PERAC AUDIT REPORT

Hingham
Contributory Retirement System

JAN. 1, 2006 - DEC. 31, 2008

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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February 19, 2010

The Public Employee Retirement Administration Commission has completed an examination of the Hingham Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2008. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Martin J. Feeney and John J. Shea who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

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EXPLANATION OF FINDINGS AND RECOMMENDATIONS

Board Member Attendance and System Administration:
One Board member missed 33% of the Board meetings in 2006 and 25% of the Board meetings held in 2008. Through July 2009 this member has missed 38% of the Board meetings. Another Board member missed 25% of the Board meetings held in 2006 and 25% of the Board meetings held in 2008. Attendance issues by Board members were cited in the prior audit. Participation in Board meetings via conference call is not considered as qualified member attendance for the purpose of determining the absentee rates cited in this finding.

In addition, we noted that a Board member participating at a meeting by conference call was recorded as seconding a motion initiated by another member.

Recommendation: Attendance at Board meetings is an obligation that must be fulfilled by all Board members. The Board should consider adjusting the scheduling of Board meetings in order to better accommodate its members. Participation by conference call may be permitted, however; it does not qualify toward a quorum, nor is voting or seconding motions by conference call allowed. It is the Board's responsibility to inform members who do not regularly attend meetings that they jeopardize their fiduciary duty to the retirement system. In extreme conditions, it may be necessary to take appropriate action with members who fail to maintain minimum attendance requirements.

Board Response:
The Board will comply with PERAC's recommendation. If a member is unable to attend a board meeting, the staff will make every attempt to adjust the meeting schedule in order to accommodate the member. If a member is out of state, a conference call will be placed to that member so that they may participate in the board meeting. We understand that it does not qualify as a quorum, nor is voting or seconding motions by conference call allowed. Members of the Hingham Retirement Board take their fiduciary responsibility very seriously and will take the appropriate action necessary.

FINAL DETERMINATION:
PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2008	2007	2006
Net Assets Available For Benefits:			
Cash	$308,668	$217,057	$518,479
PRIT Cash Fund	123	50,778	0
PRIT Core Fund	56,291,230	81,536,837	70,132,045
Accounts Receivable	45,555	66,632	1,327,759
Accounts Payable	(9,275)	(1,690)	(2,544)
Total	$56,636,302	$81,869,614	$71,975,740
Fund Balances:			
Annuity Savings Fund	$17,747,144	$16,394,814	$15,329,633
Annuity Reserve Fund	4,729,725	5,178,100	5,027,330
Pension Fund	179,207	443,441	995,234
Military Service Fund	18,821	11,349	11,281
Expense Fund	0	0	0
Pension Reserve Fund	33,961,406	59,841,909	50,612,261
Total	$56,636,302	$81,869,614	$71,975,740

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2006)	$14,210,182	$5,250,283	($1,037,287)	$9,777	$0	$44,278,244	$62,711,198
Receipts	1,831,013	151,244	3,250,297	1,505	467,420	9,523,947	15,225,426
Interfund Transfers	(323,857)	323,857	3,189,930	0	0	(3,189,930)	0
Disbursements	(387,705)	(698,054)	(4,407,706)	0	(467,420)	0	(5,960,885)
Ending Balance (2006)	15,329,633	5,027,330	995,234	11,281	0	50,612,261	71,975,740
Receipts	2,009,699	149,710	3,263,320	68	525,425	9,920,900	15,869,123
Interfund Transfers	(736,754)	740,023	687,983	0	0	(691,253)	0
Disbursements	(207,765)	(738,963)	(4,503,096)	0	(525,425)	0	(5,975,248)
Ending Balance (2007)	16,394,814	5,178,100	443,441	11,349	0	59,841,909	81,869,614
Receipts	2,132,874	145,500	3,101,064	7,472	485,928	(24,579,630)	(18,706,792)
Interfund Transfers	(278,667)	278,667	1,300,873	0	0	(1,300,873)	0
Disbursements	(501,878)	(872,542)	(4,666,172)	0	(485,928)	0	(6,526,520)
Ending Balance (2008)	$17,747,144	$4,729,725	$179,207	$18,821	$0	$33,961,406	$56,636,302

