WASHINGTON SUBURBAN SANITARY COMMISSION EMPLOYEES' RETIREMENT PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES WITH REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

DECEMBER 31, 2023 AND 2022

A COMPONENT UNIT OF THE
WASHINGTON SUBURBAN SANITARY COMMISSION

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SBC Certified Public Accountants & Business Advisors

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON THE AUDIT OF THE FINANCIAL STATEMENTS**

The Commissioners and Board of Trustees
Washington Suburban Sanitary Commission
Employees' Retirement Plan
Laurel, Maryland

Opinion

We have audited the financial statements of the Washington Suburban Sanitary Commission's Employees' Retirement Plan (the Plan), a component unit of the Washington Suburban Sanitary Commission, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2023, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Plan as of and for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on October 13, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Plan's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 July 18, 2024 on our consideration of the Plan's internal controls 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls 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 controls over financial reporting and compliance.

Owings Mills, Maryland
July 18, 2024

SB & Company, LLC

The Washington Suburban Sanitary Commission Employees' Retirement Plan (the "Plan") provides retirement benefits to the employees, retirees, and beneficiaries of the Washington Suburban Sanitary Commission ("WSSC Water"). To facilitate understanding the Plan's financial performance for the years ended December 31, 2023 and 2022, management has prepared this discussion and analysis. The following discussion and analysis should be read in conjunction with the Plan's financial statements and supplementary information provided in this report.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SCHEDULES

The financial information presented in this report includes two financial statements, the notes to the financial statements, and supplementary information.

The Statements of Fiduciary Net Position show the amount of assets and deferred outflow of resources, liabilities and deferred inflow of resources, and net position held in trust for pension beneficiaries as of the end of the current and prior calendar years.

The Statements of Changes in Fiduciary Net Position show the additions to, and reductions in, the Plan's net position during the current and prior fiscal years. The statements present the major sources and uses of funds.

The Notes to Financial Statements contain disclosures and discussions which support the data presented in the financial statements. The notes present information about the creation and administration of the Plan, significant accounting policies and investments. The notes are an integral part of the financial statements and should be considered in conjunction with any review of the financial statements.

The Required Supplementary Information includes additional information on the Plan's financial condition and trends, including information on changes in the net pension liability and related ratios, benefits changes, actuarial assumption changes, contributions, methods and assumptions used to determine contribution rates and investment returns.

FINANCIAL HIGHLIGHTS

<u>Fiscal Year 2023</u>

- As of December 31, 2023, the Plan's net position held in trust for current and future retirement benefits was $902.9 million. This reflects an increase in the Plan's net position of $74.3 million from the prior year.

- The net investment gain was $121.7 million for fiscal year 2023. This was comprised of $106.3 million net appreciation in the fair market value of investments, $19.8 million in dividends and interest income, less investment expenses of $4.4 million. The 2023 increase reflects the continued recovery in the financial markets throughout 2023.

- The total investment return for 2023 was 15.2%. For the period ended December 31, 2023, the Plan returned 9.2% per annum over the past five years and 6.7% annualized over the past ten years.

Fiscal Year 2022

- As of December 31, 2022, the Plan's net position held in trust for current and future retirement benefits was $828.6 million. This reflects a decrease in the Plan's net position of $183.5 million from the prior year.

- The net investment loss was $140.5 million for fiscal year 2022. This was comprised of $154.1 million net depreciation in the fair market value of investments, $16.2 million in dividends and interest income, less investment expenses of $2.6 million. For fiscal year 2021, the net investment income was $140.5 million. The 2022 deccrease reflects the world equity markets decline and the volatility due to on-going concerns over trade tensions and global growth.

- The total investment return for 2022 was a decline of 13.1%. For the period ended December 31, 2022, the Plan returned 4.6% per annum over the past five years and 6.9% annualized over the past ten years.

FINANCIAL ANALYSIS

Table 1 – Condensed Statements of Plan Net Position as of December 31, 2023, 2022, and 2021.

				2023-2022		2022-2021	
	2023	2022	2021	Variance	% Variance	Variance	% Variance
ASSETS							
Cash, Cash Equivalents and Investments	$ 956,300,840	$ 885,779,968	$ 1,074,973,622	$ 70,520,872	8.0%	$ (189,193,654)	-17.6%
Receivables	1,735,806	1,288,465	771,287	447,341	34.7%	517,178	67.1%
Total Assets	958,036,646	887,068,433	1,075,744,909	70,968,213	8.0%	(188,676,476)	-17.5%
LIABILITIES							
Payables for Collateral Received under Securities Lending Agreements	53,353,352	57,294,296	62,797,840	(3,940,944)	-6.9%	($5,503,544)	-8.8%
Benefits Payable and Accrued Expenses	1,744,509	1,179,019	856,108	565,490	48.0%	322,911	37.7%
Total Liabilities	55,097,861	58,473,315	63,653,948	(3,375,454)	-5.8%	(5,180,633)	-8.1%
Net Position Restricted for Pension	$ 902,938,785	$ 828,595,118	$ 1,012,090,961	$ 74,343,667	9.0%	$ (183,495,843)	-18.1%

Fiscal Year 2023

The Plan's cash, cash equivalents and investments for fiscal year 2023 increased by $70.5 million or 8.0%. The increase was due primarily to investment gains of $126.1 million before investment expenses of $4.4 million, contributions totaling $32.6 million, benefit payments and refunds of $77.6 million and administrative expenses of $2.4 million.

As shown in Table 2a - Investments by Manager/Advisor with Average Annual Rates of Returns for the year ended December 31, 2023, a significant portion of the Plan's investments were managed by Vanguard (29.1%), Dodge & Cox Global Stock (8.8%), Northern Trust Asset Management (8.5%) and MFS Low Volatility Global Equity Fund (8.1%). For the year ended December 31, 2023, managers/advisors reflected a positive return ranging from 1.0% to 36.7% for funds under management. Overall, the weighted average annual rate return was 15.1% which contributed to an increase in net investment gains by 186.6% or $262.2 million.

Table 2a - Investments by Manager/Advisor with Rates of Returns as of December 31, 2023.

