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First County Financial Report Detailing Unfunded Pension Liability Now Online

FY 2014-15 Comprehensive Financial Accounting Report (CAFR) and OC Citizens' Report Released

The Orange County Auditor-Controller released the Comprehensive Financial Accounting Report (CAFR) for fiscal year 2014-15 and the OC Citizens' report, a companion piece written in non-technical language. According to Auditor-Controller Eric H. Woolery, "Orange County had a good fiscal year 2014-15, revenues were up, expenses were down, but the talk of the town is the new line item on the financial statements, the Net Pension Liability or NPL."

Net Pension Liability (NPL)

The NPL is not new; the pension liability has always been reported in the footnotes to financial statements. However, a new accounting standard issued by the Government Accounting Standards Board (GASB 68) now requires all government agencies to show their pension liability on the face of the Statement of Net Position.

According to Woolery, "The NPL should not come as a shock to anyone who has been looking at the County's financial statements. The NPL is an educated guess, made from more than 20 different factors. Fluctuations in the NPL are a result of changes to those factors, such as the estimated rate of return on the investments, mortality assumptions, inflation and raises.

The County participates in the Orange County Employee Retirement System (OCERS) which has $8.8 billion in reserves against an estimated $12.7 billion total liability. The NPL is the difference between the reserves and the liability or approximately $3.9 billion. "It is important to keep in mind that the NPL is not like a loan that can be called by the bank, pensions are paid out over a long period of time, with new employees making contributions into the system," said Woolery. "The County has also taken steps to reduce the liability, including reducing the maximum pension plan from 2.7% at 55 to 1.62% at 65 for new employees. This new formula should have the pension system funded at recommended level of 80% within a few years".

Closing the door on the bankruptcy

The County is also about to make the final payment on more than a $1 billion in debt issued following the County's infamous 1994 bankruptcy. This year an $18.4 million payment retired one of two remaining bonds and next year the final note will be retired with a $5.9 million payment.

Two, One-Time Windfalls

The CAFR also discusses two windfalls the County received. Last year, the Auditor-Controller used an alternative calculation for Teeter Tax Loss Reserve Fund, resulting in a one-time $46 million windfall to the general fund. In addition, the County received reimbursements for State mandated program that were claimed prior to 2004. In the current fiscal year, the County received an additional $11.5 million in interest from the State.

The Comprehensive Financial Accounting Report (CAFR) and the Orange County Citizens' Report are available at http://ac.ocgov.com/info/financial.

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