# Ventura County Grand Jury
# 2008 - 2009

## Final Report

## Ventura County Pension:
**“**An Uncontrollable Cost**”**

## Date Issued
## June 10, 2009

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# Ventura County Pension:

"An Uncontrollable Cost"

## Summary

The 2008-2009 Ventura County Grand Jury (Grand Jury) investigated the fiscal health of the Ventura County (County) Pension Fund (Fund). Pension costs have threatened the financial viability of all levels of government. The Fund's assets are susceptible to large swings in value based on investment performance and the granting of retirement benefits.

The Grand Jury found that the County pension contributions to the Ventura County Employee Retirement Association (VCERA) have increased over 327% since Fiscal Year (FY) 1998-1999. The pension contributions are projected to increase at approximately 20% to 25% each year over the next several years, above the FY 2008-2009 level of about $140 Million. To help control the growth of pension costs, other counties have implemented laws that require voter approval before increasing pension benefits to county employees.

The Grand Jury recommends that the Ventura County Board of Supervisors (BOS) continue the moratorium on increases in pension benefits to County employees to protect the financial health of the County. In addition, the Grand Jury recommends that the County implement a requirement for voter approval of future increases in retirement benefits.

The Grand Jury further recommends that the County investigate the sharing of retirement fund risks between the County and County employees, more in line with what takes place in private industry.

Finally, the Grand Jury recommends that the returns from above-target investment performance years be used to offset investment returns from below-target performance years before considering additional benefits or offset contributions.

## Background

The current worldwide economic recession and the ensuing collapse of global investment markets prompted the Grand Jury to undertake a follow-up examination of the Ventura County Employees' Retirement Plan (Plan). The 2006-2007 Grand Jury Report, *Ventura County Employees' Retirement Plan* [Ref-01], suggested that pension funding problems could require the County to divert money from the general fund to the Plan. This would reduce funds available for basic County expenditures. Not only is this a local and California problem, it also affects the nation's largest public pension funds.

The County and employees contribute to a defined benefit pension plan through a system organized under the provisions of the County Employees Retirement Law of 1937 ('37 Act) [Ref-02]. The Plan, its assets, and distributions are managed by VCERA for the benefit of the more than 13,000 current active and retired employees. The benefits are determined by negotiation between the County and employee unions; all benefit plans are ratified by the BOS.

The County and active members each make contributions to the Plan sufficient to provide for defined benefits to current and future retired members. VCERA receives these contributions from each party, manages the Plan assets for the benefit of the members, and makes distributions to the retirees according to the negotiated agreements. VCERA, through the Ventura County Board of Retirement (Board), makes an annual determination of the required contribution from the County. The Board considers the members' current and future payment requirements as well as earnings or losses from the Plan's invested assets. In making these determinations, the Board relies upon the advice from an investment consultant, an actuary, and the Board's administrator.

The management of VCERA is vested with the Board. The Board consists of nine members and two alternates. By law, the County Treasurer is required to be a member of the Board. Four members are appointed by the BOS, one of whom may be a County Supervisor. Two members are elected by the active general employees; one member and one alternate are elected by the active public safety employees; one member and one alternate are elected by the retired members of VCERA. All Board members serve three-year terms, except for the County Treasurer whose tenure runs concurrently with his/her term in office.

The investment consultant for VCERA is Ennis Knupp + Associates. The VCERA actuary is The Segal Company.

## Methodology

The Grand Jury reviewed the 2006-2007 Grand Jury Report *Ventura County Employees' Retirement Plan* and the responses to the recommendations in the report. The Grand Jury interviewed members of the County Executive Office, Board and Management of VCERA, the Plan Actuary, the Plan Investment Advisor, and County Supervisors. The Grand Jury attended VCERA business meetings and reviewed printed materials distributed at the meetings. The Grand Jury conducted extensive internet searches and reviewed public financial documents. The Grand Jury also reviewed a Retirement training presentation *Retirement 101* [Ref-03], available on the BOS website.

