

Hampshire County Retirement System

*Actuarial Valuation and Review
as of January 1, 2007*

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September 19, 2007

*Retirement Board
Hampshire County Retirement System
99 Industrial Drive
Northampton, MA 01060*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of January 1, 2007. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2008 and later years and analyzes the preceding year's experience.

The census information and financial information on which our calculations were based was prepared by the staff of the Hampshire County Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under my supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

*By: _____
Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary*

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SECTION 1: Valuation Summary for the Hampshire County Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the Hampshire County Retirement System as of January 1, 2007. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of M.G.L. Chapter 32;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of January 1, 2007;
- The assets of the Plan as of December 31, 2006;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The actuarial valuation report as of January 1, 2007 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected.
- During the plan year ended 2006, the market value rate of return was 15.00%. Because the actuarial value of assets gradually recognizes market value fluctuations over a five-year period, the actuarial rate of return for the plan year ended 2006 was 8.70%. The actuarial value of assets as of December 31, 2006 was \$163.5 million, or 97.5% of the market value of assets of \$167.7 million.
- The investment return assumption was increased from 8.00% to 8.25% based on the revised asset allocation adopted by the Board.
- With the January 1, 2007 actuarial valuation, the System performed an extensive review of certain data records. As a result, the following changes were made to the data received and the valuation process:
 - Participants with multiple records were reviewed and service and/or salary were adjusted as necessary. The revised service information was used to project benefits and determine entry age.

SECTION 1: Valuation Summary for the Hampshire County Retirement System

- Part-time employees were reviewed and it was determined that service provided in the data was reasonable for the majority of the employees. Salary reflected part-time status.
- For call firefighters, reserve police officers and part-time EMT workers who worked in 2006 and who have concurrent service with a member unit, the System provided the numbers of years of service that will be used in the determination of the retirement allowance.
- Call firefighters, reserve police officers and part-time EMT workers who worked in 2006 and do not have concurrent service with a member unit were included with inactive participants entitled to a return of their employee contributions.
- For all the remaining records, service provided in the data was used to project benefits and determine entry age.
- The unfunded liability was expected to increase from \$104.9 million as of January 1, 2006 to \$106.9 million as of January 1, 2007. As detailed in Subsection C of Section 2 of the report, net experience was slightly more favorable than expected and the change in the investment return assumption and the revisions to the data further lowered the unfunded liability to \$94.4 million as of January 1, 2007.
- Because the fiscal 2008 appropriation has been set to the previously budgeted amount of \$11,998,834 based on the January 1, 2006 actuarial valuation, the results of this valuation will first be reflected in the fiscal 2009 appropriation of \$12,385,744. The current funding schedule amortizes the remaining unfunded liability by June 30, 2025 with amortization payments that increase 3.50% per year. The prior funding schedule amortized the remaining unfunded liability by June 30, 2028 with amortization payments that increase 4.50% per year. The amortization payments for the ERIs are unchanged (level payments ending in 2008 for the 1992 ERI and in 2028 for the 2002 and 2003 ERIs).
- The funded ratio has increased from 57.04% to 65.04% using the market value of assets and from 58.83% to 63.40% using the actuarial value of assets.
- The recommended contributions shown in this report assume the appropriation is paid in two equal installments on July 1, and December 31. The Board may want to consider allowing member units the option of making a single, lower payment on July 1.

SECTION 1: Valuation Summary for the Hampshire County Retirement System

Summary of Key Valuation Results

	2007	2006
Contributions for fiscal year beginning July 1:		
Recommended for fiscal 2009 and 2008	\$12,385,744	\$11,998,834
Funding elements for plan year beginning January 1:		
Normal cost, including administrative expenses	\$9,653,740	\$9,750,634
Market value of assets	167,718,336	145,341,625
Actuarial value of assets	163,497,369	149,892,383
Actuarial accrued liability	257,885,435	254,808,289
Unfunded actuarial accrued liability	94,388,066	104,915,906
GASB 25/27 for plan year beginning January 1:		
Annual required contributions	\$11,998,834	\$10,800,742
Actual contributions	--	10,800,742
Percentage contributed	--	100.00%
Funded ratio based on actuarial value of assets	63.40%	58.83%
Funded ratio based on market value of assets	65.04%	57.04%
Demographic data for plan year beginning January 1:		
Number of retired participants and beneficiaries	996	989
Number of inactive participants entitled to a return of their employee contribution	1,017	612
Number of inactive participants with a vested right to a deferred or immediate benefit	42	81
Total number of inactive participants	1,059	693
Number of active participants	2,413	2,733
Total payroll	\$64,759,080	\$62,944,586
Average payroll	26,838	23,031

Note: With the January 1, 2007 actuarial valuation, 286 call firefighters, reserve police officers and part-time EMTs who worked in 2006 are included with inactive participants entitled to a return of their employee contributions.

SECTION 2: Valuation Results for the Hampshire County Retirement System

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, inactive participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

A historical perspective of how the participant population has changed over the past seven valuations can be seen in this chart.

CHART 1
Participant Population: 1995 – 2006

Year Ended December 31	Active Participants	Inactive Participants	Retired Participants and Beneficiaries
1995	2,600	600	812
1997	2,678	608	847
1999	2,720	587	879
2001	2,707	589	922
2003	2,648	677	1,002
2005	2,733	693	989
2006	2,413	1,059*	996

* 286 call firefighters, reserve police officers and part-time EMTs who worked in 2006 are included with the inactive participants.

SECTION 2: Valuation Results for the Hampshire County Retirement System

Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 2,413 active participants with an average age of 46.4, average years of service of 9.8 years and average payroll of \$26,838. The 2,733 active participants in the prior valuation had an average age of 45.0, average service of 9.9 years and average payroll of \$23,031.

The increase in average payroll is primarily due to the removal of call firefighters, reserve police officers and part-time EMTs from the active counts.

Among the active participants, there were 7 participants with unknown age. The actuarial calculations were adjusted for the missing information by assuming that it was the same as information provided for other active participants with similar known characteristics.

Inactive Participants

In this year's valuation, there were 42 participants with a vested right to a deferred or immediate vested benefit and 1,017 participants entitled to a return of their employee contributions. 286 call firefighters, reserve police officers and part-time EMTs who worked in 2006 are included with the inactive participants.

These graphs show a distribution of active participants by age and by years of service.

