



**Accounting Disclosure Report**  
Supplemental Executive Retirement Plans  
For the Fiscal Year Ended  
December 31, 2020

**Bolton**

*Submitted by:*

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## Table of Contents

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	Page
Introductory Letter .....	1
Reconciliation of Funded Status .....	3
Disclosure of Net Periodic Pension Cost .....	3
Amortization of Prior Service Cost .....	4
Reconciliation of (Accrued)/Prepaid Pension Expense .....	4
Changes in Benefit Obligation .....	5
FASB Accounting Standards Codification 715 .....	6
Summary of Participant Data .....	11
Actuarial Methods and Assumptions .....	12
Highlights of Plan Provisions .....	14



Employee Benefits, Actuarial & Investment Consulting

January 13, 2021

**PERSONAL AND CONFIDENTIAL**

Ms. Beth Cooper  
Executive Vice President and CFO  
Chesapeake Utilities Corporation  
909 Silver Lake Boulevard  
Dover, Delaware 19904

Re: *FASB ASC 715 Financial Disclosure Report for the Fiscal Year Ending December 31, 2020  
for the two SERP Programs*

Dear Beth:

The following report sets forth the disclosure information required for compliance with FASB ASC 715 for the fiscal year ended December 31, 2020 for the two SERP Programs. The report is based on plan provisions and census data submitted by Chesapeake Utilities Corporation. We have relied on this information for purposes of preparing this report. We have not audited the census data or benefit payments, but have reviewed them for reasonability and consistency relative to previously provided information. 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.

The information in this report was prepared under FASB ASC 715 for the internal use of the Chesapeake Utilities Corporation and its auditors in connection with fulfilling employer accounting requirements for the two SERP programs. It is neither intended nor necessarily suitable for other purposes. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a plan's future financial condition or its ability to pay benefits in the future. Bolton is not responsible for the consequences of any other use.

The values in the report have been computed in accordance with generally accepted actuarial principles and practices and fairly reflect the actuarial position of the Plan. To the best of our knowledge, the pension expense and disclosure were prepared in accordance with ASC 715-20 and ASC 715-30. The various actuarial assumptions and methods which have been selected by the plan sponsor and are, in our opinion, appropriate for the purposes of this report and in compliance with the requirements of ASC 715-20 and ASC 715-30.

The report is conditioned on the assumption of an ongoing plan and is not meant to present the actuarial position of the Plan in the case of Plan termination. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status), and changes in plan provisions or applicable law.

Ms. Beth Cooper  
January 13, 2021  
Page 2

This valuation was completed using both proprietary and third-party models (including software and tools). We have tested these models to ensure they are used for their intended purposes, within their known limitations, and without any known material inconsistencies unless otherwise stated.

Christina Yeager is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest that would impair the objectivity of our work.

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,

Christina H. Yeager, ASA, EA, MAAA  
Consulting Actuary





## Reconciliation of Funded Status for the Fiscal Year Ended December 31, 2020

Accumulated Benefit Obligation, including Vested Benefits of \$(2,211,800)	\$ (2,211,800)
Projected Benefit Obligation for service rendered to date	(2,211,800)
Plan Assets at Fair Value	<u>0</u>
Funded Status	\$ (2,211,800)
Prior Service Cost	0 <sup>1</sup>
Net (Gain)/Loss from past experience different from that assumed	<u>698,793<sup>1</sup></u>
Net Amount Recognized in Statement of Financial Position [ (Accrued)/Prepaid Pension Expense ]	\$ (1,513,007)

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

	Plan A	Plan B	Total
Service Cost	\$ 0	\$ 0	\$ 0
Interest Cost	30,254	32,204	62,458
Amortization of Prior Service Cost	0	0	0
Amortization of Net (Gain)/Loss			<u>19,970</u>
Net Periodic Pension Cost			\$ 82,428
Settlement Adjustment			<u>N/A</u>
Final Net Periodic Pension Cost			\$ 82,428

<sup>1</sup> The sum of these unrecognized items, \$698,793, is equal to the Accumulated Other Comprehensive Income under FASB ASC 715 (see page 8).



## Amortization of Prior Service Cost

Unrecognized Amount as of December 31, 2019	\$	0
Amount Recognized in Net Periodic Pension Cost		<u>(0)</u>
Unrecognized Amount as of December 31, 2020	\$	0

## Reconciliation of (Accrued)/Prepaid Pension Expense

(Accrued)/Prepaid Pension Expense as of December 31, 2019	\$	(1,582,283)
Net Periodic Pension Cost for 2020		(82,428)
Settlement Adjustment		N/A
Contributions Credited for 2020		<u>151,704</u>
(Accrued)/Prepaid Pension Expense as of December 31, 2020	\$	(1,513,007)



## Changes in Benefit Obligation

	Fiscal Year Ending	
	2020	2019
Benefit Obligation as of Beginning of Year	\$ 2,157,493	\$ 2,285,496
Service Cost	0	0
Interest Cost	62,458	73,672
Benefits Paid	(151,704)	(360,762) <sup>2</sup>
Amendments	N/A	N/A
Effect of Curtailment/Settlement	N/A	0
Actuarial (Gains)/Losses	23,477	17,824
Change in Lump Sum Assumptions	N/A	(24,112)
Change in Mortality Assumption	(22,052)	(26,842)
Change in Discount Rate	<u>142,128</u>	<u>192,217<sup>3</sup></u>
Benefit Obligation as of End of Year	\$ 2,211,800	\$ 2,157,493

<sup>2</sup> Includes \$209,058 paid as a single lump sum payment.