## Findings

**F-01.** Total County payments to the pension fund have increased from $32,715,209 in FY 1998-1999 to a budgeted amount of $139,742,615 in FY 2008-2009, a 327% increase over 10 years. The County annual pension costs, including Pension Obligation Bonds (POB) payments[1], from FY 1998-1999 were:

[1] The County issued $250 Million of POBs in 1995. The proceeds from the POBs were placed into the VCERA fund. Principal and interest payments added an average of $18.2 Million per year to the County retirement costs. The POBs were fully paid and retired in FY 2007-2008.

| **Fiscal Year** | **Pension Costs** |
|---|---|
| 1998-99 | $32,715,209 |
| 1999-00 | $34,768,877 |
| 2000-01 | $36,074,330 |
| 2001-02 | $39,414,246 |
| 2002-03 | $40,050,756 |
| 2003-04 | $53,938,205 |
| 2004-05 | $96,613,112 |
| 2005-06 | $120,618,500 |
| 2006-07 | $139,097,134 |
| 2007-08 | $146,866,534 |
| 2008-09 Budget | $139,742,615 |

**F-02.** The average County retiree's monthly pension increased from 1999 to 2008 as follows: [Ref-04]

| | 1999 | 2008 | Increase |
|---|---|---|---|
| General Employees | $1,195 | $2,013 | 69% |
| Safety Employees | $3,434 | $5,478 | 60% |

**F-03.** The County employee retirement benefits formula has remained substantially constant for more than 30 years.

**F-04.** Payments from the pension fund (including benefit payments, member refunds, administrative expenses, and legal settlements) were $149,917,062 in FY 2007-2008 and $138,275,948 in FY 2006-2007. [Ref-04]

**F-05.** The County Chief Financial Officer (County CFO) estimated, at a BOS briefing October 7, 2008, that there will be a $20 Million to $30 Million increase in County pension contributions in FY 2010-2011 due to the negative investment results of VCERA in calendar year 2008.

**F-06.** The County CFO, in April 2009, forecasted ". . . increases of approximately 20% to 25% per year over the next several years in County retirement costs."

**F-07.** VCERA presented the *ANNUAL ACTUARIAL VALUATION OF THE VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION* report to the BOS on April 28, 2009. The report, based on June 30, 2008 data, included charts which projected the fiscal impact to the County's annual pension costs. (Att-01)

**F-08.** Based on the above VCERA presentation to the BOS, by 2013, the County increase in pension costs would be more than $100 Million above the FY 2008-2009 budget of $139.7 Million.

**F-09.** The VCERA presentation to the BOS assumed an 8% return for FY 2008-2009; however, the fund experienced substantial losses through the first nine months of the fiscal year.

**F-10.** The VCERA presentation also assumed that the County payroll costs will remain constant over the next five years.

**F-11.** Factors affecting the County annual pension costs include:

- investment results
- number of active and retired employees in the plan
- compensation of active employees
- county payment of employee retirement contributions
- projected compensation increases for active employees
- retirement benefits formula
- actuarial assumptions, such as retiree life expectancy and the financial earnings rate
- use of "Excess Earnings"

**F-12.** In years with good investment results, earnings above approximately 10% are treated as "Excess Earnings." The 10% is composed of the assumed 8% investment earnings, plus a 1% reserve, plus the annual administrative costs of the Fund.

VCERA has the option to use the excess earnings to offset members' contributions, or to transfer excess earnings to the County advance reserve, or to leave excess earnings in the undistributed reserve (where they would be treated as a valuation asset), or to use the excess earnings to provide supplemental benefits to existing retirees. Examples of excess earnings being used to provide supplemental benefits to existing retirees, rather than to offset investment losses include:

- effective October 1, 1997, special payments known as "STAR COLA" were granted to employees who had retired prior to April 1981 and had lost over 20% of the purchasing power from their retirement benefits due to inflation
- effective March 17, 2003, special payments of $27.50 per month were granted to retirees with at least five years of service credit with VCERA

**F-13.** On December 18, 2007, the County Executive Officer (CEO) submitted a letter concerning excess earnings to VCERA stating, "It is the County's position that the concept of excess earnings is a legal and accounting anomaly that is not consistent with sound funding practices. The retirement system is a long-term entity that should keep investment earnings from good years to offset for investment losses in bad years. Spending "excess" funds in the good years to increase benefits requires additional County contributions to make up for the loss of funds from the trust. The effect is to increase the cost to the taxpayer above and beyond the promised benefits of the defined public pension plan."

**F-14.** On September 15, 2008, the CEO submitted a letter concerning excess earnings to VCERA stating, ". . . the County does not support increasing the amount excluded from Assets Available for Benefits in order to provide non-vested supplemental benefits. As a reminder, every dollar that is excluded from the actuarial value of assets must be made up for by increased employer contribution."

