

IN BOARD OF SUDBURY SELECTMEN  
THURSDAY, OCTOBER 23, 2008

Present: Vice-Chairman William J. Keller, Jr., Selectman John C. Drobinski, and Town Manager Maureen G. Valente

Absent: Chairman Lawrence W. O'Brien,

The statutory requirements as to notice having been complied with, the meeting was convened at 7:39 p.m. in the Lower Town Hall, 322 Concord Road.

**Opening Remarks**

At 7:39 Vice-Chairman Keller opened the meeting. He announced that Chairman O'Brien will be absent tonight due to a previous family commitment. Vice-Chairman Keller urged the community to vote in the upcoming November 4, 2008 State and Presidential election. He noted that high voter turnout is expected. Thus, Vice-Chairman Keller mentioned that absentee ballots are available at the Town Clerk's for those wishing to vote in advance.

Vice-Chairman Keller announced that tonight's meeting will focus on a joint session with Sudbury's Finance Committee to discuss employee retirement benefits. He welcomed the Finance Committee Members to the meeting, and State Representative Thomas Conroy, who was also in attendance.

**Joint Meeting with the Sudbury Finance Committee - Employee Retirement Benefits Discussion**

Present: Finance Committee Chair Chuck Woodard and Finance Committee members Thaddeus Gozdeck, Martha Ragonas, Bill Kneeland, Bob Jacobson, Sheila Stewart, Debbie Zurka and Jamie Gossels; The Segal Company Representative Kathleen Riley; Aon Consulting Representative Charles Cahill; Middlesex County Retirement Board Chairman Thomas Gibson; Lincoln-Sudbury Regional High School Director of Finance and Operations Judy Belliveau; State Representative Tom Conroy and Assistant Town Manager Wayne Walker

At 7:42 p.m., Finance Committee Chair Chuck Woodard explained that the purpose of the meeting is to gain a better understanding of the medical and pension benefits promised to Town, Sudbury Public Schools and Lincoln-Sudbury Regional High School employees and retirees for which no money has been previously set aside, accounted for, or considered as part of one's total compensation. The Finance Committee and Selectmen were previously in receipt of the following two reports: "Post Retirement Benefits Other Than Pensions Actuarial Valuation as of July 1, 2007," dated May 2008 and prepared by Aon Consulting, and the "Lincoln-Sudbury Regional School District Actuarial Valuation and Review of Other Post-Employment Benefits (OPEB) as of June 30, 2007 In Accordance with GASB Statements 43 and 45," prepared by The Segal Group, Inc.

Assistant Town Manager Wayne Walker introduced Aon Consulting representative Charles Cahill to further explain his company's report regarding the Other Post-Employment Benefits (OPEB) for Town and Sudbury Public Schools' employees. Mr. Cahill stated that the actuarial report projects the expected medical benefits (including a small percentage allocated to insurance) for active employees and retirees. He explained the assumptions used for the report to estimate the Town's plan obligations as of July 1, 2007, were as if the Governmental Accounting Standards Board (GASB) standard was adopted based upon GASB Statement 45, and to provide information that may be helpful in future planning.

Mr. Cahill explained that the Town and Sudbury Public Schools (SPS) provide healthcare and life insurance benefits to its retirees and families, and the amount the Town pays is uniform across all groups.

He summarized valuation results, which were calculated based upon assumptions as to current claim cost, projected increases in healthcare, mortality, turnover and interest-discounting factor. The present value of all Projected Benefits, as of July 1, 2007, is \$40,315,000 for approximately 900 employees, with a 2007 Annual Required Contribution of \$3,341,000 to amortize the total unfunded actuarial accrued liability. The current valuation uses a discount rate of 5%, which is appropriate if the assets used to pay benefits come directly from the Town's general funds. He briefly provided highlighted information from the report and responded to a few questions. Mr. Cahill noted that the past service liability is \$27,874,000.

Ms. Ragonese asked how many teachers are included in the 900 employees, to which the response was approximately 560. Chairman Woodard questioned how the liability will be reflected on the Town's balance sheet. Mr. Cahill responded that the 2007 Annual Required Contribution will be recognized on the Town's Profit and Loss Statement.

Chairman Woodard asked if it was appropriate to consider an additional \$2,690 towards total employee compensation due to this liability based upon 568 full-time equivalents. Mr. Cahill responded that perspective would be fair.

