

Chesapeake Utilities Corporation Pension Plan

Accounting Standards Codification 715 Financial Disclosure Report

For the Fiscal Year Ending December 31, 2021

January 2022

	Page
Highlights	
Summary of Valuation Results.....	1
Changes since Last Year's Valuation	2
Actuary Certification.....	3
 Disclosures	
Disclosure Information for Corporate Financial Statements	5
 Expense	
Net Periodic Benefit Cost.....	8
Amortization of (Gain)/Loss.....	9
 Settlement Accounting	
Settlement Accounting Information	10
 Other Information	
Census Data Summary	11
Plan Provisions	12
Actuarial Cost Method.....	14
Actuarial Assumptions	15

SUMMARY OF VALUATION RESULTS

The principal results of the actuarial valuations for fiscal years ending December 31, 2021 and 2020 for the Chesapeake Utilities Corporation Pension Plan are summarized below.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Service Cost and Pension Cost for the Fiscal Year Ending		
Service Cost	\$0	\$0
Net Periodic Benefit Cost	\$2,041,537	\$464,441
Asset Information		
Fair Value of Assets	\$0	\$4,609,378
Market Related Value of Assets	\$0	\$4,609,378
Liability Information		
Projected Benefit Obligation	\$0	\$6,145,620
<i>Discount Rate</i>	<i>n/a</i>	<i>2.25%</i>
PBO Funded Status	\$0	(\$1,536,242)
<i>Using Fair Value of Assets</i>		
Accumulated Benefit Obligation	\$0	\$6,145,620
Accumulated Other Comprehensive Income	\$0	\$2,033,454
Participant Information as of		
	<u>January 1, 2021</u>	<u>January 1, 2020</u>
Active Participant Lifecount	12	14
Total Participant Lifecount	49	52

CHANGES SINCE LAST YEAR'S VALUATION

Changes in Pension Plan Provisions

No changes in pension plan provisions were recognized with this valuation.

New Legislation or Accounting Standards

No changes in legislation or accounting standards were recognized with this valuation.

Changes in Actuarial Assumptions

Effective with the December 31, 2021 disclosure, the following assumption changes were recognized:

	<u>12/31/2021</u> *	<u>12/31/2020</u>
Discount Rate	2.50%	2.25%
Mortality	Pri-2012 Total Dataset Mortality Table with Scale MP-2021 for current employees and inactives who were former participants	Pri-2012 Total Dataset Mortality Table with Scale MP-2020 for current employees and inactives who were former participants
	Pri-2012 Total Dataset Contingent Survivor Table with Scale MP-2021 for surviving beneficiaries of former participants	Pri-2012 Total Dataset Contingent Survivor Table with Scale MP-2020 for surviving beneficiaries of former participants

* Assumptions used for remeasurement prior to settlement recognition

Significant Changes to Benefit Obligation or Plan Assets

- The benefit obligation gain of (\$370,659) was primarily due to census gains and higher interest rates at the time of plan termination settlement.
- Plan assets experienced a loss of \$403,934, due to actual return of (\$237,798) that was lower than the expected return of \$166,136.

Other Events

This is the final disclosure report for this plan due to the plan's termination. All plan benefits were settled as of the end of 2021.

Purpose of Report

This report presents the results of the actuarial valuation for the Chesapeake Utilities Corporation Pension Plan for the fiscal year ending December 31, 2021. It was prepared for the plan sponsor for the principal purpose of fulfilling the employer accounting requirements under Accounting Standards Codification 715 (ASC 715).

Calculations for other purposes may be significantly different than the results presented in this report. Accordingly, additional calculations should be requested for other purposes.

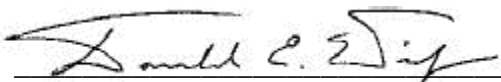
Methodology

The report relies on the census data submitted by the plan sponsor, as summarized in “Census Data Summary”, the retirement plan provisions as outlined in “Plan Provisions”, and plan asset information provided by the trustee. It also relies on a model to determine plan liabilities and the model reflects no material inconsistencies among assumptions, unreasonable output resulting from the aggregation of assumptions, limitations, or known weaknesses. Appropriate tests for consistency and reasonableness were completed on the information relied on to produce this valuation. The liabilities and costs were determined using the method summarized in “Actuarial Cost Method” and the actuarial assumptions described in “Actuarial Assumptions”.

The measurements reflect a single assumption scenario, however, the future is uncertain and a range of outcomes can reasonably be expected to occur. Future measurements may differ significantly from the current measurements presented in this report. Due to the limited scope of the assignment, an analysis of the potential range of future measurements was not completed.