**F-15.** At the January 2009 VCERA Board meeting, the Board discussed, in detail, the investment loss of about $1 Billion in fund assets (about 31% decline of the total value) in calendar year 2008. However, at that same meeting, the issue of "Excess Earnings" reserve from previous years was raised. The Board chose to extend a retiree Cost of Living Adjustment (COLA) funded by "Excess Earnings" from 2007, justified as a "commitment made in earlier years."

**F-16.** On December 31, 2007, VCERA's net assets held in trust for pension benefits were $3.11 Billion. On December 31, 2008, the net assets held in trust for pension benefits were $2.14 Billion. These results are comparable to those experienced by other public pension funds.

**F-17.** San Francisco has required voter approval of pension benefit increases which has been in its charter since 1889. Voters have rejected three attempts in recent decades to let the board of supervisors set pension benefits, each time by a wider margin. [Ref-05]

**F-18.** In November 2006, the City of San Diego stripped the power to raise pension benefits from elected officials and from the collective bargaining process. That power now resides with the electorate. [Ref-05]

**F-19.** In the 2008 general election, Orange County passed "Proposition J" with 75% of the vote, requiring voter approval for increases in county employee retirement benefits. (Att-02)

**F-20.** Orange County "Proposition J" provides that all increases in retirement benefits must be approved by the electorate. Further, prior to any ballot initiative to increase retiree benefits, an actuarial study on the proposed cost of the new benefits will be provided to the electorate. (Att-02)

**F-21.** The Orange County ballot statement in favor of "Proposition J" is included in Attachment 03. There were no ballot statements against "Proposition J". (Att-03)

**F-22.** "*Defined-benefit plan*. A plan that provides employees with guaranteed retirement benefits that are based on a benefit formula. A participant's retirement age, length of service and pre-retirement earnings may affect the benefit received." [Ref-06]

**F-23.** "*Defined-contribution plan*. A plan that specifies the level of employer contributions and places those contributions into individual employee accounts. Retirement benefits are based on the level of funds in the account at the time of retirement." [Ref-06]

**F-24.** U.S. Bureau of Labor Statistics stated in 2009, "BLS data on State and local government employees show that 84 percent of workers in 2008 had a defined benefit plan available to them; in contrast, 22 percent of private industry workers had such a plan available to them in the same year." "Just as the structure of retirement plans differs between public and private sector workers, so too has the pace of change in retirement plans differed between the two sectors. From 1986 to 2008, participation in defined benefit plans among full-time workers in private industry declined from 76 percent to 24 percent. Over a similar period (1987-2008), State and local government employee participation in defined benefit plans declined modestly—from 93 percent of full-time workers in 1987 to 88 percent of full-time workers in 2008." [Ref-07]

## Conclusions

**C-01.** Increasing pension costs are stressing the County's budget. County pension costs have risen over 327% in the last 11 years ($32.7 Million in FY 1998-1999 to $139.7 Million in FY 2008-2009). (F-01)

**C-02.** The County's future pension costs are projected to increase significantly for the foreseeable future. (F-05 through F-09)

**C-03.** Pension payments to retirees remain secure, backed by the Fund's assets and the annual contributions. (F-01, F-04, F-16)

**C-04.** The factors that cause the County pension costs to increase include:

- VCERA investment results
- employee salary increases
- increases in pension formula (not currently used by the County)
- County payment of employee retirement contributions
- actuarial assumptions
- excess earnings not used to offset losses

The County bears all the costs of these factors, but does not control all of them. (F-03, F-11, F-12, F-15)

**C-05.** The '37 Act gives VCERA sole discretion on the use of "Excess Earnings" regardless of the Plan funding status. (F-12 through F-15)

**C-06.** In an effort to contain retiree benefits costs, San Francisco, Orange County, and the City of San Diego require the electorate to approve retiree benefit increases. (F-17 through F-21)

**C-07.** Private industry has substantially transitioned to *defined contribution* plans in order to manage pension costs. Public employee pensions are still substantially *defined benefit* plans. (F-22 through F-24)

## Recommendations

**R-01.** The Board of Supervisors should commission an independent study on the merits of replacing the current *defined benefit* pension plan, for new hires, with a combination of reduced *defined benefits* and adjusted *defined contributions* similar to private industry. (C-07)

**R-02.** The Board of Supervisors should continue the moratorium on increases in pension benefits formula. (C-04)

**R-03.** The Board of Supervisors should investigate and, if legal, place a proposition (similar to Orange County "Proposition J") on the next County-wide election ballot to require voter approval for increases in retirement benefits as a long term control of pension costs. (C-06)