Mr. Cahill further explained that the Town/SPS receives credit for its expected premium payments against the 2007 Annual Required Contribution of \$3,341,000. Thus, if nothing is done, the minimum expected OPEB yearly obligation to be funded is estimated to be \$2,330,000.

In response to a question from Mr. Jacobson, Mr. Cahill stated that the estimated figures assume no change in the employee's health insurance contribution level. Mr. Cahill noted that, although this report was based upon a discount rate of 5%, the figure could be adjusted for a higher contribution into a trust set up for these funds. He referenced an example of a 7% return versus 5%, which would decrease the initial liability by 23%, and it would decrease the ultimate expense to be funded by 20% to an estimated \$2,676,000.

Mr. Jacobsen asked when the Town needs to begin to address this liability. Town Manager Valente responded that, although the Town is not currently required to begin to make contributions towards the liability, it is required to do this actuarial analysis. She further explained that Sudbury took the first step for funding the liability a few years ago, by requesting at Town Meeting a Special Act to establish a trust. In response to a comment by Selectman Drobinski, Ms. Valente opined that it would be best for the Town to begin to address this liability, since funding may become a requirement in the future, such as it happened with pension funding a few years ago. Ms. Valente further stated that a trust for these funds would function similarly to a stabilization fund.

Chairman Woodard asked State Representative Tom Conroy to address the State's plans for investments. Mr. Conroy stated that the State is considering using a trust as a repository with separate accounts for towns to invest the required funds. Mr. Conroy further stated that recent modifications made to the State's pension plan have provided more efficiency. He noted that the plan is evolving, and it will probably be used as a model for the future. Ms. Valente concurred that the pension fund revisions have been positive, and she hopes the State will continue its recent direction on such matters.

Vice-Chairman Keller asked Assistant Town Manager Walker to provide a brief explanation of Section 18, which was adopted by the Town and Sudbury Public Schools a few years ago. Mr. Walker explained that Section 18 of M.G.L. Chapter 32 B requires that an employee must participate in the Medicare program as the primary payer once one reaches age 65.

Mr. Cahill fielded a few more questions, and at 8:07 p.m., Vice-Chairman Keller thanked him for his informative presentation.

Assistant Town Manager Walker introduced Kathy Riley, to present the findings of The Segal Company's similar report for the Lincoln-Sudbury Regional High School (L-SRHS) employees and retirees. Ms. Riley explained that the report depicted liabilities as of July 1, 2007 of \$28,142,000, using an 8.25% discount rate (funding assumption) and \$47,058,000, using a 5% discount rate (pay-as-you-go assumption). She noted that, although this plan covers far fewer participants (184) than the Town and Sudbury Public Schools' plan, the liability is much greater.

Ms. Riley highlighted that 60% of L-SRHS plan enrollees over the age of 65 participate in more costly non-Medicare programs. It was also noted that L-SRHS has not yet adopted Section 18. Ms. Riley stated that if such a high percentage of enrollees continue to choose non-Medicare plans, there will be significant future costs impacts. The report estimated the impact of adopting M.G.L. Chapter 32B, Section 18 on the OPEB liability of requiring all Medicare-eligible retirees and their families to enroll in a "Medicare Extension Plan," provided benefits are comparable to existing coverage. At present, there are 69 current retirees and spouses age 65 and over, with an OPEB liability of \$7,428,000. Of these 69 individuals, 44 are over age 65 and in a non-Medicare plan. If 50% of this group is eligible and can enroll in Medicare plans, the liability is reduced to \$4,898,000.

For current retirees under the age of 65, the OPEB liability is \$9,117,000 with a Total Annual Required Contribution of \$3,298,000. If 32.5% of this group could be eligible and enroll in Medicare programs, then the liabilities could be reduced to \$7,192,000 and the Total Annual Required Contribution reduced to \$2,471,000, with no Part B penalty factor. The report further depicted future retirees (hired on or after April 1, 1986) have a current OPEB liability of \$8,299,000. All are considered to have contributed to Medicare during their employment, and once enrolled, will decrease the liability to \$3,577,000.

