Hello Ron and Kyle,

Unfortunately, the public comment rules do not provide sufficient time nor guarantee that the following questions regarding Bartel's report can be asked and answered by an individual. Therefore, I am submitting the questions in advance with the hope that you can ask them on my behalf and hopefully they will be answered by Bartel. Feel free to provide these questions to Bartel so they can come prepared. Thank you.

1. Page 12 - shows a projection of the forward discount rate used for the actuarial valuations. Is this the rate CALPERS has publicly established or is this a Bartel assumption used in the projections? Bartel Associates' chart shows the impact of the stochastic economic trials on CalPERS' current 7% discount rate. The projection shows how CalPERS' funding risk mitigation policy can reduce the discount rate over time due to scenarios where the return is greater than 7%.
2. Page 13 – why has the total PERSable wages increased $1m or 10.1% from 2018 to 2019? We have been told that total non-safety payroll expense increased approximately 3% 2018 vs 2019? What is causing the delta between actual non-safety wages and the PERSable wages? How much did non-safety wages increase 2018 to 2019 if it wasn't 10.1%? The 6/30/18 CalPERS report shows payroll reported by the Town to CalPERS for 2017/18. The 6/30/19 CalPERS report shows payroll reported by the Town for 2018/19. Town staff can best address this question.
3. Page 22 – the FY 22 Employer Contribution Rate is shown to be 31.4% ($3,709,000) with a footnote that the rate reflects the ADP payments totaling $8,334,330. The current CALPERS Annual Valuation Report (attached) shows a higher required employer contribution rate of 33.54% ($3,961,516). Is it your recommendation that the Town pay the $3,961,516 as shown on the CALPERS report and treat the incremental $252,160 as an additional ADP for FY 22? What should the Town budget for the FY 22 miscellaneous plan payment? The 6/30/19 valuation report dated July 2020 says the 2021/22 Normal Cost employer contribution is 10.37% of payroll and the 2021/22 UAAL payment is $2,736,531. CalPERS projected the reported 2018/19 payroll of $10,889,467 three years forward to 2021/22 using an increase rate of 2.75% per year to arrive at an estimated 2021/22 payroll $11,812,780. Using this payroll, the estimated Town contribution for 2021/22 was $3,961,516 as shown in the valuation report. The Town received a letter from CalPERS on 9/17/20 saying the 2021/22 Normal Cost employer contribution was 10.37% of payroll and the 2021/22 UAAL payment was reduced to $2,483,538 reflecting the 7/7/20 ADP of $3,580,365. The estimated 2021/22 contribution using a 2021/22 payroll of $11,812,780 would then be $3,708, 523, or $252,993 lower than that shown in the valuation report. A similar adjustment was made to the 6/30/18 valuation report results for the $4,753,965 ADP made on 10/18/19.
4. Page 23 – the report states the contribution projections "assumes investment returns will, generally be 6.5% (as compared to 7%) over the next 8 years and higher beyond that. What does "higher beyond that" mean in terms of a projected return? If the discount rate is "likely get to 6%" over 20+ years, as noted on page 11, why wouldn't it be reasonable for the Town to adopt a 6.5% discount rate going forward and make contributions to the miscellaneous and safety plans using a 6.5% discount rate? Why wouldn't the Town adopt a more conservative strategy of funding the retirement plans using a more realistic 6.5% rate immediately? Are you aware of other cities adopting a funding strategy using a more conservative discount rate? What is your recommendation? CalPERS' risk mitigation policy should gradually reduce the discount rate,

resulting in a correspondingly more conservative target asset allocation over time. Some agencies may feel funding the plan using a discount rate lower than 7% may be prudent if resources are available. That is one of several strategies that can be used to increase funding above required contributions. The Town asked Bartel Associates to show the impact of funding using a 6% discount rate with its 6/30/17 CalPERS review.

5. Page 28 – what is the total PERSable wages used to compute the $3,709,000 dollar contribution amount for FY 22? What is the assumed annual rate of increase in PERSable wages used to compute the future dollar contributions shown on the graph? Should this same rate of increase be used in the Town's 5-year forecast of salary, so the assumptions are consistent between salary and benefit expense projections? How have other cities forecasted salary increases relative to the cost of benefit increases? Bartel used CalPERS' aggregate payroll increase assumption of 2.75% per year to project the Town's CalPERS contributions. The starting point is the 2018/19 payroll reported to CalPERS. CalPERS provides the Normal Cost as a percentage of payroll. The Town will use this Normal Cost percentage and actual payroll to make Normal Cost contributions. CalPERS provides the UAAL payment as a dollar amount. The Town can use its payroll projections to estimated future contributions using Bartel's projected Normal Cost percentages along with its projected UAAL dollar amortization amounts.