CHART 2
Distribution of Active Participants by Age as of December 31, 2006

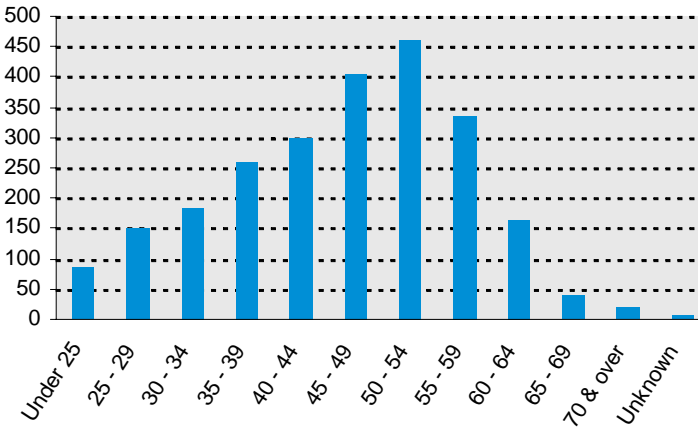
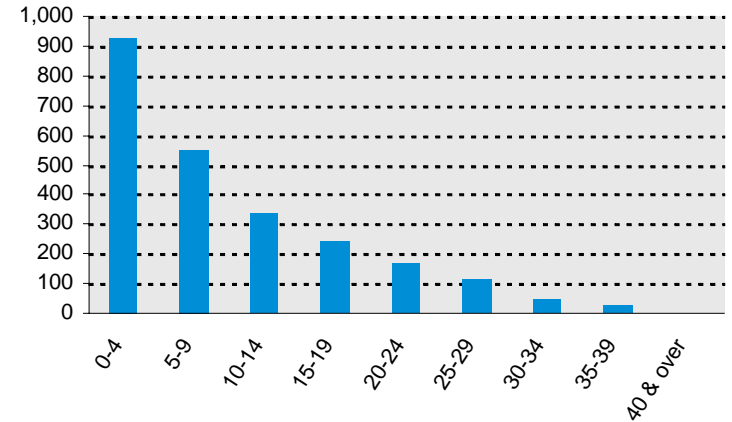


CHART 3
Distribution of Active Participants by Years of Service as of December 31, 2006



SECTION 2: Valuation Results for the Hampshire County Retirement System

Retired Participants and Beneficiaries

As of December 31, 2006, 862 retired participants and 134 beneficiaries were receiving total monthly benefits of \$1,128,615 excluding COLAs reimbursed by the Commonwealth. For comparison, in the previous valuation, there were 853 retired participants and 136 beneficiaries receiving monthly benefits of \$1,073,575 excluding COLAs reimbursed by the Commonwealth.

These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2006

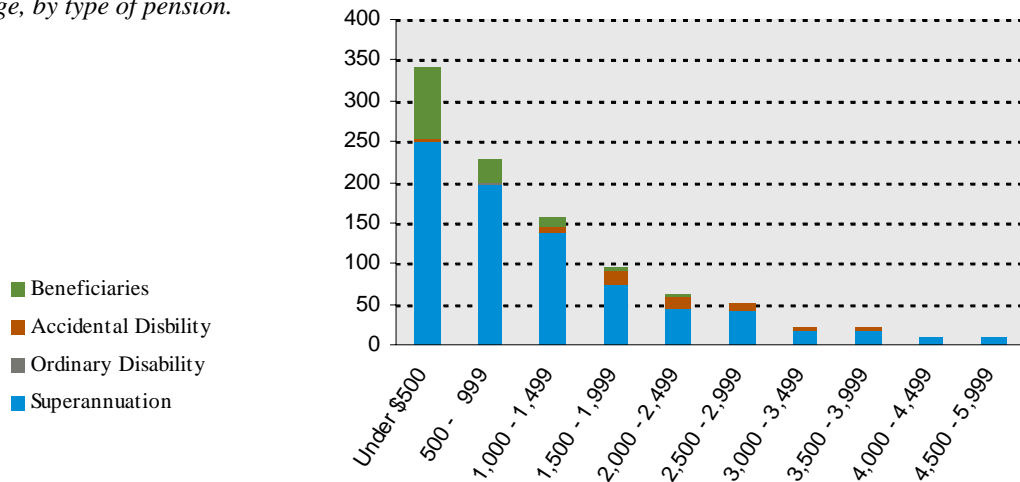
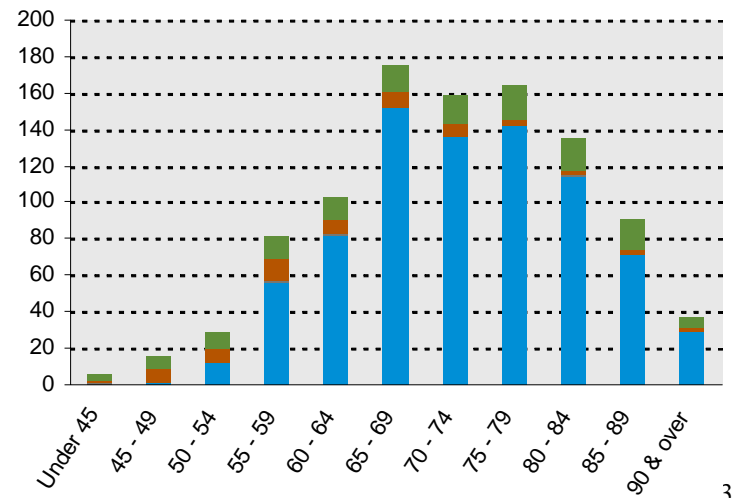


CHART 5
Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2006



SECTION 2: Valuation Results for the Hampshire County Retirement System

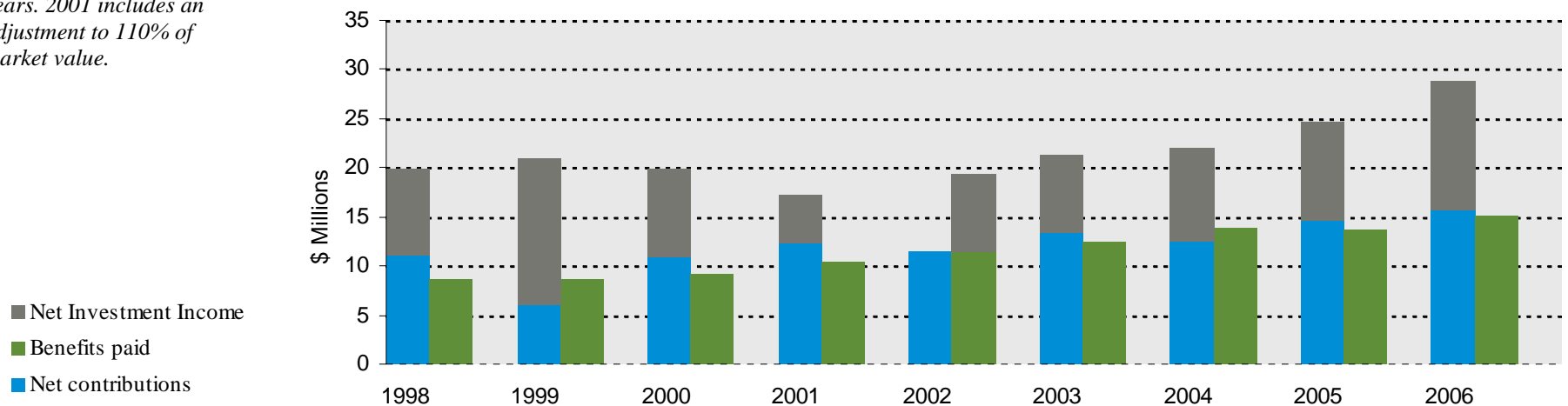
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