Ms. Riley noted that the projected benefit payments for FY09 are \$1,237,000, which could decrease to \$1,009,000 if Section 18 is adopted. A brief discussion ensued regarding beginning funding in FY09 and liability projections for the next 30 years. Mr. Jacobson noted that the liabilities and required funding could be lower if the plan were to adopt a different employer contribution split level and to adopt the Section 18 policy. Ms. Ragonese asked what process is needed to adopt Section 18. L-SRHS Director of Finance and Operations Judy Belliveau responded that the School Committee would need to make that decision. She further stated that the School Committee held preliminary hearings with retirees regarding these issues, but decided to delay any decisions until the end of this year. Ms. Belliveau has recently canvassed current retirees regarding determination of eligibility for Medicare. Town Manager Valente noted that L-SRHS is not yet legally able to set up a trust to receive funds.

A brief discussion also ensued regarding pending State legislation related to these topics. Chairman Woodard opined that the increased cost of the L-SRHS plan versus the Town/SPS plan for far fewer participants is troubling. Mr. Jacobson concurred. Mr. Woodard also asked for, and received, an explanation of how someone age 65 or older is not eligible for Medicare. Mr. Woodard suggested that the cost per employee for this plan appears to be approximately \$9,000 based upon FTE calculations.

Mr. Jacobson referenced the listing of all the medical plans available to L-SRHS, and he noted that the information is very useful. He asked Assistant Town Manager Walker to provide similar information to the Finance Committee for the Town/SPS employees/retirees. Town Manager Valente and Mr. Walker said they would furnish the information again, and that the data had been previously provided to the Budget Review Task Force.

Town Manager Valente commended Assistant Town Manager Walker and Town staff on the excellent retirement counseling services provided to current employees and retirees to help contain costs by

highlighting the advantages of signing up appropriately for Medicare supplement programs. She also noted that the Town has not experienced a lot of dissension regarding these issues because the Medicare programs are financially more attractive for most employees. Vice-Chairman Keller noted that Medicare programs should provide sufficient coverage for all employees of the Town and both school systems, and should, when possible, be the primary program for all retirees.

Mr. Jacobson asked if Section 18 allows for a change in the employer/employee-retiree contribution split level, for example, from 75/25 to 50/50. Town Manager Valente responded that the split level is usually determined through the collective bargaining process, which allows for such revisions within a range of minimum and maximum percentages. Chairman Woodard asked what cost reduction could be achieved if the contribution rate were changed by even 10%. Ms. Riley responded that many factors effect the resulting figure, and that a direct and proportionate reduction in costs is not necessarily realized.

Ms. Riley emphasized that if a discount rate of 8.25% is used versus 5.%, the liability can be reduced by nearly a third, from approximately \$28 million to \$18 million, along with Section 18 being adopted by L-SRHS. Ms. Riley concluded her presentation, and she was thanked for its comprehensiveness.

At 8:32 p.m., Assistant Town Manager Walker introduced the Chairman of the Middlesex County Retirement Board, Attorney Tom Gibson, for an update on the pension program. Mr. Gibson briefly described the Board's oversight of 70 governmental units of which the Town and Sudbury Public Schools is one. Town Manager Valente noted that the Sudbury Water District and the Sudbury Housing Authority are also each separate units within the program system. Mr. Gibson also provided a brief history of the pension's asset allocation, which was transferred in November 2006 to the Massachusetts Pension Reserve Investment Management Board (PRIM) for investment purposes.

Mr. Gibson briefly reviewed the historical annual returns of the system from 1985 to 2007. In response to a question from Chairman Woodard, Mr. Gibson stated that the cumulative rate of return for the past 20 years was 10.29%, and that long-term returns have exceeded actuarial benchmarks. However, Mr. Gibson acknowledged that, given the national economic environment, investment returns for 2008 are expected to be bleak. He also referenced recent State pension revisions proposed by Governor Patrick's administration.

Mr. Gibson emphasized that the Middlesex County Retirement Board is open to suggestions for improving the system and its benefits for participants. He urged for recommendations to be forwarded to his attention as well as to State Representative Conroy's office.

Mr. Gibson summarized the factors taken into consideration to determine pension benefits, including age, years of service and an average of the three highest consecutive years of regular compensation. For the determination of a pension benefit, Chairman Woodard asked if overtime pay is included. Mr. Gibson responded that overtime is not included, since it is not deemed as regular compensation.