Certification

The calculations presented in this report are consistent with our understanding of the requirements of ASC 715. The actuarial assumptions were selected by the plan sponsor, and in our opinion, the actuarial assumptions are reasonable. The report was completed in accordance with generally accepted actuarial standards and procedures, and conforms to the Guidelines for Professional Conduct of the American Academy of Actuaries. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein, and maintain no other relationship with the plan or the plan's sponsor which may impair or appear to impair the objectivity of their work.



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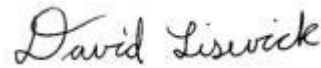


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DISCLOSURE INFORMATION FOR CORPORATE FINANCIAL STATEMENTS

The Accounting Standards Codification 715 disclosure information for the fiscal years ending December 31, 2021 and 2020 is presented on the following three pages.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Change in Projected Benefit Obligation		
Benefit Obligation at Beginning of Year	\$6,145,620	\$6,213,866
Service Cost	0	0
Interest Cost	140,944	175,722
Plan Amendments	0	0
Plan Assumptions	0	0
Actuarial (Gain)/Loss	(370,659)	449,746
Settlement	(5,883,682)	(611,587)
Plan Participant Contributions	0	0
Benefits Paid	<u>(32,223)</u>	<u>(82,127)</u>
Benefit Obligation at End of Year	\$0	\$6,145,620
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$4,609,378	\$4,630,474
Actual Return on Assets	(237,798)	368,979
Employer Contributions	1,544,325	303,639
Settlement	(5,883,682)	(611,587)
Plan Participant Contributions	0	0
Benefits Paid	<u>(32,223)</u>	<u>(82,127)</u>
Fair Value of Plan Assets at End of Year	\$0	\$4,609,378
Funded Status	\$0	(\$1,536,242)
Amounts Recognized in Statement of Financial Position (before tax effects)		
Noncurrent Assets	\$0	\$0
Current Liabilities	0	0
Noncurrent Liabilities	<u>0</u>	<u>(1,536,242)</u>
Total	\$0	(\$1,536,242)
Amounts Recognized in Accumulated OCI (before tax effects)		
Net (Gain)/Loss	\$0	\$2,033,454
Net Prior Service (Credit)/Cost	0	0
Net Transition (Asset)/Liability	<u>0</u>	<u>0</u>
Accumulated Other Comprehensive Income	\$0	\$2,033,454

DISCLOSURE INFORMATION FOR CORPORATE FINANCIAL STATEMENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Components of Net Periodic Benefit Cost		
Service Cost	\$0	\$0
Interest Cost	140,944	175,722
Expected Return on Assets	(166,136)	(157,314)
Net Amortization/Deferral		
Amortization of Net (Gain)/Loss	256,672	243,694
Amortization of Net Prior Service (Credit)/Cost	0	0
Amortization of Net Transition (Asset)/Liability	0	0
Settlement	<u>1,810,057</u>	<u>202,339</u>
Net Periodic Benefit Cost	\$2,041,537	\$464,441
Other Changes in Plan Assets and Obligations Recognized in OCI (before tax effects)		
Net (Gain)/Loss incurred in year	\$33,275	\$238,081
Net Prior Service (Credit)/Cost incurred in year	0	0
Net Amortization/Deferral		
Recognition of Net Gain/(Loss)	(256,672)	(243,694)
Recognition of Net Prior Service Credit/(Cost)	0	0
Recognition of Net Prior Service Credit/(Cost)	0	0
Recognition of Net (Loss) due to Settlement	<u>(1,810,057)</u>	<u>(202,339)</u>
Total Recognized in Other Comprehensive Income	(\$2,033,454)	(\$207,952)
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	\$8,083	\$256,489
Expected Contribution for Next Fiscal Year	n/a	\$254,000
Estimated Future Benefit Payments for Next 10 Fiscal Years		
Year 1	n/a	\$384,455
Year 2	n/a	99,162
Year 3	n/a	980,678
Year 4	n/a	106,488
Year 5	n/a	1,007,061
Years 6 - 10	n/a	1,193,373