	Investment Value	Percentage of Total Investments	Average Annual Rate of Return %
Vanguard	$ 261,435,749	29.1%	18.7%
Dodge & Cox Global Stock	78,743,342	8.8%	20.3%
Northern Trust Asset Management	76,066,251	8.5%	5.6%
MFS Low Volatility Global Equity Fund	72,995,924	8.1%	14.3%
William Blair/Investment Counselors of Maryland	71,227,801	7.9%	11.0%
Empower/Prudential Retirement Insurance and Annuity Company	56,624,999	6.3%	1.0%
State Street Global Advisors	54,505,413	6.1%	11.5%
CastleArk Management	53,836,724	6.0%	36.7%
Dimensional Fund Advisors	46,267,626	5.1%	16.5%
Morgan Stanley Asset Management	44,682,189	5.0%	16.7%
Income Research & Management	42,561,215	4.7%	4.0%
Fidelity International Index	39,739,672	4.4%	18.3%
Total Investments	$ 898,686,905	100.0%	

During the year, the Board of Trustees met regularly to monitor investment manager performance. During calendar year 2023, the Board action included:

- Voted in May to transfer its investment consulting contract to Marquette Associates from the prior entity, Peirce Park, with all the same terms and conditions.
- Voted in July 2023 to correct a U.S. Equity overweight by transferring $25 million from the Vanguard Total Stock Market Index, while also reducing the risk in the Fixed Income portfolio by reducing exposure to the Vanguard High-Yield fund by trimming $20 million from its position. The proceeds were then allocated to the remaining fixed income investments (Northern Trust $15 million; Empower GDA $20 million; and IR+M TIPs $10 million).

Receivables for fiscal year 2023 increased by $0.4 million or 34.7% primarily due to an increase in dividend and accrued interest receivable.

Total liabilities decreased by $3.4 million or 5.8%. This is due primarily to a decrease in payables for collateral received under securities lending agreements which decreased from $57.3 million in 2022 to $53.4 million in 2023 or a decline of 6.9%.

Fiscal Year 2022

The Plan's cash, cash equivalents and investments for fiscal year 2022 decreased by $189.2 million or 17.6%. The decrease was due primarily to investment loss of $137.9 million before investment expenses of $2.6 million, contributions totaling $32.4 million, and benefit payments and refunds of $74.1 million, and administrative expenses of $1.2 million.

As shown in Table 2b - Investments by Manager/Advisor with Average Annual Rates of Returns for the year ended December 31, 2022, a significant portion of the Plan's investments were managed by Vanguard (31.6%), Empower/Prudential Retirement Insurance and Annuity Company (10.0%), William Blair/Investment Counselors of Maryland (7.8%) and Dodge & Cox Global Stock (7.9%). For the year ended December 31, 2022, all but one managers/advisors reflected a negative return for funds under management. Overall, the weighted average annual rate return was -14.2% which contributed to a decrease in net investment loss by 200.0% to $140.5 million.

Table 2b - Investments by Manager/Advisor with Rates of Returns as of December 31, 2022.

	Investment Value	Percentage of Total Investments	Average Annual Rate of Return %
Vanguard	$ 260,478,201	31.6%	-17.8%
Empower/Prudential Retirement Insurance and Annuity Company	82,531,314	10.0%	2.3%
Dodge & Cox Global Stock	65,479,075	7.9%	-5.8%
William Blair/Investment Counselors of Maryland	64,189,888	7.8%	-11.1%
MFS Low Volatility Global Equity Fund	63,654,891	7.7%	-7.8%
Northern Trust Asset Management	58,744,653	7.1%	-13.4%
State Street Global Advisors	48,891,177	5.9%	-7.6%
Dimensional Fund Advisors	39,719,647	4.8%	-10.7%
CastleArk Management	38,633,690	4.7%	-27.7%
Morgan Stanley Asset Management	38,273,278	4.6%	-13.7%
Fidelity International Index	33,590,118	4.1%	-14.2%
Income Research & Management	31,146,594	3.8%	-11.9%
Total Investments	$ 825,332,526	100.0%	

During the year, the Board of Trustees met regularly to monitor investment manager performance. During calendar year 2022, the Board action included:

- Voted in November 2022 to correct a U.S. Equity overweight by transferring $40 million from the Vanguard Total Stock Market Index to the Empower/Prudential Guaranteed Deposit Account.

Receivables for fiscal year 2022 increased by $0.5 million or 67.1% primarily due to an increase in dividend and accrued interest receivable.

Total liabilities decreased by $5.2 million or 8.1%. This is due primarily to a deccrease in payables for collateral received under securities lending agreements which decreased from $62.8 million in 2021 to $57.3 million in 2022 or a decline of 8.8%.

Table 3 – Condensed Statements of Changes in Plan Net Position as of December 31, 2023, 2022 and 2021.

				2023-2022		2022-2021	
	2023	2022	2021	Variance	Percent Variance	Variance	Percent Variance
ADDITIONS							
Net Investment Income (Loss)	$ 121,707,781	$ (140,513,619)	$ 140,452,522	$ 262,221,400	186.6%	$ (280,966,141)	-200.0%
Contributions	32,623,911	32,350,803	42,923,883	273,108	0.8%	(10,573,080)	-24.6%
Total Additions	154,331,692	(108,162,816)	183,376,405	262,494,508	242.7%	(291,539,221)	-159.0%
DEDUCTIONS							
Benefits Payments and Refunds	77,575,414	74,111,603	68,130,068	3,463,811	4.7%	5,981,535	8.8%
Administrative Expenses	2,412,611	1,221,424	759,672	1,191,187	97.5%	461,752	60.8%
Total Deductions	79,988,025	75,333,027	68,889,740	4,654,998	6.2%	6,443,287	9.4%
Net Increase (Decrease)	74,343,667	(183,495,843)	114,486,665	257,839,510	140.5%	(297,982,508)	-260.3%
NET POSITION							
Beginning of Year	828,595,118	1,012,090,961	897,604,296	(183,495,843)	-18.1%	114,486,665	12.8%
End of Year	$ 902,938,785	$ 828,595,118	$1,012,090,961	$ 74,343,667	9.0%	$ (183,495,843)	-18.1%

Fiscal Year 2023

Net investment income was comprised of interest and dividends and net appreciation/depreciation in the fair value of investments less investment expenses. Interest and dividends increased, from $16.2 million in 2022, to $19.8 million in 2023. The financial markets reflected favorable conditions during the year and, accordingly, the net appreciation in the fair value of the investments was $106.3 million for 2023, compared to net depreciation of $154.1 million for year 2022. The increase in net investment income was primarily due to the Plan's funds reflecting positive rates of return in 2023.