Mr. Gibson asked Ms. Riley to briefly review the summaries prepared for the Middlesex Retirement System of Actuarial Results for the Town/SPS and for L-SRHS. Ms. Riley explained that most pension plans use an asset smoothing valuation method, which stretches out losses over five years and minimizes market volatility. Ms. Riley noted that the reports reflect information as of December 31, 2007, and actual results were within \$100,000 of previous estimates. However, she cautioned actual returns for 2008 may be negative losses. Ms. Riley stated that similar summary reports for the Sudbury Water District and the Sudbury Housing Authority will be provided at a later date.

Ms. Riley summarized the valuation results and reviewed the unfunded liabilities and total anticipated appropriations. She noted that the reports were prepared using 4.5% as the expected growth of costs.

Ms. Riley commended Sudbury for growth projections of only 3.3% in FY10. Ms. Riley fielded a few questions, and she explained that new employees, who contribute 9% to the system, will likely fund their entire future benefits. Town Manager Valente highlighted that the data indicates that the average Town of Sudbury pension is only \$19,288.47, the median pension is \$15,403.08, and that public employees do not contribute to the Social Security system. In response to a question from Vice-Chairman Keller, Ms. Riley estimated that the average Social Security benefits received by Sudbury residents would likely be similar. Town Manager Valente asked how these figures compare to the Massachusetts Teacher's Union pension figures. Ms. Riley responded that comparison data is probably available on relevant websites.

In response to a question from Vice-Chairman Keller, Mr. Gibson confirmed that police overtime and detail pay is excluded from pension calculations for regular compensation. It was noted that public safety employees tend to retire earlier, and they contribute to the system for fewer years than other group participants. Mr. Gibson also emphasized that the Middlesex Retirement System fully vets disability claims with the assistance of an independent investigation team.

At 9:21 p.m., Vice-Chairman Keller closed the discussion, and he thanked Assistant Town Manager Walker and Chairman Woodard for coordinating tonight's important discussion. Mr. Keller announced a short recess, and the meeting resumed at 9:25 p.m.

### **Minutes**

It was on motion unanimously

VOTED: To approve the regular and executive session minutes of both September 23, 2008 and October 7, 2008.

### **Omnipoint Communications Inc. - Endorsing Maynard Road Site Plan & Accepting Donations**

Vice-Chairman Keller announced that this agenda item has been rescheduled to the Board's October 28, 2008 meeting.

### **Commission on Disability - Resignation**

It was on motion unanimously

VOTED: To accept the resignation of Ronald R. McClanahan, 655 Boston Post Road, as a member of the Commission on Disability, as requested in his email dated September 8, and to send him a letter of appreciation for his service to Sudbury.

### **GLAD Committee - Resignation**

It was on motion unanimously

VOTED: To accept the resignation of Bridget Hanson, 19 Brewster Road, as a member of the Green Landscaping at the Dump (GLAD) Committee, and to send a letter of appreciation for her service to the Town.

### **Board of Registrars - Resignation**

It was on motion unanimously

VOTED: To accept the resignation of Jeanne M. Maloney, 119 Willis Road, as a member of the Board of Registrars, and to send a letter of appreciation for her many years of dedicated service to the Town.

**Election Officers - Appointments**

It was on motion unanimously

VOTED: To appoint the following as Election Officers: Megan Outly, 234 Morse Road, Jessica Gaines, 11 Revolutionary Road; Sandra L. Herman, 8 Cobblestone Place, Andrea Linn Terkelsen, 16 Shawmut Avenue, and Monica Quinn, 32 Grindstone Lane; and to re-appoint Virginia Trocchi, 31 Sauta Farm Way, Hudson, MA for terms to expire August 15, 2009, as requested by Rosemary Harvell, Town Clerk.

**Board of Registrars - Appointment**

It was on motion unanimously

VOTED: To appoint Kathleen C. Precourt, 63 Harness Lane, as a member of the Board of Registrars, for a term to expire April 30, 2009, as requested in a letter from the Board of Registrars dated October 16, 2008, filling a vacancy occasioned by the resignation of Jeanne M. Maloney.

**Board of Selectmen 2009 Meeting Schedule - Draft**

Town Manager Valente noted that the draft 2009 meeting schedule utilizes a new format. The Board expressed its satisfaction with the new format and the proposed dates.

It was on motion unanimously

VOTED: To approve the suggested 2009 Board of Selectmen Meeting Schedule as drafted by Town staff and reviewed this evening.