**R-04.** The Ventura County Employees' Retirement Association should retain "Excess Earnings" in the Fund whenever the Fund is less than 90% funded. (C-04, C-05)

**R-05.** The Board of Supervisors and the Ventura County Employees' Retirement Association should propose state legislation to change the "Excess Earnings" provision in the '37 Act, to require that returns from above-target investment performance years must be used to offset investment returns from below-target performance years before considering additional benefits or offsetting contributions. (C-04, C-05)

## Responses

Responses Required From:

Board of Supervisors, County of Ventura: (R-01, R-02, R-03, R-05)
Ventura County Employees' Retirement Association: (R-04, R-05)

Responses Requested From:

County Executive Officer, County of Ventura: (R-01, R-02, R-03, R-05)

## Commendations

The Grand Jury was impressed by the professionalism of the management and operations within the Ventura County Employees' Retirement Association and within the County Executive Office.

## References

**Ref-01.** Grand Jury 2006-2007 "Ventura County Employees' Retirement Plan"
http://grandjury.countyofventura.org/reports/06

**Ref-02.** County Employees Retirement Law of 1937
http://www.sdcera.org/PDF/1937_Act_09.pdf

**Ref-03.** "Retirement 101," Ventura County, County Executive Office
http://ventura.granicus.com/MediaPlayer.php?publish_id=28

**Ref-04.** VCERA "Comprehensive Annual Financial Report, June 30, 2008"
http://portal.countyofventura.org/pls/portal/docs/PAGE/VCERA/PUBLICATIONS/2008%20CAFR%20-%20FINAL.PDF

**Ref-05.** "San Francisco pensions: conservative trendsetter," by Ed Mendel, February 27, 2009.

http://calpensions.com/2009/02/27/san-francisco-pensions-conservative-trendsetter/

**Ref-06.** U.S. Bureau of Labor Statistics, "Program Perspectives," March 2009

**Ref-07.** U.S. Bureau of Labor Statistics by William J Wiatrowski, February 25, 2009

http://stats.bls.gov/opubReferences/cwc/print/cm20090218ar01pl.htm

## Attachments

**Att-01.** "ANNUAL ACTUARIAL VALUATION OF THE VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION", to County BOS from Tim Thonis, Retirement Administrator, April 28, 2009.

**Att-02.** FULL TEXT OF MEASURE J, ORANGE COUNTY

**Att-03.** ARGUMENTS IN FAVOR OF MEASURE J

## Attachment -01

### “ANNUAL ACTUARIAL VALUATION OF THE VENTURA COUNTY EMPLOYEES’ RETIREMENT ASSOCIATION”

**Tim Thonis, Retirement Administrator, April 28, 2009.**

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**VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 · Fax: (805) 339-4269
http://www.ventura.org/vcera

April 28, 2009

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: **ANNUAL ACTUARIAL VALUATION OF THE VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**
(Report on file with Clerk of the Board)

**RECOMMENDATION**:

In accordance with the provisions of Government Code Sections 31453 and 31454, the Retirement Board for the Ventura County Employees' Retirement Association (VCERA) recommends your Board adopt the retirement contribution rates set forth in the Actuarial Valuation and Review prepared by The Segal Company (Segal) as of June 30, 2008, and adopted by the Board of Retirement on January 26, 2009.

**FISCAL/MANDATES IMPACT**:

Mandatory: Yes [X] No [ ]

The required employer retirement contribution will decrease for all categories of retirement system membership for the upcoming fiscal year. The overall composite rate will decrease from 17.48% to 16.03% of current payroll. The estimated cost reduction in Fiscal Year 2009/2010 is $8.7 million, assuming no increase in the County of Ventura's current payroll.

**DISCUSSION**:

The Retirement Board, at its meeting of January 26, 2009, adopted the Actuarial Valuation and Review prepared by Segal as of June 30, 2008. Summarized below are several of the key findings resulting from the actuarial valuation:

**ANNUAL ACTUARIAL VALUATION OF VCERA**
April 28, 2009
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- The ratio of actuarial assets to actuarial liabilities increased from 87.9% to 91.3%. VCERA's Unfunded Actuarial Accrued Liability (UAAL) decreased from $376 million as of June 30, 2007 to $290.0 million as of June 30, 2008. The decrease is primarily due to an investment return on the actuarial value of assets that exceeded the 8.00% assumed rate of return.
- The aggregate employer contribution rate decreased from 17.48% of covered payroll to 16.03% of covered payroll.
- Average member contribution rates decreased to 8.04% from 8.10% in the prior valuation. The decrease is attributable to changes in the member population.
- The total unrecognized investment **loss** as of June 30, 2008, is $231 million. This amount will be recognized in the determination of the actuarial value of assets over the next several years and will, assuming all actuarial assumptions are met, cause an increase in the contribution requirements for the County of Ventura.