Investment expenses increased by $1.8 million or 67.5%. Investment expenses represent approximately 0.49% or 49 basis points of average net position.

Participant and Plan sponsor contributions increased in 2023 to $32.6 million from $32.4 million in 2022. This is due to an increase in the number of employees and higher salary levels. Retirement annuity benefit payments and refunds increased by $3.5 million or 4.7%, due to an increase in cost-of-living and the number of retirees.

Fiscal Year 2022

Net investment income was comprised of interest and dividends and net appreciation/depreciation in the fair value of investments less investment expenses. Interest and dividends decreased, from $17.1 million in 2021, to $16.2 million in 2022. The financial markets reflected unfavorable conditions during the year and, accordingly, the net depreciation in the fair value of the investments was $154.1 million for 2022, compared to an increase of $125.3 million for year 2021. The decrease in net investment income was primarily due to the losses in most of the Plan's funds reflecting negative rates of return in 2022.

Investment expenses increased by $0.8 million or 40.7%. Investment expenses represent approximately 0.32% or 32 basis points of average net position.

Participant and Plan sponsor contributions decreased in 2022 to $32.4 million from $42.9 million in 2021. The decrease is due to the change in payment frequency of the Plan sponsor's cash contributions to a lump-sum payment in early July of the audited year, compared to 2021, all payments occurred within the Commission's Fiscal Year 2022 as part of a plan to improve the Commission's liquidity as WSSC Water customers were impacted by the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic.

PLAN FUNDING

Fiscal Year 2023

On an annual or biennial basis, the market value of the Plan's assets and its investment gains and losses are reviewed by the Plan's actuary to determine the viability and funding progress of the Plan, the latest of which was performed effective June 30, 2023. The Plan's actuarially determined target rate of investment return is 7.0% net of expenses, reflecting the most recent Assumption Study, which also updated assumptions concerning mortality, inflation, and salary scale.

The Plan began using the average value method to determine actuarial asset value effective July 1, 2007. This smoothing method explicitly recognizes each year's investment gain or loss over a five-year period with the final actuarial value not less than 80% or more than 120% of the market. There are currently no known facts, decisions, or conditions that will significantly impact the net position in the future.

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents (Note D)	$ 4,260,583	$ 3,153,146
Collateral Received under		
Securities Lending Agreements (Note E)	53,353,352	57,294,296
Investments at Fair Value (Note F):		
Mutual Fund	497,414,190	463,456,929
Commingled Funds	172,183,526	150,819,346
U.S. Government and Agency Bonds	93,175,595	70,199,850
Corporate Bonds	25,431,424	19,669,920
Common Stock	53,836,724	38,633,690
Investment Contracts with Insurance Company	56,624,999	82,531,314
Limited Partnership Units	20,000	20,000
Other Fixed Holdings	447	1,477
Total Investments	898,686,905	825,332,526
Dividends and accrued interest receivable	1,115,598	682,061
Contributions receivable from employees	620,208	606,404
Total Assets	958,036,646	887,068,433
LIABILITIES		
Payable for Collateral Received under		
Securities Lending Agreements (Note E)	53,353,352	57,294,296
Benefits Payable and Accrued Expenses	1,744,509	1,179,019
Total Liabilities	55,097,861	58,473,315
Net Position Restricted for Pension	$ 902,938,785	$ 828,595,118

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
ADDITIONS		
Investment Income:		
Net Appreciation/(Depreciation) in the Fair Value of Plan Investments	$ 106,307,302	$ (154,046,497)
Dividends and Interest	19,830,818	16,177,609
	126,138,120	(137,868,888)
Investment Expenses	(4,430,339)	(2,644,731)
Net Investment Income (Loss)	121,707,781	(140,513,619)
Contributions		
WSSC Water Contributions	27,623,278	27,437,417
Employee Contributions	5,000,633	4,913,386
Total Contributions	32,623,911	32,350,803
Total Additions	154,331,692	(108,162,816)
DEDUCTIONS		
Benefit Payments to Retirees and Refunds	77,575,414	74,111,603
Administrative Expenses	2,412,611	1,221,424
Total Deductions	79,988,025	75,333,027
Net Increase/(Decrease) in Net Position	74,343,667	(183,495,843)
Net Position Restricted for Pension		
Beginning of Year	828,595,118	1,012,090,961
End of Year	$ 902,938,785	$ 828,595,118

The accompanying notes are an integral part of these financial statements

NOTE A. DESCRIPTION OF PLAN

General

The Washington Suburban Sanitary Commission Employees' Retirement Plan (the Plan), a single employer contributory defined benefit retirement plan, was established in 1967 to provide retirement and death benefits for the employees of the WSSC Water under conditions set forth in the Plan Document based on an employee's age, length of service and compensation. The Retirement Plan Document is amended from time to time. As of December 31, 2023, the Plan was last amended in April 2019. The Plan may be amended by Commission resolution or by the Executive Director on behalf of the Commission.

WSSC Water implemented the Open Version of the Plan on July 1, 1978. Members of the Plan as of June 30, 1978 had an option to be included in the Open Version. This option expired December 31, 1978. The Open Version is mandatory for new employees. It generally provides for reduced employee contributions and benefits.

As of December 31, 2023, and 2022, there were 1,645 and 1,589 employees, respectively, participating in the Open Version of the Plan, and 3 and 3 employees, respectively, participating in the Closed Version of the Plan, a total of 1,648 and 1,592 employee participants, respectively.

