Prior Service Cost	(76,977)
(c) (Gain)/Loss	24,429
Net Periodic Postretirement Benefit Cost	\$(26,098)

Employees in the Valuation

	Current Year	Prior Year
Retirees and Dependents	29	30
Actives Fully Eligible	1	1
Actives Not Yet Fully Eligible	0	0
Total Employees in the Valuation	30	31



Unrecognized Prior Service Cost

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Unrecognized Amount as of January 1, 2020	\$(447,233)
Less: Amount Recognized in Net Periodic Cost	(76,977)
Unrecognized Amount as of December 31, 2020	\$(370,256)

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

1% Increase

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Increase in APBO	\$186,453
Increase in Aggregate of Service Cost and Interest Cost	\$4,195

1% Decrease

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Decrease in APBO	\$137,071
Decrease in Aggregate of Service Cost and Interest Cost	\$3,084

Determination of (Accrued)/Prepaid Postretirement Benefit Cost

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(Accrued)/Prepaid Postretirement Benefit Cost as of December 31, 2019	\$(942,715)
Less: Net Periodic Cost	(26,098)
Plus: Actual Expenditures for:	
Health Benefits	\$214,284
Administrative Fees	10,930
	225,214
Less: Payments from Retirees	165,999
(Accrued)/Prepaid Postretirement Benefit Cost as of December 31, 2020	\$(857,402)



Changes in Benefit Obligation

	Current Year	Prior Year
Benefit Obligation as of Beginning of Year	\$1,100,012	\$1,001,969
Service Cost	0	0
Interest Cost	26,450	38,767
Benefits Paid	(225,214)	(162,807)
Participants' Contributions	165,999	148,969
Change in Discount Rate	117,722	140,574
Change in Baseline Costs	(34,985)	(38,603)
Change in Plan	0	0
Change in Mortality Table	(34,494)	0
Actuarial (Gain)/Loss	(82,149)	(28,857)
Benefit Obligation as of End of Year	1,033,341	1,100,012



Actuarial Methods and Assumptions

Attribution Method:

Projected Unit Credit Cost Method.

Discount Rate:

Determination: 3.00% per annum, 4.00% previous year.
 Reconciliation: 2.25% per annum, 3.00% 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.

Retirement

Ages	Percent of Eligible Employees Retiring
55	5.0%
56-59	2.0%
60-61	5.0%
62	25.0%
63-64	10.0%
65-69	80.0%
70	100.0%

These retirement rates produce an average retirement age of 64 years.

Turnover:

No turnover is assumed for employees who have over 20 years of service.

Health Care Cost Trend Rate:

Medical Rate 5.00%

Drug Rate 6.00%

Contribution Increase Rate: (for Categories II and III)

5.50%²

² Our results reflect the decision of the plan sponsor to raise the co-pays of current retirees. For all employees, we assume that increases will be applied indefinitely into the future.



Actuarial Methods and Assumptions

Non-Subsidized Participants:

We assume that non-subsidized participants will not enter the plan.

Marriage:

For active employees, actual marital status is used.

Amortization of Gain/Loss:

Since almost 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.

Baseline Costs:

The annual per person costs assumed for the current retiree population are:

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 1994, employees retiring on or after age 55 with 20 or more years of service were covered by the plan. During 1994 the plan was amended to continue covering retirees and their dependents, and active employees who already have 20 years of service as of January 1, 1994. These active employees must still satisfy the age 55 and 20 years requirement to become fully eligible. Active employees not described above may participate in the plan only if they pay the full amount of the annual premium.

Retiree Contributions:

Category I: Retirees who retired prior to 1994 are assumed to pay the following annual amounts (note that those retiring prior to January 1991 pay nothing toward their own coverage):

	Pre-65	Post-65
Retiree:	\$309	\$283
Spouse:	\$1,236	\$1,132

The above amounts are frozen for the applicable group.

Category II: Contributions (annual) for future post-12/31/93 retirees who had 20+ years of service and were age 55+ at 1/1/94 and who retire in 2010 are as follows:

	Pre-65	Post-65
Retiree:	\$8,137	\$1,697
Spouse:	\$13,229	\$6,789

Category III: Contributions (annual) for future post-12/31/93 retirees who had 20+ years of service and were less than age 55 at 1/1/94 and who retire in 2010 are as follows:

	Pre-65	Post-65
Retiree:	\$9,835	\$3,395
Spouse:	\$13,229	\$6,789

There is one retiree who covers a disabled child. The retiree pays the rate for spousal coverage under the PPO plan. This valuation assumes this payment arrangement is unchanged in the future and the dependent will continue to contribute at the post-age 65 rate.



Summary of Plan Provisions

Retiree Contributions:

Other active employees will pay the full cost of the coverage (which is equal to the spouse cost for category II and III). Retiree contributions are assumed to increase at rates described in the Assumptions section.

