

**Sudbury Finance Committee
Virtual Meeting Minutes
September 29, 2025
7:00PM**

ATTENDANCE

Members of the Finance Committee present: Co-Chair Michael Joachim, Ryan Lynch, Andrew Sousa, Henry Sorett, Karl Fries, Eric Poch (arrived late) and Co-Chair Michael Ferrari

Absent: John Baranowsky and Andrew Bettinelli

Also in attendance: Assistant Town Manager Finance Director Victor Garofalo and Town Manager Andrew Sheehan

ITEM 1: Opening Remarks and Member Roll Call

Co-Chair Ferrari called the meeting to order at approximately 7:00PM, roll-called the members, and declared a quorum present. He read the Municipal Remote Meeting Disclaimer and reviewed the agenda.

ITEM 2: Public Comment

Select Board Member Janie Dretler reported that the meeting was not livestreamed. Co-Chair Joachim reported that Sudbury TV had confirmed that the problem had been rectified.

ITEM 3: Presentation by Middlesex County Retirement System

Co-Chair Ferrari welcomed Tom Gibson, Chair, and Lisa Maloney, Chief Administrative Officer, of the Middlesex County Retirement System as well as Andrew Luongo of Segal Advisers, actuary consultants. They reviewed the PowerPoint presentation including the following highlights:

- Introduction.
- Members of the Middlesex County Retirement Board.
- Town of Sudbury membership as of September 30, 2025.
- System assets and investments as of December 31, 2024.
- Asset growth – 2005 to August 2025.
- Calendar year returns 2005-2025 (YTD-August).
- 2024 PRIM asset allocation.
- Contribution rates and regular compensation.
 - o Employee contribution rates.
 - o Regular compensation.
- Town of Sudbury contributions and benefits.

- o Town appropriation and funding history.
- o System valuation.
- o Funding schedule.
 - 2024 system valuation.
 - FY26 2026 appropriation.
 - Recent appropriations.
- o MCRS monthly benefits summary as of December 31, 2024.
- o Town of Sudbury benefits summary as of December 31, 2024.
- o Superannuation retirees as of December 31, 2024.

Middlesex County Retirement System Overview

Tom Gibson and Lisa Mahoney provided an overview of the Middlesex County Retirement System. They explained that Massachusetts is one of 12 non-Social Security states in the country. The MCRS has approximately 10,000 active members and 4,200 inactive members. The system oversees 74 different employer units, including 31 towns, and is managed by a five-member board. Mr. Gibson discussed the system's assets, which have grown to \$2.4 billion as of August, and explained their investment strategy through the Pension Reserves Investment Management Board. The presentation concluded with a review of their investment returns and asset allocation, noting that they have been exceeding their investment return goal assumptions in recent years.

Retirement System Investment Assumptions

Mr. Gibson and Mr. Luongo discussed the investment return assumptions for the retirement system, explaining that while PRIM's 10-year expected return is 6.9%, the actual actuarial return is 7.1%. Mr. Luongo clarified that these assumptions are based on long-term calculations, considering a 20-year time horizon, and highlighted the risks associated with meeting these assumptions. Mr. Gibson then explained the contribution rates for active members and the calculation of retirement allowances, noting that most employees now contribute 9% of their salary plus an additional 2% over \$30,000, with regular compensation being a key factor in pension calculations.

Massachusetts Retirement System Funding Overview

The meeting focused on the funding and valuation of the Massachusetts retirement system, with Mr. Luongo explaining the history of pension reform, funding schedules, and the system's valuation process. He detailed the normal cost of the plan, which represents about 15% of payroll, and the unfunded liability, which Middlesex is on track to pay off by 2036. Mr. Gibson presented a breakdown of the types of benefits received by retirees, highlighting that most retirees receive less than \$30,000 annually, and Ms. Mahoney discussed the investment returns and overall financial health of the retirement system.