DISCLOSURE INFORMATION FOR CORPORATE FINANCIAL STATEMENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Weighted Average Assumptions		
Determining Obligation at Year End		
Discount Rate	2.50% *	2.25%
Compensation Increase	n/a	n/a
* <i>Prior to settlement due to plan termination</i>		
Determining Net Periodic Benefit Cost for Year Ending		
Discount Rate	2.25%	3.00%
Expected Long-Term Return on Plan Assets	3.50%	3.50%
Compensation Increase	n/a	n/a
Sources of Actuarial (Gain)/Loss on the Projected Benefit Obligation		
Census Changes	(\$245,313)	\$87,725
Mortality Assumption Change	7,682	(24,232)
Discount Rate Change	(119,928)	386,253
Change due to Termination Events	(13,100)	0
Other Assumption Change(s)	<u>0</u>	<u>0</u>
Total Actuarial (Gain)/Loss	(\$370,659)	\$449,746
Amounts Recognized in Statement of Financial Position (before tax effects)		
Net Asset/(Liability)		
PBO Funded Status	\$0	(\$1,536,242)
Charges to Equity Accounts		
Accumulated Other Comprehensive Income	\$0	\$2,033,454
Net (Asset)/Liability Recognized in Retained Earnings	<u>0</u>	<u>(497,212)</u>
Total Charges to Equity Recognized	\$0	\$1,536,242
Accumulated Benefit Obligation	\$0	\$6,145,620
Weighted Average Asset Allocation		
Equity Securities	n/a	0%
Debt Securities	n/a	96%
Real Estate	n/a	0%
Other	<u>n/a</u>	<u>4%</u>
Total	n/a	100%

NET PERIODIC BENEFIT COST

The Net Periodic Benefit Costs for the fiscal years beginning January 1, 2021 and 2020 are illustrated below.

	<u>January 1, 2021</u>	<u>January 1, 2020</u>
Components of Net Periodic Benefit Cost		
Service Cost	\$0	\$0
Interest Cost	140,944	175,722
Expected Return on Assets	(166,136)	(157,314)
Net Amortization/Deferral		
Amortization of Net (Gain)/Loss	256,672	243,694
Amortization of Net Prior Service (Credit)/Cost	0	0
Amortization of Net Transition (Asset)/Liability	0	0
Settlement/Curtailment	<u>1,810,057**</u>	<u>202,339</u>
Net Periodic Benefit Cost	\$2,041,537	\$464,441
Liability, Asset, & Cash Flow Information at Beginning of Year		
Projected Benefit Obligation		
Active Participants	\$1,910,880	\$2,001,356
Participants with Deferred Benefits	3,594,825	3,384,097
Participants Receiving Benefits	<u>774,516</u>	<u>758,620</u>
Total Projected Benefit Obligation	\$6,280,221	\$6,144,073
Market Related Value of Assets	\$4,609,378	\$4,630,474
Expected Benefit Payments	\$32,223	\$577,616
Expected Contributions	\$309,325	\$303,639
Weighted Average Assumptions		
Discount Rate	2.25%/2.50%*	3.00%
Expected Long Term Return on Plan Assets	3.50%	3.50%
Compensation Increase	n/a	n/a

* The discount rate was remeasured due to the plan termination distribution events that occurred in 4th quarter 2021, which triggered settlement accounting recognized as of December 31, 2021.

** See the Settlement Accounting Information page for details.

AMORTIZATION OF (GAIN)/LOSS

The development of the (gain)/loss amortization for the fiscal year beginning January 1, 2021 is shown below.

Development of (Gain)/Loss Amortization

1.	(Gain)/loss	\$2,168,055
2.	(Gain)/loss not reflected in market related value	
	a. Fair value	4,609,378
	b. Market related value	<u>4,609,378</u>
	c. Amount not reflected in market related value (a - b)	0
3.	(Gain)/loss subject to amortization (1 + 2c)	2,168,055
4.	Projected Benefit Obligation	6,280,221
5.	Greater of 2b or 4	6,280,221
6.	10% of 5	628,022
7.	(Gain)/loss subject to amortization (3 – 6, not < 0)	1,540,033
8.	Average future service of plan participants expected to receive benefits	6.00
9.	Amortization amount (7/8)	\$256,672

SETTLEMENT ACCOUNTING INFORMATION

The FAS Accounting Codification Standard 715 (formerly FAS #88) for disclosure of settlement accounting for the fiscal year ending December 31, 2021 is presented below.