<sup>3</sup> Reflects the change in interest rate mid-year for settlement accounting.



## FASB Accounting Standards Codification 715

### Obligations and Funded Status

	Fiscal Year Ending	
	2020	2019
<b>Change in Benefit Obligation</b>		
Benefit Obligation at Beginning of year	\$ 2,157,493	\$ 2,285,496
Service Cost	0	0
Interest Cost	62,458	73,672
Plan Participants' Contributions	0	0
Amendments	0	0
Effect of Settlement	0	0
Actuarial Loss (Gain)	143,553	159,087
Benefits Paid	<u>(151,704)</u>	<u>(360,762)</u>
Benefit Obligation at End of Year	\$ 2,211,800	\$ 2,157,493
<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	151,704	360,762
Plan Participant's Contribution	0	0
Effect of Settlement	0	0
Benefits Paid	<u>(151,704)</u>	<u>(360,762)</u>
Fair Value of Plan Assets at End of year	\$ 0	\$ 0

The accumulated benefit obligation was \$2,211,800 and \$2,157,493 at December 31, 2020 and December 31, 2019, respectively.





## FASB Accounting Standards Codification 715

	Fiscal Year Ending	
	2020	2019
<b>Components of Net Periodic Pension Cost</b>		
Service Cost	\$ 0	\$ 0
Interest Cost	62,458	73,672
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)	19,970	84,554
Net Periodic Pension Cost	\$ 82,428	\$ 158,226
Effect of Settlement	N/A	58,435
<b>Total Net Periodic Pension Cost</b>	<b>\$ 82,428</b>	<b>\$ 216,661</b>

	Weighted-Average Assumptions Used to Determine Benefit Obligations as of December 31 <sup>st</sup>	
	2020	2019
Discount Rate	2.25%	3.00%
Rate of Compensation Increase	N/A	N/A

	Weighted-Average Assumptions Used to Determine Net Periodic Pension Cost for year ended December 31 <sup>st</sup>	
	2020	2019
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



## FASB Accounting Standards Codification 715

Amounts Recognized in the Statement of Financial Position Under FASB ASC 715 as of December 31, 2020 (Current Year)

	2020 Expense	PBO	Assets	Unfunded	Unamort PSC	Unamort Loss	Accrued Expense
FYE 2019 Disclosure		2,157,493	0	2,157,493	0	575,210	1,582,283
Service Cost	0	0		0			0
Interest Cost	62,458	62,458		62,458			62,458
Exp Ret on Assets	(0)		(0)	(0)			(0)
PSC Amortization	0				(0)		0
Loss Amortization	19,970					(19,970)	19,970
Settlement (Gain)/Loss	N/A	N/A	N/A			N/A	N/A
Liability (Gain)/Loss		143,553		143,553		143,553	
Asset Loss			0	0		0	
Benefit Payments		(151,704)	151,704				
Employer Contributions			(151,704)	(151,704)			(151,704)
FYE 2020 Disclosure:							
Accrued/(Prepaid) <sup>4</sup>	82,428	2,211,800	0	2,211,800	0	698,793	1,513,007
AOCI					0	(698,793)	698,793
<b>FYE 2020 Disclosure:</b>							
<b>Net (Asset)/Liability</b>	<b>82,428</b>	<b>2,211,800</b>	<b>0</b>	<b>2,211,800</b>	<b>0</b>	<b>0</b>	<b>2,211,800</b>

<sup>4</sup> Shown for illustrative purposes only. The Net (Asset)/Liability shown in the Unfunded column is the appropriate amount to disclose on the Plan Sponsor's financial statements.



## FASB Accounting Standards Codification 715

Amounts Recognized in the Statement of Financial Position Under FASB ASC 715 as of December 31, 2019 (Prior Year)

	2019 Expense	PBO	Assets	Unfunded	Unamort PSC	Unamort Loss	Accrued Expense
FYE 2018 Disclosure		2,285,496	0	2,285,496	0	559,112	1,726,384
Service Cost	0	0		0			0
Interest Cost	73,672	73,672		73,672			73,672
Exp Ret on Assets	(0)		(0)	(0)			(0)
PSC Amortization	0				(0)		0
Loss Amortization	84,554					(84,554)	84,554
Settlement (Gain)/Loss	58,435	0	0			(58,435)	58,435
Liability (Gain)/Loss		159,087		159,087		159,087	
Asset Loss			0	0		0	
Benefit Payments		(360,762)	360,762				
Employer Contributions			(360,762)	(360,762)			(360,762)
FYE 2019 Disclosure:							
Accrued/(Prepaid) <sup>5</sup>	216,661	2,157,493	0	2,157,493	0	575,210	1,582,283
AOCI					0	(575,210)	575,210
<b>FYE 2019 Disclosure:</b>							
<b>Net (Asset)/Liability</b>	<b>216,661</b>	<b>2,157,493</b>	<b>0</b>	<b>2,157,493</b>	<b>0</b>	<b>0</b>	<b>2,157,493</b>

<sup>5</sup> Shown for illustrative purposes only. The Net (Asset)/Liability shown in the Unfunded column is the appropriate amount to disclose on the Plan Sponsor's financial statements.