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Members Deductions	$1,974,427	$1,766,390	$1,668,577
Transfers from Other Systems	0	106,401	21,742
Member Make Up Payments and Re-deposits	57,713	36,573	48,502
Member Payments from Rollovers	4,578	11,019	9,030
Investment Income Credited to Member Accounts	96,156	89,317	83,162
Sub Total	2,132,874	2,009,699	1,831,013
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	145,500	149,710	151,244
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	121,655	111,058	144,112
Received from Commonwealth for COLA and Survivor Benefits	150,917	127,806	150,483
Pension Fund Appropriation	2,828,493	3,024,456	2,955,703
Sub Total	3,101,064	3,263,320	3,250,297
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	7,404	0	1,446
Investment Income Credited to the Military Service Fund	68	68	59
Sub Total	7,472	68	1,505
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	485,928	525,425	467,420
Sub Total	485,928	525,425	467,420
Pension Reserve Fund:			
Federal Grant Reimbursement	33,640	36,080	0
Pension Reserve Appropriation	0	2,128,216	0
Interest Not Refunded	1,843	4,699	2,780
Miscellaneous Income	1,868	0	0
Excess Investment Income (Loss)	(24,616,981)	7,751,906	9,521,167
Sub Total	(24,579,630)	9,920,900	9,523,947
Total Receipts	($18,706,792)	$15,869,123	$15,225,426

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Refunds to Members	$240,271	$135,616	$202,442
Transfers to Other Systems	261,607	72,148	185,263
Sub Total	501,878	207,765	387,705
Annuity Reserve Fund:			
Annuities Paid	872,542	719,198	685,804
Option B Refunds	0	19,765	12,249
Sub Total	872,542	738,963	698,054
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	3,460,129	3,358,045	3,209,790
Survivorship Payments	153,985	185,977	166,514
Ordinary Disability Payments	74,182	69,320	89,887
Accidental Disability Payments	372,126	406,939	444,242
Accidental Death Payments	328,827	208,503	219,757
Section 101 Benefits	15,141	14,690	14,594
3 (8) (c) Reimbursements to Other Systems	117,907	114,047	115,943
State Reimbursable COLA's Paid	143,876	145,576	146,979
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	4,666,172	4,503,096	4,407,706
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	0	0	0
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	66,546	45,479	41,936
Legal Expenses	4,588	4,160	3,180
Medical Expenses	0	0	0
Travel Expenses	977	1,563	975
Administrative Expenses	35,267	29,484	26,690
Furniture and Equipment	609	139	0
Management Fees	345,590	402,597	379,984
Service Contracts	28,211	37,990	10,991
Fiduciary Insurance	4,140	4,013	3,664
Sub Total	485,928	525,425	467,420
Total Disbursements	$6,526,520	$5,975,248	$5,960,885

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31, 2008	2007	2006
Investment Income Received From:			
Cash	$6,342	$6,475	$1,425
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	2,450,719	2,516,640	2,187,651
Commission Recapture	0	0	0
Total Investment Income	2,457,061	2,523,115	2,189,076
Plus:			
Realized Gains	908,671	6,118,533	4,464,631
Unrealized Gains	3,952,052	6,073,445	6,040,602
Interest Due and Accrued-Current Year	0	0	0
Sub Total	4,860,723	12,191,977	10,505,233
Less:			
Paid Accrued Interest	0	0	0
Realized Loss	(5,076,212)	0	0
Unrealized Loss	(26,130,902)	(6,198,666)	(2,471,257)
Interest Due and Accrued Securities- Prior Year	0	0	0
Sub Total	(31,207,113)	(6,198,666)	(2,471,257)
Net Investment Income (Loss)	(23,889,329)	8,516,426	10,223,052
Income Required:			
Annuity Savings Fund	96,156	89,317	83,162
Annuity Reserve Fund	145,500	149,710	151,244
Military Service Fund	68	68	59
Expense Fund	485,928	525,425	467,420
Total Income Required	727,652	764,520	701,884
Net Investment Income (Loss)	(23,889,329)	8,516,426	10,223,052
Less: Total Income Required	727,652	764,520	701,884
Excess Income (Loss) to the Pension Reserve Fund	($24,616,981)	$7,751,906	$9,521,167

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2008		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	$308,668	0.55%	100%
PRIT Cash Fund	123	0.0%	100%
PRIT Core Fund	56,291,230	99.5%	100%
Grand Total	$56,600,021	100.0%	

For the year ending December 31, 2008, the rate of return for the investments of the Hingham Retirement System was -29.39%. For the five-year period ending December 31, 2008, the rate of return for the investments of the Hingham Retirement System averaged 3.56%. For the twenty-four year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Hingham Retirement System was 9.04%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Hingham Retirement System has no supplemental investment regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Hingham Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of $30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age".