The chart depicts the components of changes in the actuarial value of assets over the last nine years. 2001 includes an adjustment to 110% of market value.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 1998 – 2006



SECTION 2: Valuation Results for the Hampshire County Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7
Determination of Actuarial Value of Assets for Year Ended December 31, 2006

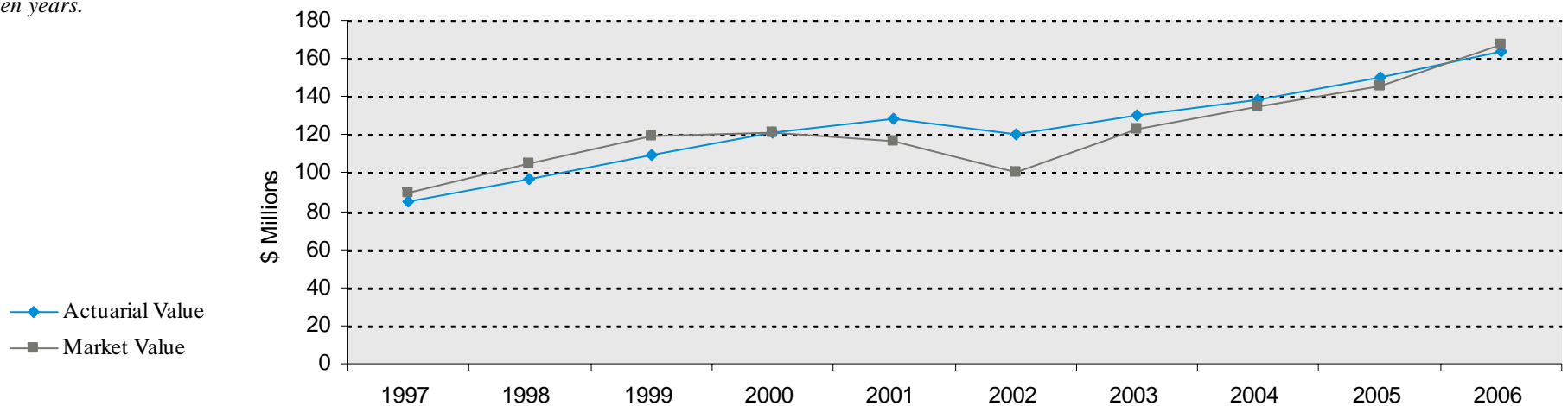
1. Actuarial value of assets at the beginning of the year	\$149,892,383
2. Contributions less benefit payments and expenses	536,878
3. Average actuarial value: (1) + [50% of (2)]	150,160,822
4. Expected investment income: .08 x (3)	12,012,866
5. Preliminary actuarial value of assets at the end of the year: (1) + (2) + (4)	162,442,127
6. Market value of assets at the end of the year	167,718,336
7. Adjustment toward market value: 20% of [(6) - (5)]	1,055,242
8. Adjustment to be within 20% corridor	0
9. Final actuarial value of assets: (5) + (7) + (8)	<u>\$163,497,369</u>
10. Actuarial value as a percentage of market value: (9) ÷ (6)	97.5%

SECTION 2: Valuation Results for the Hampshire County Retirement System

Both the actuarial value and market value of assets are representations of the Hampshire County Retirement System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Hampshire County Retirement System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past ten years.

CHART 8
Actuarial Value of Assets vs. Market Value of Assets as of December 31, 1997 – 2006



SECTION 2: Valuation Results for the Hampshire County Retirement System

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The net experience gain for the year ended December 31, 2006 is \$359,805. When compared to the actuarial accrued liability of \$257,885,435 as of December 31, 2006, the net experience variation was not significant. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9
Actuarial Experience for Year Ended December 31, 2006

1. Net gain from investments*	\$1,055,242
2. Net gain from administrative expenses	102,141
3. Net loss from other experience**	<u>-797,578</u>
4. Net experience gain: (1) + (2) + (3)	\$359,805

* Details in Chart 10

** Details in Chart 13

SECTION 2: Valuation Results for the Hampshire County Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Hampshire County Retirement System’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is was 8.00% for the 2006 plan year. The actual rate of return on an actuarial basis for the 2006 plan year was 8.70%.

Since the actual return for the year was greater than the assumed return, the Hampshire County Retirement System experienced an actuarial gain during the year ended December 31, 2006 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10
Actuarial Value Investment Experience for Year Ended December 31, 2006

1. Actual return	\$13,068,108
2. Average value of assets	150,160,822
3. Actual rate of return: (1) ÷ (2)	8.70%
4. Assumed rate of return	8.00%
5. Expected return: (2) x (4)	\$12,012,866
6. Actuarial gain/(loss): (1) – (5)	<u>\$1,055,242</u>

SECTION 2: Valuation Results for the Hampshire County Retirement System

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last ten years, including five-year and nine-year averages.

Based upon the revised asset allocation adopted by the Board, we have increased the assumed rate of return to 8.25%.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 1998 - 2006

Year Ended December 31	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
1998	\$8,824,763	10.17%	\$12,105,516	13.42%
1999	15,014,560	15.66	18,314,999	17.37
2000	8,888,572	8.02	-223,340	-0.19
2001	4,961,589	4.07	-6,755,563	-5.54
2002	-7,846,007	-6.12	-16,290,031	-13.98
2003	8,000,736	6.60	21,306,913	21.08
2004	9,449,558	7.30	12,588,183	10.26
2005	9,999,595	7.18	9,085,093	6.70
2006	<u>13,068,108</u>	8.70	<u>21,839,833</u>	15.00
Total	\$70,361,474		\$71,971,605	
	Five-year average return	4.89%		7.81%
	Nine-year average return	6.49%		6.81%

Note: Each year's yield is weighted by the average asset value in that year.