Reconciliation of Funded Status

	12/31/2020 Disclosure	December 31, 2021 *		
		Before Settlement	Effect of Termination	Effect of Settlement
1. PBO	(6,145,620)	(5,896,782)	13,100	5,883,682
2. Fair Value of Plan Assets	4,609,378	4,648,682	1,235,000	(5,883,682)
3. Funded Status: (1+2)	(1,536,242)	(1,248,100)	1,248,100	0
4. Unrecognized Net Transition (Asset)/Obligation	0	0	0	0
5. Unrecognized Prior Service Cost	0	0	0	0
6. Unrecognized Net (Gain)/Loss	2,033,454	1,823,157	(13,100)	1,810,057
7. (Accrued)/Prepaid Pension Cost	497,212	575,057	(1,235,000)	(1,810,057)
Interest Rate	2.25%	2.50%	2.50%	2.50%

* All entries net to \$0 as of 12/31/2021 (Before Settlement + Effect of Termination + Effect of Settlement) = \$0 for all line items)

CENSUS DATA SUMMARY

The following information summarizes the data used in the preparation of this report.

Number of Participants	<u>January 1, 2021</u>	<u>January 1, 2020</u>
Active Employees	12	14
Participants with Deferred Benefits	30	31
Participants Receiving Benefits	<u>7</u>	<u>7</u>
Total	49	52

Active Participant Data Summary	<u>January 1, 2021</u>	<u>January 1, 2020</u>
Average Age	59.9	59.4
Average Service	31.0	29.9

Non-Active Participant Data Summary	<u>January 1, 2021</u>	<u>January 1, 2020</u>
Average Age – Deferred Benefits	59.0	58.1
Average Age – Receiving Benefits	69.1	68.1
Average Monthly Benefit – Deferred Benefits	\$710	\$723
Average Monthly Benefit – Receiving Benefits	\$978	\$978

Effective Date	January 1, 1976. The plan was amended effective January 1, 1999 to make lump sum distributions available to participants who elected to cease future accruals under the plan. The plan was then amended effective January 1, 2005 to freeze accrued benefits.
Eligibility	<p>Later of age 21 and date of employment.</p> <p>Plan participation was frozen in 1998. Some active participants elected to transfer to another plan that was terminated in 1999.</p>
Credited Service	Total Service from date of employment. As of December 31, 2004 active participants were granted two additional years of service. As of January 1, 2005, no participant will be credited with future service as the benefits are frozen.
Form of Payment	Active participants and terminated vested participants who terminated after January 1, 2005 are assumed to receive their benefit as an annuity at normal retirement. Death benefits are assumed to be paid as an annuity at the participant's Normal Retirement Age.
Normal Retirement Date	Age 65.
Benefit Formula	
<i>Normal Retirement</i>	1.3% of Final-Average Earnings, plus .625% of Final-Average Earnings in excess of Covered Compensation, multiplied by years of Credited Service not in excess of 35.
<i>Minimum Benefit</i>	<p>The accrued benefit on July 30, 1991 which equals the greater of 2% of Final-Average Earnings, less 1 and 2/3% of Primary Social Security Benefit, multiplied by Years of Credited Service not in excess of 35; or</p> <p>The accrued benefit on December 31, 1975 under the Plan in effect on that date.</p>
<i>Early Retirement</i>	Same as Normal Retirement but the benefit shall be reduced 1/15 for each of the first 5 years, plus 1/30 for each of the next 5 years that payments commence prior to Normal Retirement Date.
Earnings	W-2 compensation plus salary deferrals less fringe benefits.

Final Average Earnings:	Average of Earnings during the highest 60 consecutive months taken from the last 120 months before retirement or termination of employment. Final average earnings were frozen December 31, 2004
Normal Form of Benefit	Payable Monthly for Life.
Optional Form of Benefit	<p>(a) Joint and Survivor Annuity providing to a surviving beneficiary full, 2/3 or 1/2 of the reduced amount payable to the employee.</p> <p>(b) Annuity for 10 years Guaranteed Period and Life thereafter.</p> <p>(c) Lump sum for participants who terminate employment after January 1, 2005, upon attaining retirement age.</p> <p>Lump sums are determined based on 417(e) mortality and lump sum segment rates for the November prior to the plan year of distribution.</p>
Vested Benefit	A benefit calculated according to the Normal Retirement formula based on Credited Service and Earnings as of the date service ceased, payable at Normal Retirement.
Death Benefit	An employee eligible for Early or Normal Retirement has a death benefit payable to his eligible spouse equal to 50% of the benefit that would have been payable under the Joint and 50% Survivor option if the employee retired on the day before the date of his death. Prior to Early Retirement, the benefit is one-half of the anticipated Normal Retirement benefit. This benefit has a minimum annual amount of \$120.
Disability Benefits	Continued accrual of Retirement Benefits while receiving benefits under the Long-Term Disability Plan.