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of $708.60 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of $100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of $6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is $3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of $1,440 per year for the first child, and $1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first $12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Hingham Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

December 2, 2005

Membership

The following regulation is applicable to and mandatory for all current and future employees of the Town of Hingham, Hingham Municipal Light Plant, Hingham Housing Authority and the Hingham School Department, excluding School Department employees who are eligible for membership in the Massachusetts Teacher's Retirement System:

Employees regularly scheduled to work twenty (20) or more hours per week shall join the Hingham Contributory Retirement System.

Employees working part-time and/or less than twenty (20) hours per week are not eligible to join the Hingham Contributory Retirement System.

Part-time seasonal, part-time temporary and/or part-time intermittent employees are not eligible for membership in the Hingham Contributory Retirement System.

Any active or inactive member who becomes a temporary, intermittent, or seasonal employee shall continue to be a member of the Retirement System.

Membership date will be based upon commencement of regularly scheduled twenty (20) hours or more of service to the member units.

Creditable Service

The following regulation is applicable to and mandatory for all current and future employees of the Town of Hingham, Hingham Municipal Light Plant, Hingham Housing Authority and the Hingham School Department, excluding School Department employees who are eligible for membership in the Massachusetts Teacher's Retirement System:

All full-time/part-time employees having been regularly scheduled and worked twenty (20) or more hours per week will receive one month of creditable service for each full calendar month in which the employee is receiving regular compensation for said service.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

In addition, Hingham School Department employees whose employment requires them to work only 10 months (September 1 - June 30), shall receive one month of creditable service for each full month the employee received regular compensation, with 10 months being the equivalent of one year of creditable service. Said employees shall be granted one (1) full year of service credit if they return to that position the following September. They shall be granted credit only for the months worked if they do not return after summer break.

Buybacks/Make-Ups/Re-Deposits

The following regulation is applicable to and mandatory for all current and future employees of the Town of Hingham, Hingham Municipal Light Plant, Hingham Housing Authority and the Hingham School Department, excluding School Department employees who are eligible for membership in the Massachusetts Teacher's Retirement System:

Creditable service may be purchased one of three ways:
1. Lump sum payment.
2. Three equal payments distributed over three (3) consecutive months.
3. Via payroll deductions paid over a period not to exceed five (5) years.

Creditable Service buyback payments must commence within 30 days of the date of acceptance by the Board. Regular interest (1/2 of the actuarial assumed interest rate) will accrue on any principal balance remaining on December 31st of each calendar year.

Creditable service for the purposes of buybacks will be calculated based upon the following (per calendar year):

Less than one (1) month No creditable service
One (1) month to eleven (11) months Month for month

Twelve (12) months One (1) year
One (1) year of credit for ten (10) months of service may only be granted for school employees whose work schedule is the academic school year.

When purchasing prior part-time service, if wage and/or salary documentation cannot be obtained, a W-2 form shall be supplied by the applicant. If the applicant cannot supply a W-2 form, he/she can request a hearing before the Retirement Board.

For the purpose of calculating buyback "months", the Hingham Contributory Retirement System will review the period of part-time service and will allow a month for each calendar month wherein an average of twenty (20) hours or more per week of service was provided to the member unit. No partial month creditable service will be granted.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

For the purpose of calculating buyback "months" for a member whose work schedule is the academic school year, the Hingham Contributory Retirement System will pro-rate full months of service using the number of full months of actual service as determined above, divided by the ten (10) months of the academic school year. The quotient will then be multiplied by twelve (12) to determine the number of months of creditable service to be allowed under the buyback.

Employees may buyback their three (3) month probation period in accordance with and subject to applicable laws and regulations.

Upon written request, and proper documentation of prior service, reserve or permanent-intermittent police officers who were on the respective list, eligible for assignment to duty and subsequently appointed to the Hingham Police Department as a permanent full-time employee, shall be credited as full-time service up to a maximum of five (5) years without repayment to the System in accordance with M.G.L c. 32 §4(2)(b).