As of December 31, 2023, and 2022, there were 1,720 and 1,693 retirees and/or beneficiaries, respectively, receiving benefits from the Plan, and there were 168 and 149 terminated vested employees, respectively, not yet receiving benefits. Sixteen and eleven employees retired in fiscal years 2023 and 2022, respectively, and began receiving benefits in subsequent fiscal years.

The Plan provides a review process for participants whose claim for benefits is denied. There were no reviews pending as of December 31, 2023 and 2022.

Contributions

The Plan requires employees under the Closed Version to contribute 6% of gross wages and employees under the Open Version to contribute 3% of gross wages as a condition of employment. WSSC Water contributions are determined through the budget process as recommended by the Executive Director annually based upon a level percentage of payroll costs based on the advice and recommendation of an Actuary based on generally accepted actuarial principles.

NOTE A. DESCRIPTION OF PLAN (Continued)

Expenses

WSSC Water pays the administrative expenses of the Plan, other than investment management, legal, and consulting fees. WSSC Water is reimbursed by the Plan for the paid administrative expenses per Plan amendment of July 2, 2019. As of December 31, 2023 and 2022, the Plan reimbursed WSSC Water of $2.4 million and $1.2 million, respectively, for paid administrative expenses.

Pension Benefits

The Plan provides for 100% vesting of retirement benefits after five years of credited service.

Generally, the normal retirement benefits payable to an eligible participant are equal to the sum of:

1. 2.1% of final average monthly compensation multiplied by the Closed Version credited service, plus

2. 1.4% of final average monthly compensation multiplied by the Open Version credited service where the sum of Closed Version credited service and Open Version credited service, exclusive of accumulated sick leave service is subject to a maximum of 36 years.

The Plan provides options for disability and early retirement to eligible participants or their surviving spouses.

The Plan provides for periodic cost of living increases to retirement benefits. Participants covered by the Closed Version will receive an increase two months following a sustained increase (over two consecutive months) in the Consumer Price Index of 3% or more. Participants in the Open Version receive an increase each March 1, based on the preceding calendar year's increase in the Consumer Price Index. The first increase may be pro-rated depending on the time of retirement.

Plan Termination

In the event of termination, Plan assets are to be allocated in the following priorities:

1. Expenses, fees and other charges under the Plan, not previously paid.
2. Pension benefits based upon contributions made by employees and interest earned thereon.
3. Pension benefits based upon contributions made by the employer which are vested.
4. All other pension benefits under the Plan.

NOTE A. DESCRIPTION OF PLAN (Continued)

Plan Governance
WSSC Water established a Board of Trustees (the “Board”) for the Plan to be responsible for the investment management of the Plan’s assets for the exclusive benefit of the Plan’s participants. The trustees are governed by a Trust Agreement. The agreement provides for trustees to be appointed by WSSC Water and for the eleven-member Board to be composed of two Commissioners, four employees who are participants of the Plan, two representatives of the public, two retirees who are participants in the Plan, and the Executive Director of the Plan.

The administration of the Plan is managed by the Executive Director of the Washington Suburban Sanitary Commission Employees’ Retirement Plan who is appointed by the General Manager of WSSC Water.

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.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements
The Plan categorize fair value measurements within the fair value hierarchy established by the Governmental Accounting Standards Board (GASB). 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.

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.

The Plan holds investment contracts with Empower/Prudential Financial. The fair value of these contracts is determined based on the fair value of the underlying pooled assets and is an estimate only and not the result of a 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 an offer by Empower/Prudential Financial or a final experience adjustment.

Net appreciation (depreciation) in the fair value of investments reflected in the Statement 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.

NOTE C. TAX STATUS

The Plan obtained its latest determination letter dated April 26, 2017, in which the Internal Revenue Services stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. Management believes the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code; therefore, the Plan was qualified, and the related Trust was tax exempt as of December 31, 2023 and 2022.

NOTE D. CASH AND CASH EQUIVALENTS

Custodial Credit Risk for deposits 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. The cash and cash equivalents consisted of short-term investments funds that were uninsured and uncollateralized. As of December 31, 2023 and 2022, the balance was $4.3 million and $3.2 million, respectively.

As of December 31, 2023, the weighted average maturity (WAM) for the Trust's Short Term Investments was 34 days. As of December 31, 2023 the rating for Short Term Investments was A1+ by Standard & Poors.

NOTE E. SECURITY LENDING

The Board of Trustees permits the Plan to lend its securities to broker-dealers and other entities (the "Borrowers") for collateral that will be returned for the same securities in the future. The Plan's custodian is the agent in lending the Plan's securities for collateral of 102 percent for domestic securities and 105 percent for international securities. The custodian receives cash, securities, or irrevocable bank letters of credit as collateral. All securities loans can be terminated on demand by either the Plan or the Borrowers. Cash collateral received from the Borrowers is invested by the lending agent, as an agent for the Plan, in a short-term investment pool in the name of the Plan, with guidelines approved by the Board. Such investments are considered a collateralized investment pool. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of securities loans made by other plan entities that invest cash collateral in the investment pool, and which the Plan cannot determine. The Plan records a liability for the return of the cash collateral shown as collateral held for securities lending in the Statements of Plan Net Position. The Board does not restrict the amount of loans the lending agent may make on its behalf. The agent indemnifies the Plan by agreeing to purchase replacement securities, or return the cash collateral thereof, in the event a Borrower fails to return loaned securities or pay distributions thereon.

As of December 31, 2023, and 2022, the fair value of securities on loan was $52.0 million and $55.9 million, respectively. Cash received as collateral and the related liability of $53.4 million and $57.3 million as of December 31, 2023 and 2022, respectively, are shown on the Statements of Fiduciary Net Position. Securities received as collateral are not reported as assets since the Plan does not have the ability to pledge or sell the collateral securities.

Securities lending revenues and expenses amounting to $3.0 million and $2.9 million, respectively, for the year ended December 31, 2023 and $1.0 million and $0.9 million, respectively, for the year ended December 31, 2022, have been classified with investment income and investment expenses, respectively, in the accompanying financial statements.