The June 30, 2008 actuarial valuation does not capture the full effects of the economic downturn that has occurred since August 2007. As the members of the Board of Supervisors are aware, the global economic conditions have deteriorated materially over the past 18 months. For example, world equity markets fell 42% in 2008 including 22% in the last quarter of the year. U.S. equity markets suffered through their worst year since the 1930s. Fixed income markets exhibited even more devastating returns as every fixed income sector except for U.S. Government Treasuries suffered through their worst year in history. Examples of the devastation within fixed income markets included investment-grade credit falling by over 5%, emerging market debt by more than 15% and high yield securities losing approximately 25%. U.S. Government Treasuries returned 34%, their second best year in the last century, as investors flocked to the safety of investment securities guaranteed by the Federal Government during 2008.

In addition to adopting the June 30, 2008 actuarial valuation, the Board of Retirement also reviewed an Asset/Liability study on January 26, 2009 prepared by VCERA's Investment Consultant, Ennis Knupp & Associates. The primary goal of the Asset/Liability study was to determine an appropriate range between all "equity-type" assets (U.S. stocks, non-U.S. stocks and real estate) and fixed income. In general, Asset/ Liability studies are conducted every three years and provide the foundation for the strategic asset allocation of pension plans. An interesting by-product of VCERA's recent study is a forecast of VCERA's funding status (ratio of assets to liabilities) and expected employer contribution rates over the next fifteen years. The study incorporates VCERA's investment results through November 30, 2008 and captures a significant portion of the economic downturn's impact on VCERA's funded status and future employer contribution requirements.

As illustrated in attachment #1 and assuming no future change in the number of County of Ventura employees and covered payroll, VCERA's projected funding status declines from 91% in 2008 to 65% in 2013, and slowly returns to current the current 91% level in

**ANNUAL ACTUARIAL VALUATION OF VCERA**
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2021 under average/expected market conditions (yellow line). If market conditions are better than average (green line), then VCERA's funding status will fall to approximately 70% in 2013 and rebound to current levels in 2018. If market conditions are worse than average (red line), then the plan's funding status falls to approximately 60% and does not return to current levels over the next 15 years.

Attachment #2 projects VCERA employer contribution rates over the same 15-year period. If average/expected market conditions occur (yellow line), then one can anticipate employer contribution rates rising from the current level of 16% of payroll to 36% of payroll in 2015 and then declining over the next several years. If economic conditions are better than expected (green line), then projected employer contribution rates peak at 31% in 2013 and then return to current levels in 2021. If economic conditions are worse than expected (red line), then projected rates peak at 42% in 2017 and remain in the mid to high 30% range through 2022.

Attachment #3 illustrates the actual dollar amounts associated with the increasing contribution rates under the various scenarios and assumes that the County of Ventura's payroll remains at a constant level of $600 million annually.