Upon written request, and proper documentation of prior service, permanent-intermittent or call firefighters who were on the respective list, eligible for assignment to duty and subsequently appointed to the Hingham Fire Department as a permanent full-time, employee may purchase as full-time service up to a maximum of five (5) years in accordance with M.G.L c. 32 §4(2)(b).

Military Service Buyback

The following regulation is applicable to and mandatory for all current and future employees of the Town of Hingham, Hingham Municipal Light Plant, Hingham Housing Authority and the Hingham School Department, excluding School Department employees who are eligible for membership in the Massachusetts Teacher's Retirement System:

Employees who qualify as a "veteran" under G.L. c. 32, §4(1)(h) can purchase up to four (4) years of active service in the Armed Forces of the United States which will be added to their creditable service as a member of the Retirement System.

Any member who is a veteran must, within one hundred and eighty (180) days of being notified by the Hingham Retirement Board of his/her eligibility to purchase past service rendered in the armed forces of the United States, make application to purchase said service with the Board. Upon making such application, the member may purchase his/her past military service by paying an amount equal to ten percent (10%) of the regular annual compensation of the member when the member first entered their retirement system subject to provisions of M.G.L. c. 32, for each year the member wishes to purchase, not to exceed a maximum of four (4) years of service.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Military service may be purchased one of three ways:
1. Lump sum payment.
2. Three equal payments distributed over three (3) consecutive months.
3. Via payroll deductions paid over a period not to exceed five (5) years.

Veterans with a legitimate hardship in purchasing their military time through the above methods can request a hearing before the Retirement Board.

Military service buyback payments must commence within 30 days of the date of acceptance by the Board. Regular interest (1/2 of the actuarial assumed interest rate) accrue on any principal balance remaining on December 31st of each calendar year.

If any member is laid-off or his/her position is eliminated due to budgetary constraints, the buyback period will be suspended, and in the event that the member is rehired or resumes employment with the Town of Hingham and is then again eligible to contribute to the System, he/she must resume the installment schedule in effect prior to the layoff or termination. If the member voluntarily leaves employment with the Town of Hingham or is terminated for cause, the buyback period will not be suspended, and the Board will grant creditable service on a pro-rated basis consistent with the total amount due on the buyback and the amount remitted to the Board prior to the termination of employment.

In the event that a member transfers to another retirement system prior to the completion of the installment plan, the Board will determine the amount of service purchased based on the payments received, and accept liability for said service consistent with the provisions of M.G.L. c. 32 §3(8)(c).

December 28, 1992
Full-time Service
Full-time employment shall be defined as 35 hours per week for administrative, clerical and library employees (32 hours per week for certain library employees); 40 hours per week for custodians, laborers and hourly rated employees; 42 hours per week for uniformed employees of the fire department and four consecutive eight-hour days followed by two consecutive days off duty for uniformed employees of the police department.

Part-time Service
Part-time employees employed as of January 4, 1993 but hired prior to January 4, 1993 and currently working 20 or more hours per week may elect to join the Retirement System upon completion of any probationary period as of January 4, 1993. If such employee elects to join or to continue membership in the defined contribution plan (PEBSCO) as of January 4, 1993 in lieu of joining the Retirement System, such employee shall not be eligible to join the Retirement System until after two years of membership in such plan. In addition, such employee may elect to buy back creditable service for all or part of the period January 1, 1992 to January 3, 1993 inclusive, if such employee by reason of date of hire is so eligible to buy back such service.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Membership
A part-time employee hired on or after January 4, 1993 and working 20 or more hours per week may elect to join the Retirement System upon completion of any probationary period. If such employee elects to join the defined contribution plan (PEBSCO) at the time of hire in lieu of joining the Retirement System, such employee shall not be eligible to join the Retirement System until after two years of membership in such plan.

Membership
Part-time seasonal, part-time temporary and part-time intermittent employees shall not be eligible for membership in the Retirement System.

November 27, 1990
Membership
To require full-time employment as a criteria for membership in the Retirement System. Full-time employment is defined as 35 hours per week for administrative, clerical and library employees; 40 hours per week for custodians, laborers and hourly rated employees; 42 hours per week for uniformed employees of the fire department. The work schedule for uniformed members of the police department shall be four consecutive 8 hour days on duty followed by 2 consecutive days off duty. School bus drivers who work a minimum of 25 hours per week when school is in session shall be included.