SECTION 2: Valuation Results for the Hampshire County Retirement System

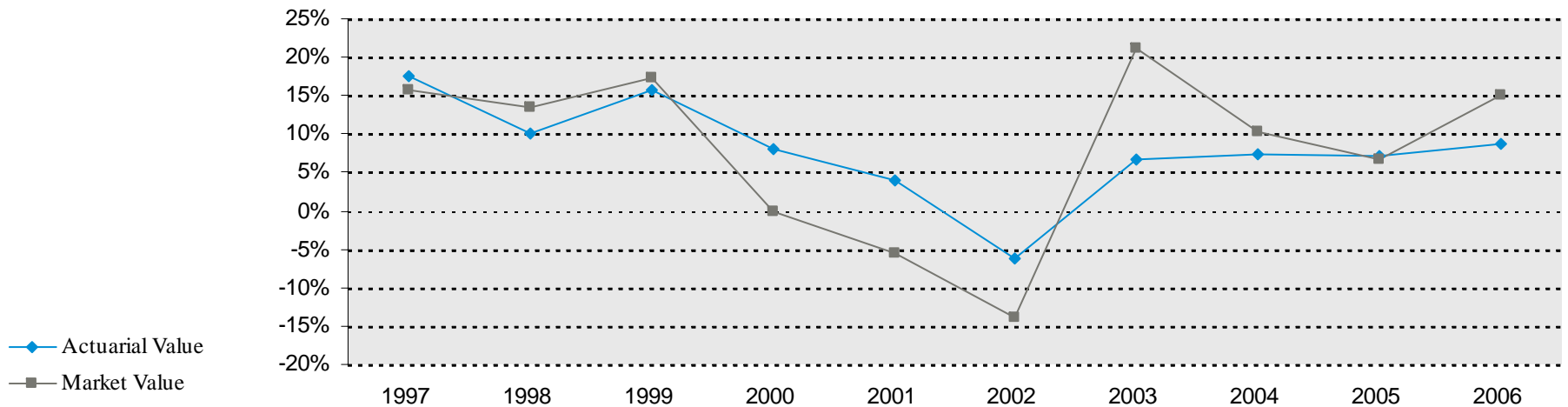
Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

Administrative Expenses

Administrative expenses for the year ended December 31, 2006 totaled \$566,216 compared to the assumption of \$650,000, payable at the beginning of the year. This resulted in a gain of \$102,141 for the year. We have maintained the assumption of \$650,000 for the current year.

This chart illustrates how this leveling effect has actually worked over the years 1997 - 2006 .

CHART 12
Market and Actuarial Rates of Return for Years Ended December 31, 1997 - 2006



SECTION 2: Valuation Results for the Hampshire County Retirement System

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended December 31, 2006 amounted to \$797,578 which is 0.3% of the actuarial accrued liability. A brief summary of the demographic gain/(loss) experience of the Hampshire County Retirement System for the year ended December 31, 2006 is shown in the chart below.

This valuation reflects the following:

- An increase in the investment assumption from 8.0% to 8.25%, and
- Extensive data changes as noted in Section 1 of this report.

The assumption change and data revisions resulted in a net decrease in the unfunded liability of \$12,165,310 and a decrease in the employer normal cost of \$422,436.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended December 31, 2006

1. Liabilities higher than expected for retired members and beneficiaries	-\$1,170,908
2. Salary increases less than expected for continuing actives	886,711
3. Miscellaneous loss	<u>-513,381</u>
4. Total	-\$797,578

SECTION 2: Valuation Results for the Hampshire County Retirement System

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability.

The preliminary recommended contribution of \$12,064,214 is based on a 1-year amortization of the 1992 ERI liability, a 21-year level amortization of the 2002 and 2003 ERI liabilities and an 18-year increasing (3.50% per year) amortization of the remaining unfunded liability.

Because the fiscal 2008 appropriation has already been budgeted at \$11,998,834, the results of this valuation will first be reflected in the fiscal 2009 appropriation of \$12,385,744. This represents a 3.2% increase over the fiscal 2008 appropriation.

Exhibit G in Section 3 shows the recommended contributions through fiscal 2028 based on this funding schedule. The current funding schedule fully amortizes all non-ERI unfunded liability by June 30, 2025 and the 2002 and 2003 ERI liability by June 30, 2028.

The chart compares this valuation's recommended contribution with the prior valuation.

**CHART 14
Recommended Contribution**

	Year Beginning January 1			
	2007	% of Payroll	2006	% of Payroll
1. Total normal cost	\$9,003,740	13.22%	\$9,100,634	13.74%
2. Administrative expenses	650,000	0.95%	650,000	0.98%
3. Expected employee contributions	<u>-5,888,080</u>	<u>-8.65%</u>	<u>-5,688,392</u>	<u>-8.59%</u>
4. Employer normal cost: (1) + (2) + (3)	\$3,765,660	5.53%	\$4,062,242	6.13%
5. Actuarial accrued liability	257,885,435		254,808,289	
6. Actuarial value of assets	<u>163,497,369</u>		<u>149,892,383</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$94,388,066		\$104,915,906	
8. Employer normal cost projected to July 1, 2007 and 2006, adjusted for timing	3,926,506	5.64%	4,233,310	6.25%
9. Projected unfunded actuarial accrued liability	98,204,421		109,031,808	
10. Payment on projected unfunded actuarial accrued liability, adjusted for timing	8,137,708	11.69%	7,273,006	10.74%
11. Preliminary recommended contribution: (8) + (10), adjusted for timing	12,064,214	17.33%	11,506,316	17.00%
12. Budgeted appropriation	<u>\$11,998,834</u>	<u>17.23%</u>	<u>\$11,412,670</u>	<u>16.86%</u>
13. Projected payroll	\$69,623,558		\$67,693,142	

Note: Recommended contributions are assumed to be paid on July 1 and December 31.

SECTION 2: Valuation Results for the Hampshire County Retirement System

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Contribution from July 1, 2006 to July 1, 2007

Preliminary Recommended Contribution as of July 1, 2006	\$11,506,316
Expected increase	\$492,518
Effect of changes to amortization schedule	1,214,293
Effect of change in investment return assumption and data revisions	-1,295,525
Effect of investment gain	-72,555
Effect of net other changes	<u>-219,167</u>
Total change	<u>\$557,898</u>
Preliminary Recommended Contribution as of July 1, 2007	\$12,064,214

SECTION 2: Valuation Results for the Hampshire County Retirement System

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of GASB reporting requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under the GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets (63.40%) and the market value of assets (65.04%).