**Annual Town Report - Format and Distribution Methods Revisions**

Town Manager Valente explained that, due to budget constraints and the failure of last year's tax override, the production and mailing budgets for the Annual Town Report were eliminated. She stated that Executive Assistant to the Town Manager and Selectmen, Mary McCormack, coordinated a paper and online survey of residents, which revealed that citizens would be amenable to the inclusion of advertising in the Town Report to cover costs, and that they would be willing to access the Town Report on their own at available Town locations and/or on the Town website. Ms. Valente further reported that many surrounding communities have not been delivering Town Reports to citizens for some time. She noted that, legally the Town is bound to making a Town Report available, but it can do so in a more limited fashion than has been done in previous years.

In response to a question from Selectman Drobinski, Ms. Valente stated that the Town Reports for the past four years are on the Town website, and that complete archives are maintained at the Goodnow Library and Town offices. The Board stated that the recommendations seem appropriate. Vice-Chairman Keller suggested that copies of the Town report also be made available at the libraries of all Town schools.

It was on motion unanimously

VOTED: To approve that methods be taken to secure advertising to defray the costs of the production and distribution of the Annual Town Report and to make the Report available at Town Hall, the Goodnow Library, all libraries of Town schools and on the Town website.

### **Reports From the Board of Selectmen**

Selectman Drobinski reported that the groundbreaking ceremony for the Town's Habitat for Humanity project was well attended last Saturday. He stated that the project is a positive message of Sudbury's commitment to affordable housing. Vice-Chairman Keller concurred that the Town can be proud of this project and the collaboration with Habitat for Humanity.

Vice-Chairman Keller reported that he and Chairman O'Brien have spent considerable time in budget-related meetings with the Town's School Committees. He urged the community to stay tuned and to stay informed throughout the coming months regarding budget issues, which are bound to be challenging given the national economic scene.

Even in these difficult financial times, Vice-Chairman Keller encouraged the community to participate in the upcoming HOPEsudbury Telethon on November 1st.

### **Reports From the Town Manager**

#### **Sudbury Officials Meet with State House Committee on Ways and Means Chairman**

Town Manager Valente, Chairman O'Brien, Superintendent John Brackett, Sudbury School Committee member Susan Iuliano and Finance Committee member Martha Ragonis recently met with Massachusetts House Committee Ways and Means Chair DiLeo regarding several key local issues, including the need to change many unfunded mandates to municipalities.

### **Schmidt Equipment, Inc. - Bid Award**

Town Manager Valente presented the Board with copies of a bid award request for approval. Ms. Valente commended Elaine Jones, from the Town Counsel's Office, on the tremendous job Elaine does assisting all Town departments with the preparation of bid documents.

It was on motion unanimously

VOTED: Pursuant to ATM08/Art.6 FY09 Capital Budget, to approve award for the purchase of a 2009 diesel-powered backhoe loader from Schmidt Equipment, Inc., and further, to authorize the Town Manager to execute all documents related thereto subject to finalization of the Lease-Purchase Agreement to be negotiated by Town Counsel's Office.

### **Election Officer - Resignation**

It was on motion unanimously

VOTED: To accept the resignation of Kathleen C. Precourt, 63 Harness Lane, as an Election Officer and to send a letter of appreciation for her service to the Town.

### **State Election - Ballot Question 1**

The Board was previously in receipt of a draft letter, prepared by Town Manager Valente on behalf of the

Board, to express the Board's opposition to the upcoming ballot question to eliminate State income taxes. Ms. Valente recommended that the Board issue a letter to the local newspaper to educate the public on the many reasons to oppose this ballot question. She noted that, over a two-year period of time, the ballot proposal would eliminate State income taxes completely, resulting in a \$1.4 million revenue loss for Sudbury. Ms. Valente briefly explained the severe impacts that the passing of this ballot question would have on the present quality of life experienced by Massachusetts' residents.

Vice-Chairman Keller agreed that citizens enjoy a comfortable societal standard of living, which includes government services, all of which cost money. He opined that the ballot proposal is ill-conceived and inappropriate. Selectman Drobinski concurred, and he believes the proposal is an overreaction to the bad aspects of government, even though government more often positively supports our society. .

It was on motion unanimously

VOTED: To approve the draft "Letter to the Editor," to be submitted for publication in the *Sudbury Town Crier*, expressing the Board of Selectmen's opposition to Question 1 for the November 4, 2008 election ballot.

There being no further business, the meeting adjourned at 9:49 p.m.

Attest: \_\_\_\_\_  
Maureen G. Valente  
Town Manager-Clerk