## FASB Accounting Standards Codification 715

### Plan Assets

There are no plan assets.

### Cash Flows

#### Contributions

The SERP programs do not participate in a trust. Benefits are paid on a pay-as-you-go basis from general assets; thus, the only employer contributions are the amounts needed to pay benefits. Benefit payments for the fiscal year ending December 31, 2021 are expected to be \$151,073.

#### Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

Fiscal Year End	SERP Benefits
2021	\$ 151,073
2022	149,578
2023	147,803
2024	145,702
2025	158,064
Years 2026 – 2030	735,203

### Amounts in Accumulated Other Comprehensive Income Expected to be Recognized as Components of Net Periodic Pension Cost in 2021

	FYE 2021
Transition Obligation/(Asset)	\$ 0
Prior Service Cost	0
Net (Gain)/Loss	28,095



## Summary of Participant Data

The following table summarizes the counts, ages, and benefit information for plan participants used in this valuation.

	12/31/2019	12/31/2020
1. Actives	None	None
2. Retired Participants		
a. Number	3	3
b. Average Age	73.3	74.3
c. Total Annual Benefits	\$ 151,704	\$ 151,704
3. Terminated Vested		
a. Number	1	1
b. Average Age	59.7	60.7
c. Total Annual Benefits	\$ 14,865	\$ 14,865



## Actuarial Methods and Assumptions

### Actuarial Cost Method

Projected Unit Credit Cost Method.

### Asset Valuation

The benefits of the two SERP Programs are funded on a pay-as-you-go basis. The plan sponsor funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide these benefits.

### Recognition of Gains and Losses

Apply 10% threshold set forth in ASC 715-30-35-24 using the average remaining life expectancy of the entire inactive population.

### Measurement Date

December 31.

### Mortality

Pri-2012 White Collar Mortality Table projected generationally using the MP-2020 mortality improvement scale (changed from the Pri-2012 White Collar Mortality Table projected generationally using the MP-2019 mortality improvement scale). No pre-retirement mortality is assumed. The mortality assumption is selected by the plan sponsor.

### Withdrawal

Not applicable.

### Disability

Not applicable.

### Retirement Age

Mr. Thompson is assumed to retire at age 65. The retirement age assumption is based on his participant election.

### Discount Rate

Expense 3.00% compounded annually.

Disclosure 2.25% compounded annually.

The discount rate assumptions are selected by the plan sponsor.

### Expected Long-Term Rate of Return on Assets

Unfunded.

### Expenses

No loading was applied for administrative expenses. The expense assumption is based on the unfunded nature of the plan.



## Actuarial Methods and Assumptions

### Salary Increases

Not applicable.

### Increase in IRS Compensation Limit

Not applicable.

### Form of Payment

Mr. Thompson is assumed to receive a Joint and 50% Survivor Annuity at retirement consistent with his participant election selected in December 2008.

### Changes Since Prior Year

The mortality improvement projection assumption was updated from MP-2019 at December 31, 2019 to MP-2020 at December 31, 2020.

The discount rate was updated from 3.00% at December 31, 2019 to 2.25% at December 31, 2020 consistent with the qualified Chesapeake Utilities Corporation Pension Plan.

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## Highlights of Plan Provisions

### Plan A

Effective Date  
January 1, 1995.

Eligibility  
Restricted to Senior Executives. As of December 31, 2020, the plan participants are Ralph Adkins (retired) and Stephen Thompson (terminated December 31, 2019).

Benefit Formula  
An unrestricted benefit is calculated for the Senior Executive by using the pension plan formula, but ignoring statutory limits placed on compensation and benefits. To the extent that the unrestricted benefit is greater than the actual pension plan benefit, the excess plan will pay a benefit that is the difference between the two. The plan was frozen as of December 31, 2004, but utilizing two additional years of service. The plan was amended effective December 31, 2008 to allow active participants as of that date to elect to receive the benefit as a lump sum at retirement.

### Plan B

Effective Date  
January 1, 1997.

Eligibility  
Restricted to two Senior Executives at Tri-County Gas Co., Inc. As of December 31, 2020, the plan participants are William Schneider (retired) and James Schneider (retired).

Benefit Formula  
Annual benefit of \$62,500 paid monthly beginning at age 65, reduced for earlier commencement. The plan was frozen as of December 31, 2004.

### Changes Since Prior Year

No changes.