NOTE E. SECURITY LENDING (Continued)

The following represents the balances relating to the securities lending transactions as of December 31:

	2023		2022	
	Fair Value of Underlying Securities	Cash Collateral Investment Value	Fair Value of Underlying Securities	Cash Collateral Investment Value
Securities Loaned for Cash Collateral				
Corporate Bonds	$ 8,375,737	$ 8,586,482	$ 6,501,534	$ 6,670,552
Common Stock	39,987	40,928	5,304,230	5,445,760
U.S. Government & Agency Bonds	43,609,771	44,725,942	44,143,632	45,177,984
Total	$ 52,025,495	$ 53,353,352	$ 55,949,396	$ 57,294,296

The Plan is fully indemnified by its custodial bank against any losses incurred as a result of Borrower default.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2023 and 2022, there were no
funds held by a counterparty that was acting as the Plan's agent in securities lending transactions.

NOTE F. 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 most recent version of the policy was approved in July 2020 and contains long-term asset allocation ranges.

The primary objective of the investment policy is to assure that assets will be available to pay retirement 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.

NOTE F. INVESTMENTS (Continued)

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.

The Plan has a rebalancing policy, which allows the Executive Director and staff the flexibility to adjust assets classes for purposes of rebalancing without approval from the Board of Trustees.

As of December 31, 2023, and 2022, the Plan's long-term asset allocation ranges were as follows:

	2023			2022		
	Target%	**Actual%**	**Range %**	**Target%**	**Actual%**	**Range %**
U.S. Stocks	42.0%	44.2%	37-47%	42.0%	42.0%	37-47%
Non-U.S. Stocks	14.0%	16.9%	10-18%	14.0%	16.0%	10-18%
Emerging Markets Stocks	5.0%	5.1%	2-8%	5.0%	4.8%	2-8%
Total equity	61.0%	66.2%		61.0%	62.8%	
Fixed Income	27.0%	22.8%	23-31%	27.0%	27.2%	23-31%
Real Return Strategies	5.0%	4.7%	0-10%	5.0%	3.7%	0-10%
Real Estate	7.0%	6.3%	4-10%	7.0%	6.3%	4-10%
Total	100.0%	100.0%		100.0%	100.0%	

Money-Weighted Rate of Return

For the years ended December 31, 2023 and 2022, the annual money-weighted rate of return on Plan investments, net of investment expense, was 15.1% and -14.2% respectively. The money-weighted rate of return considers the changing amounts invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

NOTE F. INVESTMENTS (Continued)

The Plan has the following fair value measurements as of December 31, 2023 and 2022:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of December 31, 2023
Investments by fair value level:				
Fixed Income Securities:				
Government and Agency Bonds				
Domestic Bonds	$ -	$ 93,175,595	$ -	$ 93,175,595
Corporate Bonds and Securities				
Domestic Bonds and Securities	-	20,958,191	-	20,958,191
International Bonds and Securities	-	4,473,233	-	4,473,233
Common Stock:				
U.S. Stock	52,973,835	-	-	52,973,835
International Stock	-	862,889	-	862,889
Mutual Funds:				
U.S. Equity Funds	352,946,663	-	-	352,946,663
Non-U.S. Equity Funds	-	144,467,527	-	144,467,527
Limited partnership units	-	20,000	-	20,000
Other fixed holdings	-	447	-	447
	$ 405,920,498	$ 263,957,882	$ -	669,878,380
Investments carried at the Net Asset Value (NAV):				
Commingled funds				172,183,526
Stable Value funds				56,624,999
Total Investments				$ 898,686,905

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of December 31, 2022
Investments by fair value level:				
Fixed Income Securities:				
Government and Agency Bonds				
Domestic Bonds	$ -	$ 70,199,850	$ -	$ 70,199,850
Corporate Bonds and Securities				
Domestic Bonds and Securities	-	16,010,394	-	16,010,394
International Bonds and Securities	-	3,659,526	-	3,659,526
Common Stock:				
U.S. Stock	37,606,458	-	-	37,606,458
International Stock	-	1,027,232	-	1,027,232
Mutual Funds:				
U.S. Equity Funds	338,102,047	-	-	338,102,047
Non-U.S. Equity Funds	-	125,354,882	-	125,354,882
Limited partnership units	-	20,000	-	20,000
Other fixed holdings	-	1,477	-	1,477
	$ 375,708,505	$ 216,273,361	$ -	591,981,866
Investments carried at the Net Asset Value (NAV):				
Commingled funds				150,819,346
Stable Value funds				82,531,314
Total Investments				$ 825,332,526

NOTE F. INVESTMENTS (Continued)

Common stock and mutual funds classified in Level 1 of the fair value hierarchy are valued utilizing prices last quoted sales/bid prices provided by independent pricing vendors. U.S government and agency securities, municipal and corporate bonds, international common stocks, and mutual funds classified in Level 2 of the fair value hierarchy are valued utilizing a matrix pricing technique. Matrix pricing is utilized to value securities based on the securities' relationship to benchmark quoted prices.

Commingled funds consist of investments in three investments trusts, the objectives of these funds are to invest in a diversified portfolio of international equity securities for capital appreciation, approximate the performance of the Russell 1000 Value Index, and investing in a portfolio of equity securities of companies in developed and emerging markets. These investments are valued at the net asset value (NAV) of units of the commingled trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

The Empower/Prudential Guaranteed Deposit Fund is a stable value fund that invests in a broadly diversified, fixed-income portfolio. The portfolio is primarily invested in public bonds, commercial mortgages, and private placement bonds. The valuations are based on manager-provided net asset values located in monthly statements.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2023 and 2022 is presented on the following tables:

	December 31, 2023			
	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
MFS Low Volatility	$ 72,995,924	$ -	30 Days	30 Days
Empower/Prudential Guaranteed Deposit	56,624,999	-	Daily	Daily
State Street Global Advisor	54,505,413	-	Daily	Daily
Morgan Stanley Asset Management	44,682,189	-	Daily	Daily
	$ 228,808,525	$ -		

	December 31, 2022			
	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Empower/Prudential Guaranteed Deposit	$ 82,531,314	$ -	Daily	Daily
MFS Low Volatility	63,654,891	-	30 Days	30 Days
State Street Global Advisor	48,891,177	-	Daily	Daily
Morgan Stanley Asset Management	38,273,278	-	Daily	Daily
	$ 233,350,660	$ -		

NOTE F. INVESTMENTS (Continued)

Risks Common to Investments

The Plan's investments are subject to the following risks common to investments:

- Custodial Credit Risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name.