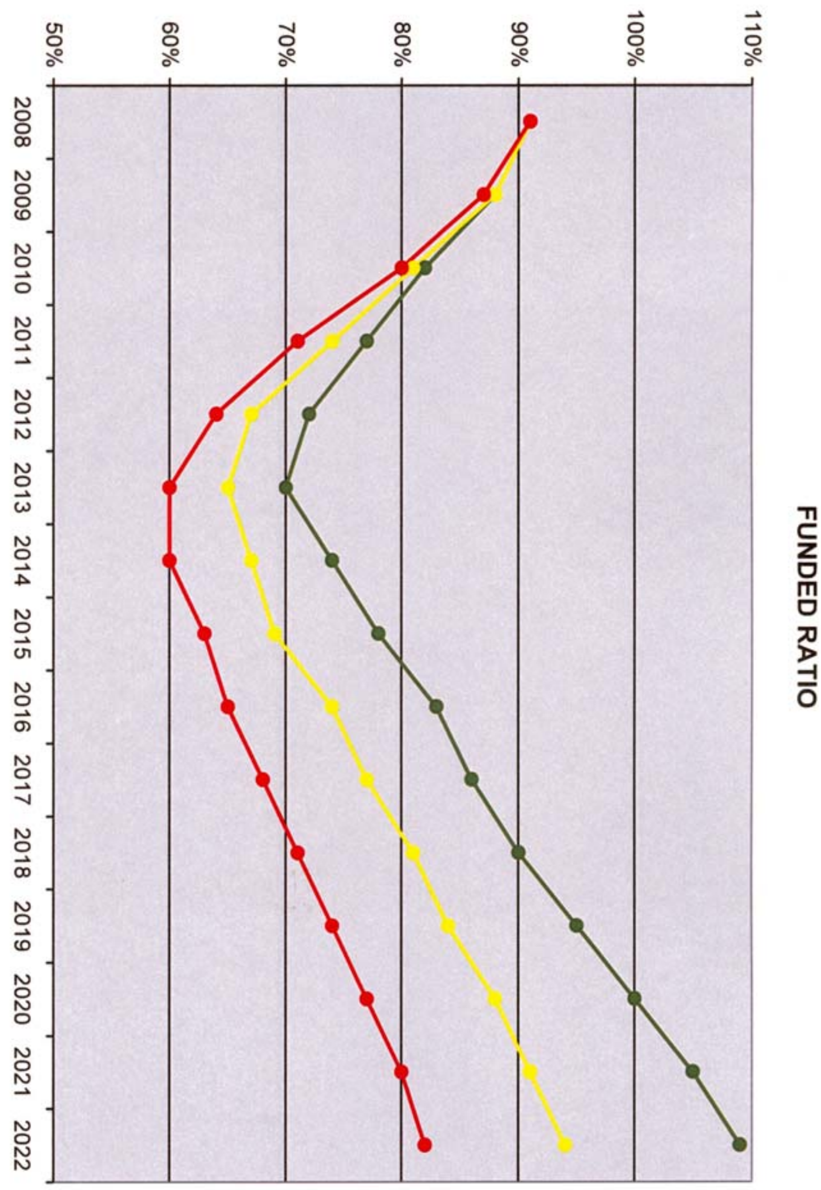
Please contact me at 339-4250 should you have any questions regarding the June 30, 2008 actuarial valuation or the attachments prepared to project VCERA's funding status and forecast future contribution rates.