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

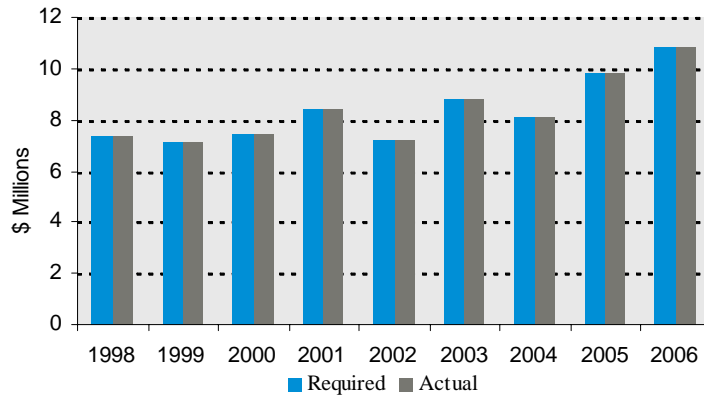
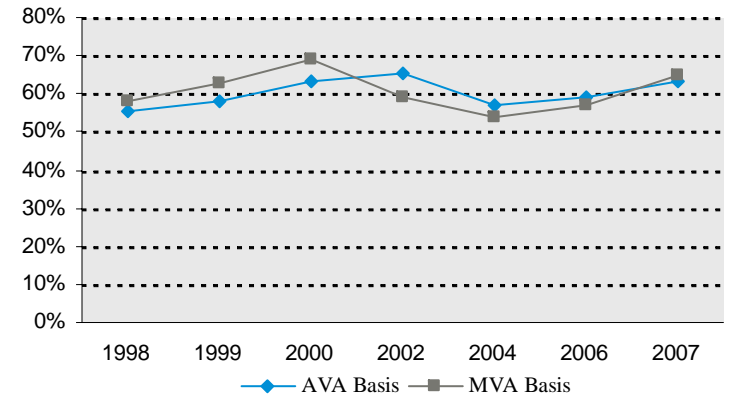


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT A

Table of Plan Coverage

Category	Year Ended December 31		Change From Prior Year
	2006	2005	
Active participants in valuation:			
Number	2,413	2,733	-11.7%
Average age	46.4	45.0	N/A
Average service	9.8	9.9	N/A
Total payroll	\$64,759,080	\$62,944,586	2.9%
Average payroll	26,838	23,031	16.5%
Member contributions	49,104,787	46,660,423	5.2%
Number with unknown age information	7	0	N/A
Inactive participants with a vested right to a deferred or immediate benefit			
	42	81	-48.1%
Participants entitled to a return of their contributions			
	1,017	612	66.2%
Retired participants:			
Number in pay status	796	788	1.0%
Average age	73.1	72.8	N/A
Average monthly benefit	\$1,160	\$1,120	3.6%
Disabled participants:			
Number in pay status	66	65	1.5%
Average age	62.2	62.1	N/A
Average monthly benefit	\$2,064	\$1,914	7.8%
Beneficiaries in pay status			
	134	136	-1.5%

Note: In year ended December 31, 2006, 286 call firefighters, reserve police officers and part-time EMTs who worked in 2006 are included with inactive participants entitled to a return of their employee contributions.

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT B

**Participants in Active Service as of December 31, 2006
By Age, Years of Service, and Average Payroll**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	87	87	--	--	--	--	--	--	--	--
	\$18,376	\$18,376	--	--	--	--	--	--	--	--
25 - 29	151	127	24	--	--	--	--	--	--	--
	\$21,895	\$19,260	\$35,839	--	--	--	--	--	--	--
30 - 34	183	107	56	19	1	--	--	--	--	--
	\$27,899	\$21,172	\$38,954	\$33,432	\$23,508	--	--	--	--	--
35 - 39	259	122	70	45	21	1	--	--	--	--
	\$26,932	\$17,623	\$30,019	\$41,555	\$38,336	\$48,963	--	--	--	--
40 - 44	300	128	74	36	35	23	4	--	--	--
	\$27,805	\$19,869	\$25,108	\$32,267	\$42,967	\$46,525	\$51,196	--	--	--
45 - 49	405	129	111	74	33	36	22	--	--	--
	\$26,972	\$19,255	\$24,521	\$26,848	\$34,822	\$47,586	\$39,487	--	--	--
50 - 54	462	108	93	80	78	41	38	21	3	--
	\$29,143	\$17,910	\$24,224	\$29,335	\$30,512	\$39,893	\$43,282	\$49,754	\$75,082	--
55 - 59	336	80	67	51	50	29	28	14	17	--
	\$27,575	\$23,294	\$22,653	\$23,312	\$26,080	\$33,152	\$36,344	\$50,632	\$41,362	--
60 - 64	163	27	35	23	18	23	18	11	7	1
	\$27,026	\$13,237	\$18,977	\$32,252	\$27,999	\$34,134	\$29,347	\$39,832	\$49,985	\$36,465
65 - 69	41	5	14	5	5	7	4	1	--	--
	\$24,792	\$9,844	\$19,660	\$16,890	\$42,668	\$34,739	\$22,886	\$59,510	--	--
70 & over	19	2	3	3	3	6	--	--	2	--
	\$16,751	\$6,654	\$24,027	\$18,761	\$15,047	\$7,389	--	--	\$43,562	--
Unknown	7	7	--	--	--	--	--	--	--	--
	5,564	5,564	--	--	--	--	--	--	--	--
Total	2,413	929	547	336	244	166	114	47	29	1
	\$26,838	\$19,100	\$26,517	\$29,976	\$32,492	\$39,167	\$38,207	\$47,901	\$47,083	\$36,465

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT C

Summary Statement of Income and Expenses

	Year Ended December 31, 2006	Year Ended December 31, 2005
Contribution income:		
Employer contributions	\$10,792,026	\$9,823,364
Employee contributions	5,474,913	5,290,511
Other contributions	8,716	11,078
Less administrative expenses*	<u>-566,216</u>	--
Net contribution income	\$15,709,439	\$15,124,953
Net investment income	<u>13,068,108</u>	<u>9,999,595</u>
Total income available for benefits	\$28,777,547	\$25,124,548
Less benefit payments:		
Pensions and annuities	-\$13,412,993	-\$12,491,943
Net (8)c reimbursements	-671,187	-559,091
Refunds to members	<u>-1,088,381</u>	<u>-720,448</u>
Net benefit payments	-\$15,172,561	-\$13,771,482
Change in reserve for future benefits	\$13,604,986	\$11,353,066

* Administrative expenses for year ended December 31, 2005 are included with net investment income.