  The Plan's investments for fiscal year 2023 and 2022 are partially insured and registered in the Plan's name and are generally segregated by the counterparty in a manner to protect them from certain claims by creditors. The Plan also invests in mutual and commingled trust funds which are not generally exposed to custodial credit risks. As of December 31, 2023 and 2022, there were no investments subject to custodial credit risk. The Plan has no policy to address any additional amounts potentially at risk.

- Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan seeks to maintain a diversified portfolio of fixed income securities in order to obtain the highest total return at an acceptable level of risk. As of December 31, 2023, and 2022, the quality ratings of the Plan's fixed income investments in U.S. Government obligations and corporate bonds were as follows.

	2023		2022	
Fiscal Year Quality Rating	**Fair Value**	**Percentage of Total**	**Fair Value**	**Percentage of Total**
U.S Government and Agency Bonds:				
AAA/AA/A-	$ 85,924,406	72.44%	$ 65,121,819	72.46%
Unrated	7,251,189	6.11%	5,078,031	5.65%
	93,175,595	78.56%	70,199,850	78.11%
Corporate Bonds:				
AAA	1,571,538	1.32%	219,186	0.25%
AA	-	-	119,185	0.13%
AA-	229,268	0.19%	236,781	0.26%
A+	755,013	0.64%	913,575	1.02%
A	1,427,047	1.20%	1,167,806	1.30%
A-	6,008,983	5.07%	3,604,237	4.01%
BBB+	4,187,994	3.53%	3,382,276	3.76%
BBB	5,107,242	4.31%	3,746,134	4.17%
BBB-	3,001,553	2.53%	2,751,880	3.06%
BB+	36,076	0.03%	-	0.00%
BB	-	-	52,610	0.06%
CCC+	31,010	0.03%	-	0.00%
Unrated	3,075,700	2.59%	3,476,250	3.87%
Total Corporate Bonds	25,431,424	21.44%	19,669,920	21.89%
Total	$ 118,607,019	100.00%	$ 89,869,770	100.00%

NOTE F. INVESTMENTS (Continued)

- Certain mutual funds of the Plan maintain investments that include fixed income securities, such as, the Vanguard High Yield Corporate Fund (Vanguard). As of December 31, 2023, and 2022, the ratings of the underlying securities of the Vanguard Fund were AAA/BBB/BB/B/Below B. The other mutual funds were equity-based, and the investment contracts were unrated. The Plan has no policy to address any additional amounts potentially at risk.

- Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's fixed income investments by maturity:

As of December 31, 2023

		Remaining Maturities (In Months)			
Investment Type	**Total**	**12 Months Or Less**	**13 to 24 Months**	**25 - 60 Months**	**More Than 60 Months**
U.S. Government and Agency bonds:					
Mortgage-backed securities	$ 28,072,635	$ 370,081	$ 57,575	$ 9,580,180	$ 18,064,799
U.S. Treasury Notes	65,102,960	7,078,134	7,493,780	25,212,220	25,318,826
Corporate bonds	25,431,424	600,824	2,470,416	8,271,634	14,088,550
	$118,607,019	$ 8,049,039	$ 10,021,771	$ 43,064,034	$ 57,472,175

As of December 31, 2022

		Remaining Maturities (In Months)			
Investment Type	**Total**	**12 Months Or Less**	**13 to 24 Months**	**25 - 60 Months**	**More Than 60 Months**
U.S. Government and Agency bonds:					
Mortgage-backed securities	$ 13,278,190	$ 689	$ 131,869	$ 2,760,253	$ 10,385,379
U.S. Treasury Notes	56,921,660	4,317,328	12,472,348	20,966,739	19,165,245
Corporate bonds	19,669,920	259,217	693,880	5,982,753	12,734,070
	$ 89,869,770	$ 4,577,234	$ 13,298,097	$ 29,709,745	$ 42,284,694

The mortgage-back securities listed above are considered highly sensitive to interest rate risk. The Plan has no policy to address any additional amounts potentially at risk.

NOTE F. INVESTMENTS (Continued)

- 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 non-U.S. securities. As of December 31, 2023, and 2022, the Plan held no investments in foreign currency denominations, however the following mutual and/or comingled funds contained underlying foreign related investments as follows:

	2023	2022
Dodge & Cox Global Stock	$ 78,743,342	$ 65,479,075
MFS Low Volatility	72,995,924	63,654,891
Dimensional Fund Advisors	46,267,626	39,719,647
Morgan Stanley Investment Management International Equity Trust	44,682,189	38,273,278
Fidelity International Index	39,739,672	33,590,118
Vanguard Global EX-US R/E Index Fund	19,561,018	18,388,872
Total	$ 301,989,771	$ 259,105,881

- Concentration Risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The following investments represent 5 percent or more of the Plan's net position as of December 31:

	2023	2022
Vanguard Total Stock Market Index Fund	$ 138,795,022	$ 130,900,960
Dodge & Cox Global Stock	78,743,342	65,479,075
MFS Low Volatility Global Equity Fund	72,995,924	63,654,891
William Blair/Investment Counselors of Maryland	71,227,801	64,189,888
Vanguard High Yield Corporate Fund	65,281,513	77,385,680
State Street Global Advisors	54,505,413	48,891,177
Dimensional Fund Advisors	46,267,626	39,719,647
Morgan Stanley Investment Management International Equity Trust	44,682,189	38,273,278
Total	$ 572,498,830	$ 528,494,596

For U.S. Government or Agency securities, investment managers invest no more than 7 percent of their portion of Plan assets, at cost, and no more than 10 percent at market, in securities of any one issuer or its subsidiaries or affiliates.

NOTE G. RISKS AND UNCERTAINTIES

The Plan invests in various 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 that such change could materially affect the amounts reported in the statements of plan net position.