Yours truly,

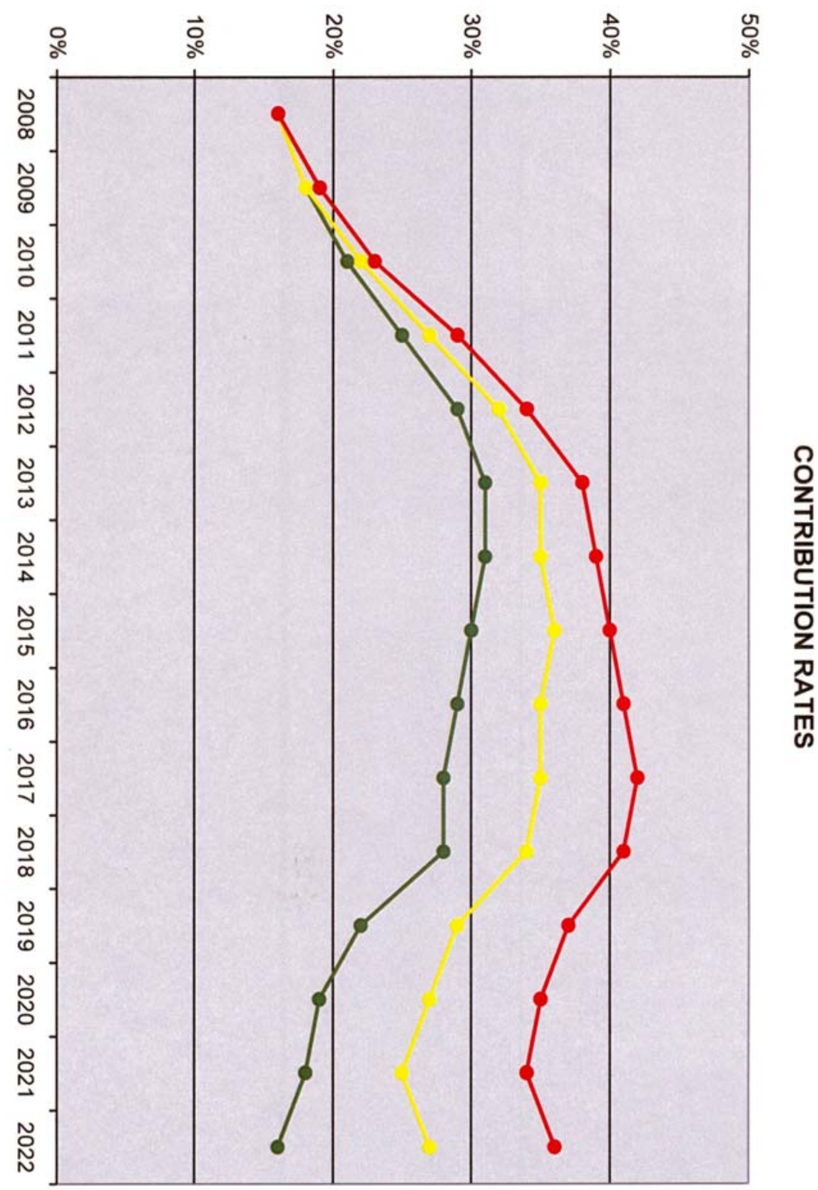
TIM THONIS
Retirement Administrator

Attachments

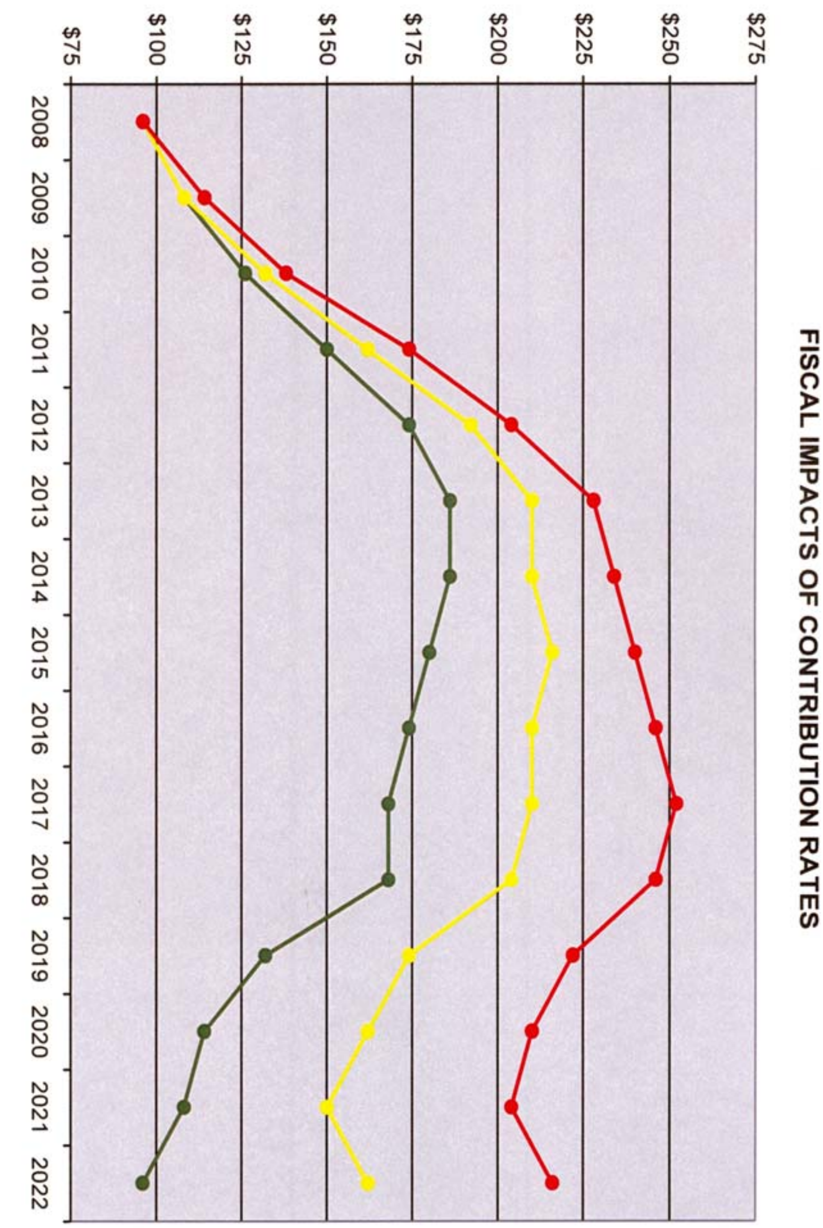
c: Marty Robinson, County Executive Officer
Noel Klebaum, County Counsel
Christine Cohen, Auditor-Controller




