FISCAL IMPACT STATEMENT
MEASURE___

The cost to the County for placing benefit increase measures before the voters ranges from $100,000 to $160,000 depending upon the type of election. This cost would be significantly more in the event of a special election. Additional costs for actuarial studies would be incurred by the Orange County Retirement System and would ultimately be absorbed by the County. The cost of these studies would vary depending upon the complexity of the proposal.

Other potential costs and benefits are less quantifiable and are more difficult to estimate than those mentioned above. Although not possible to precisely quantify, the initiative has the potential long-term fiscal benefit of avoiding future benefit increases and stabilizing the unfunded pension liability.

Changes to the pension system could have an impact on County finances. Should voters approve any increases to the pension system, there would be an ongoing cost to the County for those changes. Should the voters reject an increase or modification resulting in a cost increase, those ongoing costs would be avoided. While the measure does not address the County's current unfunded pension liability, voter acceptance or rejection of future benefit increase proposals may result in an increase or avoidance of additional unfunded pension obligations.

The measure may also have impacts on the collective bargaining process. The County and unions may have an incentive to increase non-pension benefits (e.g. salary) to avoid a vote. This may indirectly increase pension benefits and their related liabilities since these are calculated based on a percentage of pay. The added incentive to rely on non-pension benefits to recruit and retain qualified employees may cause salaries to increase at a more rapid rate.

s/ David E. Sundstrom, CPA
Auditor-Controller