NOTE H. RELATED-PARTY TRANSACTIONS

An affiliate of the Plan's custodian, Northern Trust Asset Management, became an investment manager for the Plan in fiscal year 2014. As of December 31, 2023, funds managed totaled $78.5 million, and were comprised of cash equivalents and investments of $2.5 million and $76.0 million, respectively. For the year ended December 31, 2023, the Plan incurred $111,572 in management fees with this investment manager.

As of December 31, 2022, funds managed totaled $59.7 million, and were comprised of cash equivalents and investments of $1.0 million and $58.7 million, respectively. For the year ended December 31, 2022, the Plan incurred approximately $110,511 in management fees with this investment manager.

NOTE I. NET PENSION LIABILITY OF WSSC WATER

Plan assets (Fiduciary Net Position) are measured as of December 31, 2023 and 2022. The total Pension Liability (TPL) were based on an actuarial valuation as of June 30, 2023 and 2022, with adjustments made for the half-year difference. Adjustments include service cost, interest on total pension liability, and expected benefit payments during the half-year. The Net Pension Liability (NPL) is established as the difference between the total Pension Liability and the Plan Fiduciary Net Position.

The components of the net pension liability of WSSC Water as of December 31, 2023 and 2022 were as follows:

	2023	2022
Total Pension Liability	$1,106,445,024	$1,082,194,985
Plan Fiduciary Net Position	(902,938,785)	(828,595,118)
WSSC Water's Net Pension Liability	$ 203,506,239	$ 253,599,867
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.6%	76.6%

Actuarial assumptions

The total pension liability as of June 30, 2023 and 2022 was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included the measurement:

	2023	2022
Inflation	2.50%	2.50%
Salary increases	2.75% to 7.50%	2.75% to 7.50%
Investment rate of return	7.00%	7.00%

NOTE I. NET PENSION LIABILITY OF WSSC WATER (continued)

Mortality rates applicable to 2023 and 2022 were based on the Pub-2010(B) Mortality Tables for Males and Females, projected on a generational basis using Scale SSA. A 109% adjustment factor is applied to female mortality rates. The actuarial assumptions used in the June 30, 2023 and 2022 valuations were based on the results of an actuarial experience analysis covering 2015 through 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan 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 adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation and the final investment return assumption, and are summarized in the following table:

	2023	Approximate Portfolio Allocation	2022	Approximate Portfolio Allocation
Asset class:				
U.S. Equity	6.25%	42.00%	5.90%	42.00%
Non-U.S. Equity	6.50%	19.00%	6.50%	19.00%
U.S. Fixed Income	2.05%	32.00%	2.00%	32.00%
Real Estate	4.85%	7.00%	4.50%	7.00%
Total Weighted Average Real Return	4.86%	100.00%	4.67%	100.00%
Plus Inflation	2.50%		2.50%	
Total Return without Adjustment	7.36%		7.17%	
Risk Adjustment	-0.36%		-0.17%	
Total Expected Return	7.00%		7.00%	

NOTE I. NET PENSION LIABILITY OF WSSC WATER (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of December 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00% for 2023 and 2022, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	2023		
	1% Decrease 6.00%	**Current Discount Rate 7.00%**	**1% Increase 8.00%**
Net pension liability (2023)	$ 320,603,287	$ 203,506,239	$ 103,440,415

	2022		
	1% Decrease 6.00%	**Current Discount Rate 7.00%**	**1% Increase 8.00%**
Net pension liability (2022)	$ 370,890,990	$ 253,599,867	$ 103,126,610

NOTE I. NET PENSION LIABILITY OF WSSC WATER (Continued)

The Plan's change in total pension liability, plan fiduciary net position and net pension liability are presented below:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of December 2021	$ 1,036,772,230	$ 1,012,090,961	$ 24,681,269
Service cost	11,802,308	-	11,802,308
Interest on total pension liability	70,850,182	-	70,850,182
Difference between expected and actual experience	36,881,868	-	36,881,868
Changes in assumptions	-	-	-
Benefit payments, including refunds of contributions	(74,111,603)	(74,111,603)	-
Administrative expenses	-	(1,221,424)	1,221,424
Employer contributions	-	27,437,417	(27,437,417)
Member contributions	-	4,913,386	(4,913,386)
Investment income net of investment expenses	-	(140,513,619)	140,513,619
Net Change	45,422,755	(183,495,843)	228,918,598
Balance as of December 2022	1,082,194,985	828,595,118	253,599,867
Service cost	11,749,472	-	11,749,472
Interest on total pension liability	73,906,894	-	73,906,894
Difference between expected and actual experience	16,169,087	-	16,169,087
Changes in assumptions	-	-	-
Benefit payments, including refunds of contributions	(77,575,414)	(77,575,414)	-
Administrative expenses	-	(2,412,611)	2,412,611
Employer contributions	-	27,623,278	(27,623,278)
Member contributions	-	5,000,633	(5,000,633)
Investment income net of investment expenses	-	121,707,781	(121,707,781)
Net Change	24,250,039	74,343,667	(50,093,628)
Balance as of December 2023	$ 1,106,445,024	$ 902,938,785	$ 203,506,239