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT D

Development of the Fund Through December 31, 2006

Year Ended December 31	Employer Contributions	Employee Contributions*	Other Contributions	Net Investment Return**	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
1998	\$7,326,155	\$3,998,243	\$25,618	\$9,108,125	\$283,362	\$8,591,918	\$96,934,508
1999	7,091,911	-680,868	17,054	15,504,929	490,368	8,532,747	109,844,419
2000	7,380,860	3,820,204	18,382	9,248,220	359,656	9,194,732	120,757,705
2001	8,389,385	4,290,044	66,971	5,386,329	424,740	10,458,332	128,007,362
2002	7,153,492	4,639,030	32,404	-7,390,495	455,512	11,499,938	120,486,343
2003	8,798,943	4,945,171	53,229	8,435,913	435,176	12,408,636	129,875,787
2004	8,068,233	4,906,395	87,736	9,996,853	547,295	13,848,392	138,539,317
2005	9,823,364	5,290,511	11,078	10,479,493	479,898	13,771,482	149,892,383
2006	10,792,026	5,474,913	8,716	13,068,108	566,216	15,172,561	163,497,369

* *Employee contributions for 1999 reflect the transfer of county employees to the State Retirement System following the elimination of the Hampshire County Government.*

** *Net of investment fees.*

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT E

Development of Unfunded Actuarial Accrued Liability and (Gain)/Loss for Year Ended December 31, 2006

1. Unfunded actuarial accrued liability at beginning of year		\$104,915,906
2. Normal cost at beginning of year		9,750,634
3. Total contributions		-16,275,655
4. Interest		
(a) For whole year on (1) + (2)	\$9,173,323	
(b) For half year on (3)	<u>-651,027</u>	
(c) Total interest		<u>8,522,296</u>
5. Expected unfunded actuarial accrued liability		\$106,913,181
6. Changes due to:		
(a) Investment gain	-\$1,055,242	
(b) Assumption changes and data revisions	-12,165,310	
(c) Miscellaneous loss	<u>695,437</u>	
(d) Total changes		<u>-12,525,115</u>
7. Unfunded actuarial accrued liability at end of year		<u>\$94,388,066</u>

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT F

Table of Amortization Bases as of July 1, 2007

Type	Annual Payment	Years Remaining	Outstanding Balance
1992 ERI liability	\$120,655	1.00	\$118,287
2002 ERI liability	290,459	21.00	3,029,309
2003 ERI liability	307,397	21.00	3,205,962
Remaining unfunded liability	<u>7,419,197</u>	18.00	<u>91,850,863</u>
Total	\$8,137,708		\$98,204,421

Notes: Level dollar amortization for ERI liabilities and increasing (3.50%) amortization for remaining unfunded liability.

Payments include adjustment for timing.

Does not reflect adjustment to set fiscal 2008 appropriation to budgeted amount.

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT G

Funding Schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 1992 ERI Liability	(4) Amortization of 2002 ERI Liability	(5) Amortization of 2003 ERI Liability	(6) Amortization of Remaining Unfunded Liability	(7) Total Plan Cost: (2) + (3) + (4) + (5) + (6)	(8) Total Unfunded Accrued Liability at Beginning of Fiscal Year
2008	\$3,926,506	\$120,655	\$290,459	307,397	\$7,353,818	\$11,998,834	\$98,204,421
2009	4,103,199	-	290,459	307,397	7,684,689	12,385,744	97,739,464
2010	4,287,843	-	290,459	307,397	7,953,653	12,839,352	97,013,054
2011	4,480,796	-	290,459	307,397	8,232,031	13,310,682	95,941,275
2012	4,682,432	-	290,459	307,397	8,520,152	13,800,440	94,485,644
2013	4,893,141	-	290,459	307,397	8,818,357	14,309,354	92,604,152
2014	5,113,332	-	290,459	307,397	9,127,000	14,838,187	90,250,964
2015	5,343,432	-	290,459	307,397	9,446,445	15,387,732	87,376,089
2016	5,583,886	-	290,459	307,397	9,777,070	15,958,812	83,925,023
2017	5,835,161	-	290,459	307,397	10,119,268	16,552,284	79,838,365
2018	6,097,743	-	290,459	307,397	10,473,442	17,169,041	75,051,398
2019	6,372,141	-	290,459	307,397	10,840,013	17,810,009	69,493,636
2020	6,658,887	-	290,459	307,397	11,219,413	18,476,156	63,088,333
2021	6,958,537	-	290,459	307,397	11,612,093	19,168,485	55,751,951
2022	7,271,671	-	290,459	307,397	12,018,516	19,888,042	47,393,583
2023	7,598,896	-	290,459	307,397	12,439,164	20,635,915	37,914,330
2024	7,940,846	-	290,459	307,397	12,874,535	21,413,236	27,206,623
2025	8,298,184	-	290,459	307,397	13,325,143	22,221,183	15,153,489
2026	8,671,602	-	290,459	307,397	-	9,269,458	1,627,760
2027	9,061,824	-	290,459	307,397	-	9,659,680	1,127,572
2028	9,469,606	-	290,459	307,397	-	10,067,462	586,118
2029	9,895,738	-	-	-	-	9,895,738	-
2030	10,341,046	-	-	-	-	10,341,046	-

Notes: Item (2) increases at 4.50% per year.

Item (6) increases at 3.50% per year.

Recommended contributions are assumed to be paid on July 1, and December 31.

Fiscal 2007 appropriated budgeted amount determined with prior valuation.

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT H

Unit Results

Unit	Number of active employees	Average age	Average years of service	Projected average salary in 2007	Number of inactive vested employees	Number of inactive nonvested employees	Number of retirees	Projected payroll for fiscal 2008	Estimated employer cost
Amherst	481	44.2	10.6	\$37,513	12	168	182	\$18,445,500	\$3,226,042
Amherst Housing Authority	11	51.1	12.17	34,573	0	2	3	388,800	78,681
Amherst Pelham Regional School	207	43.4	8.3	21,603	5	99	66	4,571,300	761,401
Belchertown	284	45.9	8.8	27,478	4	75	61	7,977,500	1,438,750
Belchertown Housing Authority	2	51.0	13.8	34,169	0	1	1	69,900	9,033
Belchertown Water District	7	43.9	12.4	18,954	0	2	1	135,600	21,454
Chesterfield	17	51.1	8.5	14,400	0	5	6	250,200	42,908
Chesterfield/Goshen Regional	14	44.3	7.5	21,272	0	6	2	304,400	48,553
Cummington	8	48.9	6.2	19,434	0	10	8	158,900	28,229
Foothills Health District	1	56.0	1.9	39,901	0	0	0	40,800	6,775
Gateway Regional School	103	48.7	9.0	22,596	1	19	38	2,379,200	369,232
Goshen	11	53.0	8.3	16,971	0	15	5	190,800	29,358
Granby	106	45.4	7.5	26,613	3	86	65	2,883,700	539,807
Granby Housing Authority	2	55.0	6.7	27,357	0	3	1	55,900	12,001
Hadley	115	45.5	9.4	24,920	1	52	37	2,929,600	508,694
Hadley Housing Authority	3	51.0	8.7	19,342	0	0	0	59,300	10,162
Hampshire County	109	50.8	13.0	33,549	0	31	100	3,738,200	562,317
Hampshire Regional Housing	1	61.0	23.6	19,092	0	0	0	19,500	3,387
Hampshire Regional School	48	45.3	6.9	27,076	1	7	30	1,328,500	266,835

