

Inside Town Finances

Volume 12: Long-Term Liabilities

What are Hingham’s long-term liabilities?

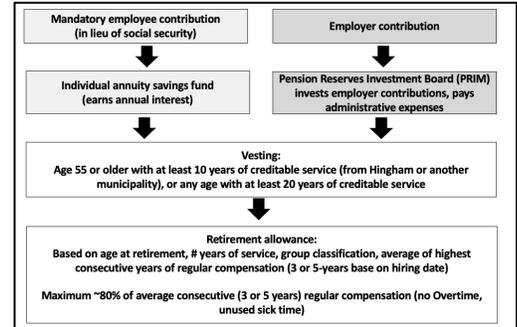
Hingham has two long-term liabilities: Post Retirement/Pension benefits and Other Post-Employment Benefits, also known as OPEB. All permanent employees, excluding teachers and school administrators (who are part of the MA Teachers’ Retirement system) are eligible to receive a pension allowance from the 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?

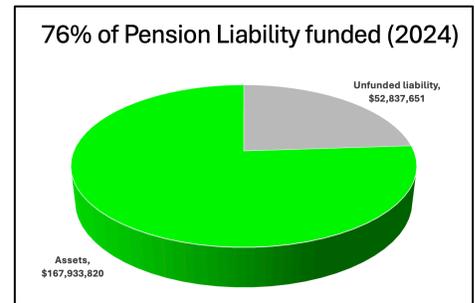
The chart to the right provides detail of the contributory retirement plan. Both employees and the Town make contributions, which are invested by the Pension Reserves Investment Board. Vesting occurs based on age and years of service.

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.



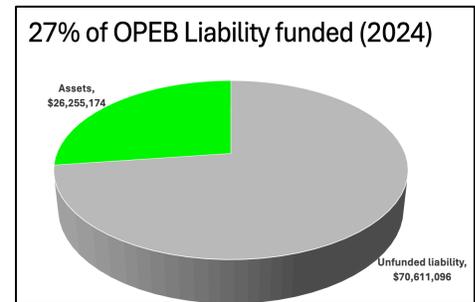
What is Hingham’s pension liability?

According to the Town of Hingham Annual Comprehensive Financial Report dated June 30, 2024, Hingham’s pension plan had approximately \$168 million in assets. Based on the latest actuarial analysis (which is updated every two years), the Town’s total pension liability is \$221 million, leaving an unfunded liability of \$53 million. Expressed another way, 76% of the Town’s pension liability is currently funded. According to the latest actuarial analysis and funding schedule, Hingham’s 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. Since FY2009, Hingham has funded its OPEB liability through a combination of “pay as you go” and annual contributions to the OPEB Trust Fund.



What is Hingham’s OPEB liability?

According to the Town of Hingham Annual Comprehensive Financial Report dated June 30, 2024, Hingham’s OPEB Trust Fund had just over \$26 million in assets. Assuming the Town continues to fund 50% of health care costs and based on the Town’s latest actuarial analysis (which is updated every two years), the Town’s total OPEB liability is approximately \$97 million, leaving an unfunded liability of \$71 million. In other words, 27% of the Town’s OPEB liability is currently funded. According to the latest actuarial analysis and funding schedule, Hingham’s OPEB liability should be fully funded by 2041.