Any employee who works full-time for eight or more consecutive months per year shall be eligible. If a full-time member in service of the Retirement System on October 1, 1990 becomes a part-time employee at any time after October 1, 1990, he or she may remain a member of the Retirement System. The above-stated policy applies to all employees hired by the town of Hingham on or after October 1, 1990.

December 18, 1984
Creditable Service
All part-time employees shall be granted one year membership service credit for each three years of part-time provisional or temporary employment.

Part-time employees:
Board of Registrars, Sealers of Weights and Measures, Child Clinic Doctor, School Dentist, School Doctor, Harbormaster, Town Hall Custodian.

Call firefighters were omitted from this definition because their creditable service is more specifically addressed in G.L. c. 32, § 4(2)(b).

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Membership

Part-time employees who are employed for at least 34 consecutive weeks of not less than 24 hours each week, in every calendar year, must become members of the Retirement System. Pursuant to the authority vested in the Commission under G.L. c. 7, § 50, the Hingham Retirement Board's supplemental regulation regarding Authorization for Travel and Travel Related Expenditures was approved on July 17, 2002. Copies are available upon request and are also available on the PERAC website. (http://www.mass.gov/perac)

July 17, 2002

Travel Regulation

The Board has adopted a Supplementary Travel Regulation under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). (Regulation available upon written request.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	Ted D. Alexiades, Chairman		
Appointed Member:	Thomas P. Hall	Term Expires:	6/27/2010
Elected Member:	Eileen A. McCracken	Term Expires:	7/1/2011
Elected Member:	Jean M. Montgomery	Term Expires:	7/30/2010
Appointed Member:	Henry F. G. Wey	Term Expires:	6/22/2012

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	MACRS Policy
Ex-officio Member:	)	$50,000,000 Fiduciary Liability
Elected Member:	)	$1,000,000 Fidelity Bond
Appointed Member:	)	St. Paul Travelers, Nation Union
Staff Employee:	)	Fire and Arch

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants as of January 1, 2008.

The actuarial liability for active members was	$47,770,590
The actuarial liability for retired and inactive members was	46,747,663
The total actuarial liability was	94,518,253
System assets as of that date were	75,680,784
The unfunded actuarial liability was	$18,837,469
The ratio of system's assets to total actuarial liability was	80.1%
As of that date the total covered employee payroll was	$19,856,230

The normal cost for employees on that date was	8.20% of payroll
The normal cost for the employer was	7.20% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION
AS OF JANUARY 1, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2008	$75,680,784	$94,518,253	$18,837,469	80.1%	$19,856,230	94.9%
1/1/2007	$64,778,166	$88,204,142	$23,425,976	73.4%	$19,177,310	122.2%
1/1/2006	$58,096,713	$85,429,148	$27,332,435	68.0%	$18,005,014	151.8%
1/1/2004	$53,284,103	$75,260,838	$21,976,735	70.8%	$16,669,815	131.8%

NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Retirement in Past Years										
Superannuation	12	16	6	5	13	12	12	10	13	3
Ordinary Disability	0	0	0	0	0	0	1	0	0	0
Accidental Disability	1	1	1	0	0	2	0	0	0	0
Total Retirements	13	17	7	5	13	14	13	10	13	3
Total Retirees, Beneficiaries and Survivors	235	252	245	237	247	251	241	247	269	262
Total Active Members	421	448	425	444	521	480	511	516	533	559
Pension Payments										
Superannuation	$2,068,110	$2,362,575	$2,499,013	$2,548,324	$2,720,198	$2,847,906	$2,982,488	$3,209,790	$3,358,045	$3,460,129
Survivor/Beneficiary Payments	94,639	119,882	118,254	150,715	139,763	171,633	149,169	166,514	185,977	153,985
Ordinary Disability	64,453	74,333	70,139	80,812	85,751	83,295	83,245	89,887	69,320	74,182
Accidental Disability	346,833	379,341	346,045	342,029	340,483	406,648	485,132	444,242	406,939	372,126
Other	416,384	459,412	465,194	492,108	169,409	245,133	201,789	497,273	482,816	605,750
Total Payments for Year	$2,990,419	$3,395,543	$3,498,645	$3,613,988	$3,455,604	$3,754,615	$3,901,823	$4,407,706	$4,503,096	$4,666,172

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