SECTION 3: Supplemental Information for the Hampshire County Retirement System

Unit	Number of active employees	Average age	Average years of service	Projected average salary in 2007	Number of inactive vested employees	Number of inactive nonvested employees	Number of retirees	Projected payroll for fiscal 2008	Estimated employer cost
Hatfield	59	49.0	8.3	\$23,032	1	66	20	\$1,389,100	\$225,830
Hatfield Housing Authority	2	61.0	9.3	16,623	0	0	2	34,000	5,646
Huntington	28	49.9	9.6	13,114	1	20	6	375,400	71,293
Middlefield	3	39.3	3.6	32,277	2	2	0	99,000	16,937
Pelham	51	48.5	10.2	12,151	1	25	8	633,500	136,355
Plainfield	5	48.4	12.3	32,136	0	1	10	164,300	27,100
Quabbin Health District	5	46.8	11.1	31,325	0	1	1	160,100	31,192
South Hadley	315	46.2	10.4	28,688	5	54	167	9,238,000	1,498,816
South Hadley Fire District #1	42	46.5	15.6	33,335	0	16	23	1,431,200	252,466
South Hadley Fire District #2	22	48.9	14.6	21,595	0	46	8	485,700	77,911
South Hadley Housing Authority	4	57.0	14.5	42,393	0	0	4	173,300	28,229
Southampton	78	47.2	8.0	28,340	0	33	21	2,259,700	401,181
Ware	183	47.8	10.6	30,221	3	90	90	5,653,500	986,867
Ware Housing Authority	3	47.3	12.6	37,978	0	0	2	116,500	22,818
Westhampton	29	48.1	7.8	19,249	0	9	8	570,600	95,978
Williamsburg	39	52.3	9.4	18,172	1	47	17	724,500	108,986
Worthington	15	47.9	6.6	12,229	1	26	3	187,500	47,610
Total	2,413				42	1,017	996	\$69,623,600	\$11,998,834

SECTION 3: Supplemental Information for the Hampshire County Retirement System

EXHIBIT I

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or actuarial assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial accrued liability for actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial accrued liability for pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded actuarial accrued liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the Hampshire County Retirement System

**Amortization of the unfunded
actuarial accrued liability:**

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the Hampshire County Retirement System

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including 134 beneficiaries in pay status)	996
2. Participants active during the year ended December 31, 2006 with total accumulated contributions of \$49,104,787 and projected payroll of \$68,107,991	2,413
3. Participants with a right to a return of their employee contributions as of December 31, 2006	1,017
4. Inactive participants with a vested right to a deferred or immediate benefit as of December 31, 2006	42

The actuarial factors as of the January 1, 2007 valuation date are as follows:

1. Normal cost	\$9,003,740
2. Administrative expenses	650,000
3. Expected employee contributions	<u>-5,888,080</u>
4. Employer normal cost: (1) + (2) + (3)	\$3,765,660
5. Actuarial accrued liability	257,885,435
Retired participants and beneficiaries	\$124,888,189
Active participants	129,504,381
Inactive participants	3,492,865
6. Actuarial value of assets (\$167,718,336 at market value)	163,497,369
7. Unfunded actuarial accrued liability: (5) – (6)	94,388,066

The determination of the recommended contribution is as follows:

1. Projected employer normal cost, adjusted for timing	\$3,926,506
2. Projected unfunded actuarial accrued liability	98,204,421
3. Payment on projected unfunded actuarial accrued liability, adjusted for timing	8,137,708
4. Preliminary recommended contribution: (1) + (3)	12,064,214
5. Budgeted appropriation based on 2006 actuarial valuation	11,998,834
6. Projected payroll	69,623,558

Note: Recommended contributions are assumed to be paid on July 1 and December 31.

SECTION 4: Reporting Information for the Hampshire County Retirement System

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
1998	\$7,351,773	\$7,351,773	100.0%
1999	7,108,965	7,108,965	100.0%
2000	7,399,242	7,399,242	100.0%
2001	8,455,272	8,455,272	100.0%
2002	7,185,896	7,185,896	100.0%
2003	8,852,172	8,852,172	100.0%
2004	8,155,969	8,155,969	100.0%
2005	9,834,442	9,834,442	100.0%
2006	10,800,742	10,800,742	100.0%

SECTION 4: Reporting Information for the Hampshire County Retirement System

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
01/01/1992	\$38,466,700	\$90,387,700	\$51,941,000	42.56%	\$36,220,000	143.40%
01/01/1994	50,597,700	104,565,400	53,967,700	48.39%	38,686,000	139.50%
01/01/1996	\$62,822,500	\$120,964,500	\$58,142,000	51.93%	\$46,895,300	123.98%
01/01/1998	85,351,600	154,164,200	68,812,600	55.36%	52,420,600	131.27%
01/01/1999	96,706,300	166,058,900	69,352,600	58.24%	54,799,500	126.56%
01/01/2000	109,844,400	173,148,000	63,303,600	63.44%	52,500,000	120.58%
01/01/2002	128,007,362	196,323,603	68,316,241	65.20%	58,453,919	116.87%
01/01/2004	129,875,787	228,468,240	98,592,453	56.85%	61,370,678	160.65%
01/01/2006	149,892,383	254,808,289	104,915,906	58.83%	66,219,596	158.44%
01/01/2007	163,497,369	257,885,435	94,388,066	63.40%	68,107,991	138.59%