This report was prepared using the methodology summarized below.

Actuarial Cost Method

Projected Unit Credit, as required under Accounting Standards Codification 715.

Asset Valuation Method

The market related value of assets is equal to the fair value of assets.

The Fair Market Value of Assets used for funds invested in the General Account of an Insurance Company is the stated contract value with a market value adjustment factor. This value is an estimate only and not the precise calculation which would be done at contract discontinuance or to measure the impact of excess withdrawals in any calendar year. It does not constitute a final offer by Prudential or a final experience adjustment.

Gains and Losses

Unrecognized net gains/losses that exceed 10% of the greater of the projected benefit obligation or the market related value of assets are amortized over the average remaining service period of active employees expected to receive benefits under the plan.

Determination of Liabilities and Assets

The Net Periodic Benefit Cost was calculated using January 1, 2021 census data, and assets as of January 1, 2021.

The liabilities for the end of year disclosure were calculated using updated plan termination census data valued on the basis of the underlying assumptions. Assets reflected for the end of year disclosure recognize plan termination asset activities (lump sum payouts, annuity purchase, and final funding contributions).

ACTUARIAL ASSUMPTIONS

All assumptions are prescribed assumptions selected by the plan sponsor. Unless otherwise noted, the assumptions do not significantly conflict with what would be reasonable for the purpose of the measurement and they contain no significant bias. The discount rate reflects yields on high-quality corporate bonds as of the measurement date. All other assumptions reflect estimates of future experience and they consider relevant historical information, such as credible plan experience, experience from representative populations and relevant plan characteristics. Factors that may affect future experience and the views of experts were also considered.

Additional considerations supporting the reasonability of the assumptions are as follows:

The discount rate was compared to the effective discount rate determined by discounting plan cashflows using the 12/31/2021 Pru Above Mean Curve.

The mortality assumption reflects experience from representative populations, based on the Pri-2012 Private Retirement Plans Mortality Table Report issued by the Society of Actuaries (SOA) in October 2019 and the Mortality Improvement Scale MP-2021 Report issued by the SOA in November 2021.

The investment return is based on the plan's asset allocation and reflects a weighted average of expected returns by asset class.

The actuarial assumptions used to compute Plan costs are:

Mortality:

12/31/2020 Male and Female	Pri-2012 Total Dataset Mortality Table with Scale MP-2020 For current employees and inactives who were former participants
	Pri-2012 Total Dataset Contingent Survivor Table with Scale MP-2020 for surviving beneficiaries of former participants
12/31/2021 Male and Female	Pri-2012 Total Dataset Mortality Table with Scale MP-2021 For current employees and inactives who were former participants
	Pri-2012 Total Dataset Contingent Survivor Table with Scale MP-2021 for surviving beneficiaries of former participants

ACTUARIAL ASSUMPTIONS

Termination: The probabilities that Participants at the ages indicated will terminate before reaching the assumed retirement age are:

<u>Age</u>	<u>Terminations</u> <u>Per 1,000</u>
25	47
30	39
35	30
40	24
45	20
50	14
55	9
60 & over	2

In addition, a decreasing set of factors has been applied to the above rates to reflect the higher incidence of turnover during the first 5 year of employment. These factors are 3.33, 2.67, 2.00, 1.67, 1.33 for years 1 through 5, respectively.

Retirement Age: All Participants are assumed to retire at age 65; otherwise attained age if retiring after 65.

Discount Rate: December 31, 2020: 2.25%
December 31, 2021: 2.50%

Estimated Expenses: None

Salary Scale Not Applicable

Long Term Rate of Return 3.50%

Marriage and Age of Spouse 85% of participants are assumed married. Female spouses are assumed to be three years younger than their male spouses.

Lump Sum Conversion

Annuity benefits are converted to lump sums using November 2020 lump sum segment rates and the 2021 417(e) mortality table.

Form of Payment:

For active participants and terminated vested participants Who terminated employment on or after January 1, 2005: 75% are assumed to receive their benefit as a lump sum at Normal retirement and 25% are assumed to receive their Benefit as an annuity at normal retirement.

Terminated vested participants who terminated employment Prior to January 1, 2005 are assumed to receive their benefit As an annuity at normal retirement.

As of 12/31/2021, actual form of payment applicable at plan termination distribution is recognized for all participants.

Social Security:

Primary Insurance Amount

Not Applicable

Covered Compensation

Not Available

Disability:

None assumed