

Inside Town Finances

Volume 12: Long-Term Liabilities

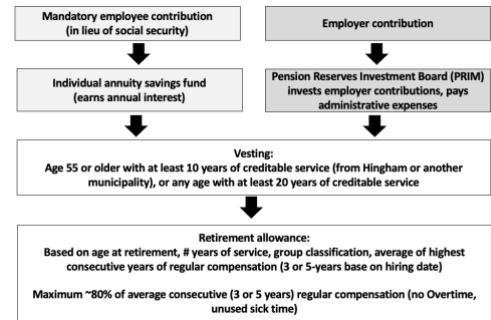
What are Hingham's long-term liabilities?

Hingham has two long-term liabilities: **Post Retirement/Pension benefits** and **Other Post-Employment Benefits, also known as OPEB**. All permanent employees, excluding teachers and school administrators (who are part of the MA Teachers' Retirement system) are eligible to receive a pension allowance from the Town. In addition, all employees who are eligible to retire from the Town of Hingham may have 50% of their health-care costs paid by the Town, if they have enrolled in a Town-sponsored health-care plan.

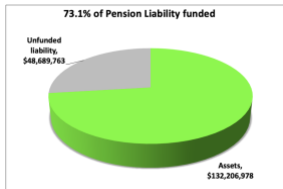
Each year, as part of the Article 6 budget, long-term liabilities are funded in accordance with a multi-year funding schedule in order not to burden future generations with disproportionately large financial obligations.

How does the contributory retirement plan work?

The chart to the right provides detail of the contributory retirement plan. Both employees and the Town make contributions, which are invested by the Pension Reserves Investment Board. Vesting occurs based on age and years of service. Upon retirement, an allowance is calculated based on an employee's age at retirement, number of years of service, group classification (e.g., police, administration), and compensation.



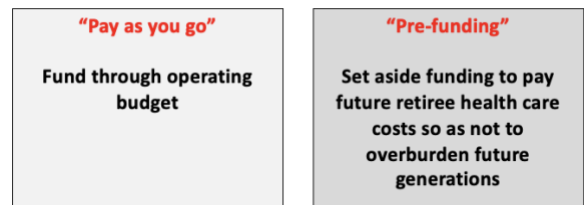
What is Hingham's pension liability?



As of June 30, 2020, Hingham's pension plan had over \$132 million in assets. Based on the latest actuarial analysis (which is updated every two years), the Town's total pension liability is \$181 million, leaving an unfunded liability of \$49 million. Expressed another way, 73.1% of the Town's pension liability is currently funded. According to the latest actuarial analysis and funding schedule, our pension liability should be fully funded by 2035.

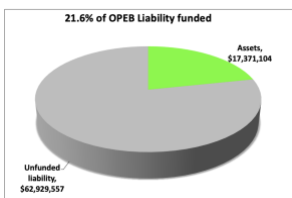
How is Hingham funding its OPEB liability?

Historically, Hingham (like most government entities) paid retiree health-care costs as they were incurred ("pay as you go"). Given the rate of growth of this liability due to rising health-care costs, in 2008, Hingham established an OPEB Trust Fund to pre-fund a portion of this liability. We believe that it is our obligation to ensure Hingham can make all projected future benefit payments for current plan members. Hingham was one of the first MA municipalities to establish and regularly contribute to this Trust Fund, and we are far ahead of comparable towns in funding this obligation. Since FY2009, Hingham has funded its OPEB liability through a combination of "pay as you go" and annual contributions to the OPEB Trust Fund.



Hingham established an OPEB Trust in 2008 and began pre-funding this liability in FY2009

What is Hingham's OPEB liability?



As of June 30, 2020, Hingham's OPEB Trust Fund had just over \$17 million in assets. Based on the latest actuarial analysis (which is updated every two years), the Town's total OPEB liability is just over \$80 million, leaving an unfunded liability of \$63 million. In other words, 21.6% of the Town's OPEB liability is currently funded.