SECTION 4: Reporting Information for the Hampshire County Retirement System

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	January 1, 2007
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar amortization for ERI liability and increasing amortization (3.50% per year) for remaining unfunded liability
Remaining amortization period	1 year remaining as of July 1, 2007 for 1992 ERI, 21 years remaining from July 1, 2007 for 2002 and 2003 ERI, and 18 years remaining for remaining unfunded liability.
Asset valuation method	5-year smoothing of investment returns greater (less) than expected
Actuarial assumptions:	
Investment rate of return	8.25% (Previously, 8.00%)
Projected salary increases	Varies by length of service with ultimate rates of 4.75% and 5.25% for Groups 1 and 4, respectively
Cost of living adjustments	3.00% of first \$12,000 of retirement income
Plan membership:	
Retired participants and beneficiaries receiving benefits	996
Inactive participants entitled to a return of their employee contributions	1,017
Inactive participants with a vested right to a deferred or immediate benefit	42
Active participants	<u>2,413</u>
Total	4,468

SECTION 4: Reporting Information for the Hampshire County Retirement System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy: RP-2000 Combined Healthy Mortality Table
Disabled: RP-2000 Combined Healthy Mortality Table set forward 7 years

Termination Rates before Retirement:

Age	Groups 1 and 2 - Rate (%)			
	Mortality		Disability	Withdrawal
	Male	Female		
20	0.03	0.02	0.03	12.00
25	0.04	0.02	0.04	8.78
30	0.04	0.03	0.06	5.55
35	0.08	0.05	0.07	3.93
40	0.11	0.07	0.11	2.31
45	0.15	0.11	0.18	1.89
50	0.21	0.17	0.30	1.46
55	0.36	0.27	--	--
60	0.67	0.51	--	--

*Notes: 55% of the disability rates shown represent accidental disability.
 20% of the accidental disabilities will die from the same cause as the disability.
 55% of the death rates shown represent accidental death*

SECTION 4: Reporting Information for the Hampshire County Retirement System

Age	Group 4 - Rate (%)			
	Mortality		Disability	Withdrawal
	Male	Female		
20	0.03	0.02	0.12	2.10
25	0.04	0.02	0.17	1.88
30	0.04	0.03	0.22	1.65
35	0.08	0.05	0.29	1.11
40	0.11	0.07	0.44	0.56
45	0.15	0.11	0.72	0.28
50	0.21	0.17	1.21	--
55	0.36	0.27	--	--
60	0.67	0.51	--	--

*Notes: 90% of the disability rates shown represent accidental disability.
60% of the accidental disabilities will die from the same cause as the disability.
90% of the death rates shown represent accidental death.*

Retirement Rates:

Age	Rate per year (%)	
	Groups 1 and 2	Group 4
50 – 54	--	2.0
55	5.0	10.0
56 – 59	3.0	10.0
60 – 61	5.0	30.0
62 – 64	15.0	30.0
65	25.0	100.0
66 – 69	15.0	--
70 – 71	50.0	--
72	100.0	--

SECTION 4: Reporting Information for the Hampshire County Retirement System

Unknown Data for Participants: Same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Age of Spouse: Females 3 years younger than their spouses.

Percent Married: 75%

Net Investment Return: 8.25% (Previously, 8.0%)

Interest on Employee Contributions: 3.5%

Salary Increases:	Years of Service	Group 1	Group 4
		0	7.00%
	1	6.50%	7.50%
	2	6.50%	7.00%
	3	6.00%	6.50%
	4	6.00%	6.00%
	5	5.50%	6.00%
	6	5.50%	5.50%
	7	5.00%	5.50%
	8	5.00%	5.25%
	9 and later	4.75%	5.25%

Includes allowance for inflation of 4½%.

Administrative Expenses: \$650,000 for calendar year 2007

2006 Salary: Salary reported in the data

Total Service: Service as reported in the original data or as revised by the System (Previously calculated from Adjusted Date of Hire reported in the data).

SECTION 4: Reporting Information for the Hampshire County Retirement System

Actuarial Value of Assets:

A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments). Twenty percent of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value. In order that the actuarial value not differ too significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. Entry Age is attained age minus Service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.

SECTION 4: Reporting Information for the Hampshire County Retirement System

EXHIBIT VI

Summary of Plan Provisions

This exhibit summarizes the major provisions of Chapter 32 of the Laws of Massachusetts.

Plan Year: January 1 – December 31

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

The annual amount of the retirement allowance is based on the member’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following table based on the age of the member at retirement:

Age Last Birthday at Date of Retirement			
Percent	Group 1	Group 2	Group 4
2.5	65 or over	60 or over	55 or over
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	--	49
1.8	58	--	48
1.7	57	--	47
1.6	56	--	46
1.5	55	--	45

A member’s final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average

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annual rate of regular compensation received during the last three years of creditable service prior to retirement. The \$30,000 cap on salary used in a benefit determination for any employee hired after January 1, 1979 has been removed.

The maximum annual amount of the retirement allowance is 80 percent of the member's final three-year average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Employee Contributions

<u>Date of Hire</u>	<u>Contribution Rate</u>
Prior to January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 onward	9%

In addition, employees hired after December 31, 1978 contribute an additional 2 percent of salary in excess of \$30,000.

Employees hired after 1983 who leave with less than five years of credited service receive no interest on their contributions, and employees who leave with five but less than ten years receive one-half the rate of regular interest otherwise payable.

Retirement Benefits (Superannuation)

Members of Group 1, 2 or 4 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

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Ordinary Disability Benefits

A member who is unable to perform his/her job due to a non-occupational disability will receive a retirement allowance if he/she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55, based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his/her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of his/her death, a spouse's benefit will be paid the full amount the employee would have received under Option C (previously, two-thirds of the amount). The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death.

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"Heart And Lung Law" And Cancer Presumption

Any case of hypertension or heart disease resulting in total or partial disability or death to a uniformed fireman or permanent member of a police department is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. Any case of disease of the lungs or respiratory tract resulting in total disability or death to a uniformed fireman is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. There is an additional presumption for uniformed firemen that certain types of cancer are job-related if onset occurs while actively employed or within five years of retirement.

Options

Members may elect to receive a full retirement allowance payable for life under Option A. Under Option B a member may elect to receive a lower monthly allowance in exchange for a guarantee that at his death any contributions not expended for annuity payments will be refunded to the beneficiary. Option C allows the member to take a lesser retirement allowance in exchange for providing a survivor with two-thirds of the lesser amount. Option C pensioners will have benefits converted from a reduced to a full retirement if the beneficiary predeceases the retiree.

Post-Retirement Benefits

The Board has adopted the provisions of Section 51 Chapter 127 of the Acts of 1999, which provide that the Retirement Board may approve an annual COLA in excess of the Consumer Price Index but not to exceed a 3% COLA on the first \$12,000 of a retirement allowance. Cost-of-living increases granted prior to July 1, 1998 are reimbursed by the Commonwealth and not reflected in this report.