PRIM Retirement Investment Management

Mr. Gibson explained that PRIM, a quasi-governmental body, manages the retirement system's investments with lower overhead costs than private firms, around 50 basis points. He noted that towns cannot choose private money management firms and highlighted the benefits of PRIM's diversified portfolio and strong performance. Mr. Fries inquired about funding schedules for unfunded liabilities, and Mr. Gibson shared that some municipalities are making additional payments, which are tracked separately to help reduce future obligations. Mr. Gibson also mentioned that a firm funding schedule can improve bond ratings, which was noted as a positive factor for Sudbury.

Pension Funding Schedule Review

Ms. Mahoney explained that the 5% increase was due to demographic data and experience data, while Mr. Luongo noted that asset performance is a major driver of funding schedule changes. Mr. Gibson described the board's discretion in setting funding schedules, with input from an advisory council. The group discussed potential changes to the funding schedule, including extending or shortening the timeline, and the impact of market performance on future valuations.

Pension Funding and Stabilization Strategies

The group discussed the town's pension obligations and funding strategies. Mr. Garofalo explained that the proposed Pension Stabilization Fund from last year, which would have required a \$175,000 deposit, was intended to address unexpected increases in pension costs. He noted that while the current contribution rate is around 7% of the operating budget, this could increase if factors like mortality rates or disability retirements change. Mr. Fries suggested considering OPEB contributions in a similar context for budget management, while Mr. Sheehan expressed concern about market uncertainty over the next decade and the potential benefits of a stabilization fund.

ITEM 4: Town Finance Discussion**Update on SPS school roof project**

Mr. Garofalo reported that the project is currently under review by the MSBA. A meeting is scheduled with the MSBA on October 28, following which the Town has ninety days to secure the funding. A special town meeting will be scheduled in early December followed by a local election for the debt exclusion.

Other Updates from the Finance Director/Town Manager

Mr. Garofalo reported as follows:

- Free cash certification of \$9,395,877 has been received from DLS.

- He and Town Manager Sheehan have been meeting regularly with departmental staff to gather information on an extensive fifteen-year capital plan ranging from \$7M-20M in any given year, allowing for anticipated fiscal years (FY27) within the scope of the budget.
- Presentation of the capital plan to the Select Board in October, and plans going forward for joint meetings of the Select Board and FinCom for this presentation as well as the financial condition of the town presentation in November.
- Classification hearing expected early this year in November.

Discussion ensued including the following highlights:

- Avoidance of urbanization of the town by distinguishing between replacing assets and preserving quality of existing structures.
- Review of Town financial policies with respect to allocation of free cash (3-5%) in various buckets and revision of targeted amounts.
- Revenue expected to decrease with limited projects in the pipeline and lower investment income in light of decreases in federal interest rates.
- Efforts being taken to maintain fiscally responsible budget through FY27 and beyond by review of fixed costs with three cost centers.

ITEM 5: Upcoming Agenda Items

- **Transfers and other business**

There were none.

- **Liaison reports**

Mr. Fries – Parks and Recreation.

Mr. Sousa – SPS.

- **Calendar**

Next meeting: October 20

Mr. Garofalo reviewed the first draft of the full-year calendar of meetings and topics of discussion.

Mr. Garofalo will finalize for distribution to members.

- **Approval of Minutes – September 15, 2025**

MOTION: Upon motion duly made by Co-Chair Joachim and seconded by Co-Chair Ferrari, it was unanimously voted to approve the minutes of September 15th. Roll call vote: Co-Chair Joachim-Y, Co-Chair Ferrari-Y, Mr. Lynch-Y, Mr. Sorett-P, Mr. Poch-Y, Mr. Fries-Y and Mr. Sousa-Y. Motion carries 6-0-1.

ITEM 7: Public Comment

There was no public comment.

ITEM 8: Adjournment

MOTION: Upon motion duly made by Mr. Sorett and seconded by Mr. Poch, it was unanimously voted to adjourn. Co-Chair Joachim-Y, Co-Chair Ferrari-Y, Mr. Lynch-Y, Mr. Fries-Y, Mr. Poch-Y, Mr. Sorett-Y and Mr. Sousa-Y. Motion carries 7-0, unanimous.

The meeting adjourned at 9:04PM.

Respectfully submitted,

Christine Martin Barraford

Recording Secretary

Review and Updated by Victor Garofalo, Assistant Town Manager, Finance Director