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2023	*2022*	*2021*	*2020*	*2019*	*2018*	*2017*	*2016*	*2015*	*2014*
Total Pension Liability:										
Service cost	$ 11,749,472	$ 11,802,308	$ 12,356,027	$ 12,537,197	$ 11,958,124	$ 11,557,550	$ 10,744,774	$ 10,576,413	$ 9,828,010	$ 11,098,519
Interest on total pension liability	73,906,894	70,850,182	69,865,901	67,260,129	66,286,257	65,379,327	63,199,824	61,935,402	61,611,259	67,317,785
Difference between expected and actual experience	16,169,087	36,881,868	3,463,213	2,389,307	(1,762,139)	16,447,791	3,474,382	(10,448,960)	(53,390,196)	(8,657,936)
Changes in assumptions	-	-	-	22,472,183	-	-	-	-	32,257,956	-
Benefit payments, including refunds of contributions	(77,575,414)	(74,111,603)	(68,130,068)	(66,403,809)	(63,732,796)	(61,533,446)	(58,642,039)	(57,554,539)	(56,672,851)	(54,934,361)
Net change in pension liability	24,250,039	45,422,755	17,555,073	38,255,007	12,749,446	31,851,222	18,776,941	4,508,316	(6,365,822)	14,824,007
Total pension liability, beginning of the year	1,082,194,985	1,036,772,230	1,019,217,157	980,962,150	968,212,704	936,361,482	917,584,541	913,076,225	919,442,047	904,618,040
Total pension liability, end of year (a)	1,106,445,024	1,082,194,985	1,036,772,230	1,019,217,157	980,962,150	968,212,704	936,361,482	917,584,541	913,076,225	919,442,047
Plan Fiduciary Net Pension:										
Employer contributions	27,623,278	27,437,417	38,242,914	16,412,238	26,524,110	25,479,895	24,193,214	22,606,529	22,346,849	20,965,016
Member contributions	5,000,633	4,913,386	4,680,969	4,928,727	4,945,638	4,150,303	5,290,757	4,213,793	3,930,364	3,823,065
Investment income net of investment expenses	121,707,781	(140,513,619)	140,452,522	82,671,915	151,804,808	(60,337,268)	118,185,475	61,943,796	(10,371,883)	37,575,770
Benefit payments	(77,575,414)	(74,111,603)	(68,130,068)	(66,403,809)	(63,732,796)	(61,533,446)	(58,642,039)	(57,554,539)	(56,672,851)	(54,934,361)
*Administrative expenses	(2,412,611)	(1,221,424)	(759,672)	(692,384)	(438,993)	-	-	-	-	-
Other	-	-	-	-	-	-	-	(91,655)		-
Net change in plan fiduciary position	74,343,667	(183,495,843)	114,486,665	36,916,687	119,102,767	(92,240,516)	89,027,407	31,117,924	(40,767,521)	7,429,490
Plan Fiduciary Net Position - Beginning of the Year	828,595,118	1,012,090,961	897,604,296	860,687,609	741,584,842	833,825,358	744,797,951	713,680,027	754,447,548	747,018,058
Plan Fiduciary Net Position - End of Year (b)	902,938,785	828,595,118	1,012,090,961	897,604,296	860,687,609	741,584,842	833,825,358	744,797,951	713,680,027	754,447,548
Net Pension Liability - Beginning of Year	253,599,867	24,681,269	121,612,861	120,274,541	226,627,862	102,536,124	172,786,590	199,396,198	164,994,499	157,599,982
Net Pension Liability - End of Year (a-b)	$ 203,506,239	$ 253,599,867	$ 24,681,269	$ 121,612,861	$ 120,274,541	$ 226,627,862	$ 102,536,124	$ 172,786,590	$ 199,396,198	$ 164,994,499
Plan Fiduciary Net Position as a percentage of Total Pension Liability	81.6%	76.6%	97.6%	88.1%	87.7%	76.6%	89.0%	81.2%	78.2%	82.1%
Covered Payroll	$ 163,451,349	$ 162,351,580	$ 157,298,504	$ 156,959,534	$ 156,947,396	$ 150,768,609	$ 143,155,101	$ 133,766,444	$ 132,229,882	$ 124,053,349
Net Pension Liability as a percentage of Covered Payroll	124.5%	156.2%	15.7%	77.5%	76.6%	150.3%	71.6%	129.2%	150.8%	133.0%
Average Future Working Lifetime (years)	6	6	6	6	6	6	6	6	6	9

**Administrative expenses are paid directly by WSSC Water and reimbursed by the Plan.*

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit changes – There have been no changes in benefit assumptions since the implementation of GASB 67.

Changes in assumptions – There were no changes in actuarial assumptions since the prior year.

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2014	$ 25,745,448	$ 20,965,016	$ 4,780,432	$ 124,053,349	16.9%
2015	20,100,358	22,346,850	(2,246,492)	132,229,882	16.9%
2016	18,393,733	22,606,529	(4,212,796)	133,766,444	16.9%
2017	18,591,764	24,193,212	(5,601,448)	143,155,101	16.9%
2018	18,232,265	25,479,895	(7,247,630)	150,768,609	16.9%
2019	21,183,914	26,524,110	(5,340,196)	156,947,396	16.9%
2020	21,718,200	16,412,238	5,305,962	156,959,534	10.5%
2021	26,140,256	38,242,914	(12,102,658)	157,298,504	24.3%
2022	23,112,103	27,437,417	(4,325,314)	162,351,580	16.9%
2023	25,596,030	27,623,278	(2,027,248)	163,451,349	16.9%

Notes to Schedule of Contributions:

Valuation date:

Actuarially determined contribution rates are calculated as of July 1st of the fiscal year in which the contributions are reported. WSSC Water's policy is to complete an actuarial study at least once every two years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (funding valuation uses a fixed rate of contribution)
Inflation	2.50%
Salary increases	2.75 to 7.50 % including inflation
Investment rate of return	7.0% net of pension plan investment expenses, including inflation
Cost of living adjustments	2.50%
Retirement age	Table of rates by age and eligibility
Mortality	Mortality rates were based on the Pub-2010(B) Mortality Tables for Males and Females, projected on a generational basis using Scale SSA. A 109% adjustment factor is applied to female mortality rates. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience analysis covering 2015 through 2020.

WASHINGTON SUBURBAN SANITARY COMMISSION
EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF INVESTMENT RETURNS

Year Ended December 31,	Net Money-weighted Rate of Return (%)
2014	5.2
2015	-1.4
2016	9.5
2017	16.2
2018	-7.4
2019	20.9
2020	9.9
2021	15.9
2022	-14.2
2023	15.1

This schedule is presented to illustrate the requirement to show information for 10 years.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Commissioners and Board of Trustees
Washington Suburban Sanitary Commission
Employees' Retirement Plan
Laurel, Maryland

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Washington Suburban Sanitary Commission's Employees' Retirement Plan (the Plan), a component unit of the Washington Suburban Sanitary Commission, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated July 18, 2024.

Report on Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal controls over financial reporting (internal controls) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal controls.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
July 18, 2024

SB & Company, LLC