ATTACHMENT #1




ATTACHMENT #2




ATTACHMENT #3

## Attachment -02

### FULL TEXT OF MEASURE J, ORANGE COUNTY

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## FULL TEXT OF MEASURE J
## COUNTY OF ORANGE

ORDINANCE NO.___

**AN ORDINANCE OF THE COUNTY OF ORANGE, CALIFORNIA, PROVIDING FOR VOTER APPROVAL OF INCREASES IN RETIREMENT SYSTEM BENEFITS AND ADDING ARTICLE III, SECTION 301 TO THE CHARTER OF ORANGE COUNTY**

The People of the County of Orange, California, hereby ordain as follows:

SECTION 1: Article III, Section 301 is added to the Charter of Orange County to read:

ARTICLE III. VOTER APPROVAL OF RETIREMENT SYSTEM BENEFIT INCREASES

Sec. 301: Approval of Retirement System Benefit Increases

(a) The Board of Supervisors shall not take any action, by ordinance, resolution, or otherwise, which increases the retirement benefits of any employee, legislative officer or elected official of the County of Orange in the Orange County Employees Retirement System or any successor retirement system ("retirement system"), with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs, without first obtaining the approval of a majority of those qualified electors voting on the matter.

(b) Prior to placement of any proposed increased benefits on the ballot, the retirement system shall prepare, or have prepared on its behalf, an actuarial study of the cost and the funded and unfunded actuarial accrued liability attributable to the retirement benefit changes proposed by the amendment. Such actuarial study shall be available to the public and a summary of the actuarial study shall be published in the ballot pamphlet.

(c) Nothing in subsection (a) of this section shall prevent the County from negotiating tentative agreements with employee organizations for retirement benefit increases permitted by state law provided, however, that no tentative agreement for an increase in benefits, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs, of any employee, legislative officer or elected official under such retirement system, shall become binding or effective until approved by a majority of those qualified electors voting on the matter. The Board of Supervisors shall have no authority to enter into final or binding agreements with any bargaining unit regarding retirement system benefit increases until and unless those increases to retirement system benefits are approved by a majority of those qualified electors voting on the matter.

(d) The provisions of this section shall become operative on January 1, 2009.

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## Attachment - 03

## ARGUMENTS IN FAVOR OF MEASURE J

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## ARGUMENT IN FAVOR OF MEASURE J

**TAXPAYERS HAVE BEEN LEFT HOLDING THE BAG**
Orange County employee pension and retiree medical liabilities are nearly THREE BILLION DOLLARS. Our pension plan is only 73 percent funded. This is a debt that represents a potential obligation owed by every taxpayer in the county.

**MEASURE J PROTECTS ORANGE COUNTY TAXPAYERS**
Measure J gives voters the final say over future pension increases for County of Orange elected officials and employees. It eliminates the backroom deals that created the county's current pension fund debt.

**TRANSPARENCY AND ACCOUNTABILITY**
Measure J requires that a study of the costs of any new retirement benefits be published in a ballot pamphlet allowing you, the taxpayer, to know exactly how much the increase will cost. It gives voters the ability to ensure there are no more sweetheart deals made behind closed doors without their knowledge.

**IT WORKS EFFECTIVELY IN SAN FRANCISCO**
Public employee unions in San Francisco have far more political clout than they do in Orange County. The voters in San Francisco have a requirement similar to Measure J. Today San Francisco's employee pensions are fully funded, avoiding the pension underfunding problems that have afflicted Orange County and other local governments throughout California.

**IMPLEMENTATION COST WILL BE SMALL**
If Measure J is approved, employee labor contracts can be synchronized to coincide with regularly scheduled state and federal elections, so that if and when pension increases are recommended, the cost of placing them before voters will be minimal.

**INSURANCE POLICY FOR ORANGE COUNTY TAXPAYERS**
Although Orange County's low pension funding is well known, Measure J ensures that this benefit burden is never forgotten. Simply put, Measure J is an insurance policy for the taxpayer. When the current crisis fades, safeguards will be in place to avoid a similar occurrence.

s/ John M.W. Moorlach, C.P.A.
Chairman, Orange County Board of Supervisors

s/ Reed L. Royalty
President, Orange County Taxpayers Association

**No argument against this measure was submitted.**

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