Medical Benefits:

Continuation of medical benefits available to active employees. Upon eligibility for Medicare, Medicare becomes the primary payer for retirees.

Life Insurance Benefit:

\$5,000 lump sum payable upon retiree's death.



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

Obligations and Funded Status

	December 31 st	
	2020	2019
Change in Benefit Obligation		
Benefit Obligation at Beginning of year	\$1,100,012	\$1,001,969
Service Cost	0	0
Interest Cost	26,450	38,767
Plan Participants' Contributions	165,999	148,969
Curtailment (Gain)/Loss	0	0
Actuarial Loss (Gain)	(33,906)	73,114
Benefits Paid	(225,214)	(162,807)
Benefit Obligation at End of Year	\$1,033,341	\$1,100,012
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 0	\$ 0
Actual Return on Plan Assets	0	0
Employer Contribution	59,215	13,838
Plan Participant's Contribution	165,999	148,969
Benefits Paid	(225,214)	(162,807)
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 st	
	2020	2019
Components of Net Periodic Benefit Cost		
Service Cost	\$ 0	\$ 0
Interest Cost	26,450	38,767
Expected Return on Plan Assets	0	0
Amortization of Transition Asset	0	0
Amortization of Prior Service Cost	(76,977)	(76,977)
Amortization of Actuarial Loss/(Gain)	24,429	46,247
Net Periodic Benefit Cost	\$(26,098)	\$8,037
Assumptions		
Weighted-Average Assumptions Used to Determine Benefit Obligations as of December 31st		
Discount Rate	2.25%	3.00%
Rate of Compensation Increase	N/A	N/A
Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for years ended December 31st		
Discount Rate	3.00%	4.00%
Expected Long Term Return on Plan Assets	N/A	N/A
Rate of Compensation Increase	N/A	N/A
Measurement Dates	12/31/2020	12/31/2019



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		1,100,012	0	1,100,012	(447,233)	604,530	942,715
Service Cost	0	0		0			0
Interest Cost	26,450	26,450		26,450			26,450
PSC Amort	(76,977)				76,977		(76,977)
Loss Amort	24,429					(24,429)	24,429
Plan Amendment Liability (Gain)/Loss		(33,906)		(33,906)		(33,906)	0
Asset Loss			0	0		0	
Benefit Payments		(225,214)	225,214				
Employer Contributions			(59,215)	(59,215)			(59,215)
Retiree Contributions		165,999	(165,999)				
FYE20							
Disclosure before FAS 158		1,033,341	0	1,033,341	(370,256)	546,195	857,402
AOCI					370,256	(546,195)	175,939
FYE20 Disclosure after FAS 158		1,033,341	0	1,033,341	0	0	1,033,341



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

	2019		Prior Year		Unamort PSC	Unamort Loss	Accrued Expense
	Expense	APBO	Assets	Unfunded			
FYE18 Disclosure		1,001,969	0	1,001,969	(524,210)	577,663	948,516
Service Cost	0	0		0			0
Interest Cost	38,767	38,767		38,767			38,767
PSC Amort	(76,977)				76,977		(76,977)
Loss Amort	46,247					(46,247)	46,247
Plan Amendment Liability (Gain)/Loss		73,114		73,114		73,114	0
Asset Loss Benefit Payments		(162,807)	162,807				
Employer Contributions			(13,838)	(13,838)			(13,838)
Retiree Contributions		148,969	(148,969)				
FYE19 Disclosure before FAS 158		1,100,012	0	1,100,012	(447,233)	604,530	942,715
AOCI					447,233	(604,530)	157,297
FYE19 Disclosure after FAS 158		1,100,012	0	1,100,012	0	0	1,100,012



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

Statement of Financial Accounting Standards No. 158

	2020	2019
Assumed Health Care Cost Trend Rates at December 31st		
Medical		
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	2015	2015
Drug		
Health Care Cost Trend Rate Assumed for next year	6.00%	6.00%
Rate to Which the Cost Trend is Assumed to Decline (the Ultimate Trend Rate)	6.00%	6.00%
Year that the Rate Reached the Ultimate Trend Rate	2015	2015
Retiree Contributions		
Health Care Cost Trend Rate Assumed for next year	5.50%	5.50%
Rate to Which the Cost Trend is Assumed to Decline (the Ultimate Trend Rate)	5.50%	5.50%
Year that the Rate Reached the Ultimate Trend Rate	2015	2015

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	\$4,195	\$(3,084)
Effect on Accumulated Postretirement Benefit Obligation	\$186,453	\$(137,071)

Cash Flows

Contributions

The Company expects to contribute \$67,875 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	67,875
2022	65,530
2023	61,380
2024	58,165
2025	54,723
2026 – 2030	222,239

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	\$	(76,977)
(Gain)/Loss	\$	35,571