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Grand jury warns of 'another county crisis'

Report cites potential for \$4.4 billion gap; employees union leader says findings reflect 'rhetorical bias.'

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SANTA ANA – New, generous pension perks given to county workers, coupled with rising health-care costs and the bankruptcy payoff, could cause a \$4.4 billion "exposure" for Orange County, a grand jury reported Tuesday.

Calling its report "Another County Crisis," the grand jury criticized recent county boards of supervisors for raising the county's pension contributions by nearly 300 percent, and former boards for failing to establish pension reserves in good economic times.

"It appears the current board of supervisors is repeating the pattern of granting generous benefits - this in light of tight county budgets and the residual effects of the bankruptcy 10 years ago," the report said.

Confirming what many county officials have been talking about for some time, the panel highlighted several problems. The \$2.3 billion in recent pension enhancements, plus \$1.3 billion in unfunded health-care costs, in addition to the \$800 million bankruptcy payoff all create "another possible exposure in the county's financial structure," the report said.

A county employees' union representative denounced the report as biased, while one supervisor called it factual.

"They were critical, but I think they were also very accurate in describing the situation," said Supervisor Bill Campbell, serving as chairman of the five-member board.

But Nick Berardino, general manager of the Orange County Employees Association called the grand jury's report a "strident attack."

"It's more of the same rhetorical bias expressing individual opinions from those who either don't understand the benefit to the county and its employees or those who choose to ignore it," he said.

In addition to making up for the increase in the pension benefit, workers agreed to a two-year wage freeze and health-care concessions that will save the county at least \$11 million, Berardino said.

County Treasurer-Tax Collector John Moorlach, who has long been saying much of what the report pointed out, also blamed the supervisors. In a controversial 3-2 vote last year and formalized Tuesday, the board approved an increase in retirement benefits that workers may now take when they reach age 55.

"I think the first step in a 12-step program is admitting there's a problem," Moorlach said. "We need our board to get to that point."

And Moorlach expects the situation to get worse. A county-ordered report on the unfunded health-care costs, set to be released in the next few weeks, may show a \$2 billion shortfall instead of the \$1.3 billion estimated now.

"We may be underwater to the tune of \$5 billion," Moorlach said.

Q. What else did the grand jury find?

A. Reading almost like a primer on the pension problem, the grand jury's report also pointed out the county government's contribution to workers' pensions has grown to \$178 million in 2004-05 from \$45 million in fiscal year 2000-01. That's an increase of \$133 million, or 296 percent, the report said.

Q: Why all the sudden attention to the county's pension problem?

A: Because a new report for the Orange County Retirement System board found that what had been thought to be a \$1.3 billion gap in funding the pensions could now be \$2.3 billion. The county hired a new company to do the analysis after using the same actuarial firm for about 15 years. Campbell called it "the June surprise."

Q: Why is the union saying the employees will pay for the increase?

A: Because the workers have agreed to contribute more to the pension fund, expecting to pay nearly \$300 million over the next 30 years. That begins this Friday.

But the recent actuarial report said the increase also will cost the county \$114 million more each year. That could cause a huge problem and may force severe cuts or even layoffs.

Q: Who stands to benefit the most from the pension increases?

A: The 800-plus senior workers eligible to retire on Friday. Their pensions will be enhanced without any cost to them, the grand jury's report says.

Q: Why did an Orange County Superior Court grand jury issue a report?

A: Grand juries have a public oversight, or watchdog, role. The report said the 19-member panel was "spurred by public interest and its own curiosity."

"This is a matter of public interest, the financing of the county," said the panel's foreman, Lewis Avera of San Clemente.

Q: Can I see the grand jury's report?

A: Yes. Go to www.ocgrandjury.org and click on 2004-05 under "reports."