



Orange County Employees Retirement System

Unaudited Financial Statements

For the Nine Months Ended September 30, 2021

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Statement of Fiduciary Net Position (Unaudited)

As of September 30, 2021

(with summarized comparative amounts as of September 30, 2020)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCTA	Total Funds	Comparative Totals 2020
Assets						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 635,630	\$ 13,780	\$ 1,329	\$ 719	\$ 651,458	\$ 461,853
Securities Lending Collateral	213,646	4,632	447	-	218,725	177,321
Total Cash and Short-Term Investments	849,276	18,412	1,776	719	870,183	639,174
Receivables						
Investment Income	13,844	300	29	-	14,173	15,892
Securities Sales	109,002	2,363	228	-	111,593	80,797
Contributions	20,021	-	-	-	20,021	18,182
Foreign Currency Forward Contracts	474	10	1	-	485	142
Other Receivables	5,087	110	11	-	5,208	4,831
Total Receivables	148,428	2,783	269	-	151,480	119,844
Investments at Fair Value						
Global Public Equity	9,861,661	213,794	20,616	13,851	10,109,922	7,354,562
Private Equity	2,910,245	63,092	6,084	-	2,979,421	1,960,019
Core Fixed Income	2,358,745	51,136	4,931	6,035	2,420,847	2,865,071
Credit	1,552,134	33,649	3,245	-	1,589,028	1,441,610
Real Assets	1,936,665	41,986	4,049	-	1,982,700	2,095,461
Risk Mitigation	1,907,833	41,361	3,988	-	1,953,182	1,727,933
Absolute Return	21	-	-	-	21	540
Unique Strategies	59,380	1,287	124	-	60,791	2,239
Total Investments at Fair Value	20,586,684	446,305	43,037	19,886	21,095,912	17,447,435
Capital Assets, Net	11,780	-	-	-	11,780	14,346
Total Assets	21,596,168	467,500	45,082	20,605	22,129,355	18,220,799
Liabilities						
Obligations Under Securities Lending Program	213,646	4,632	447	-	218,725	177,322
Securities Purchased	180,229	3,907	377	-	184,513	163,538
Unearned Contributions	457,590	-	-	-	457,590	437,929
Foreign Currency Forward Contracts	212	5	-	-	217	696
Retiree Payroll Payable	83,489	4,795	833	-	89,117	85,027
Other	32,739	710	68	-	33,517	19,248
Total Liabilities	967,905	14,049	1,725	-	983,679	883,760
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	\$20,628,263	\$ 453,451	\$ 43,357	\$ 20,605	\$21,145,676	\$17,337,039

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Nine Months Ended September 30, 2021

(with summarized comparative amounts for the Nine Months Ended September 30, 2020)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCTA	Total Funds	Comparative Totals 2020
Additions						
Contributions						
Employer	\$ 510,768	\$ 20,349	\$ 1,354	\$ -	\$ 532,471	\$ 505,187
Employee	202,344	-	-	-	202,344	210,458
Employer OPEB Contributions	-	-	-	464	464	452
Total Contributions	713,112	20,349	1,354	464	735,279	716,097
Investment Income						
Net Appreciation in Fair Value of Investments	1,746,487	41,710	4,164	973	1,793,334	241,462
Dividends, Interest, & Other Investment Income	261,422	5,667	547	667	268,303	122,611
Securities Lending Income						
Gross Earnings	911	20	2	-	933	1,580
Less: Borrower Rebates and Bank Charges	(176)	(4)	-	-	(180)	(852)
Net Securities Lending Income	735	16	2	-	753	728
Total Investment Income	2,008,644	47,393	4,713	1,640	2,062,390	364,801
Investment Fees and Expenses	(93,719)	(2,032)	(196)	(2)	(95,949)	(81,496)
Net Investment Income	1,914,925	45,361	4,517	1,638	1,966,441	283,305
Total Additions	2,628,037	65,710	5,871	2,102	2,701,720	999,402
Deductions						
Participant Benefits	770,861	28,101	4,454	-	803,416	746,227
Death Benefits	820	-	-	-	820	600
Member Withdrawals and Refunds	9,280	-	-	-	9,280	7,017
Employer OPEB Payments	-	-	-	1,059	1,059	1,033
Administrative Expenses	16,016	17	18	17	16,068	15,870
Total Deductions	796,977	28,118	4,472	1,076	830,643	770,747
Net Increase	1,831,060	37,592	1,399	1,026	1,871,077	228,655
Net Position Restricted For Pension, Other Postemployment Benefits and Employer, Beginning of Year	18,797,203	415,859	41,958	19,579	19,274,599	17,108,384
Ending Net Position Restricted For Pension, Other Postemployment Benefits and Employer	\$ 20,628,263	\$ 453,451	\$ 43,357	\$ 20,605	\$ 21,145,676	\$ 17,337,039

Total Plan Reserves

For the Nine Months Ended September 30, 2021

(with summarized comparative amounts for the Nine Months Ended September 30, 2020)

(Dollars in Thousands)

	2021	2020
Pension Reserve	\$ 11,176,180	\$ 9,639,424
Employee Contribution Reserve	3,618,460	3,433,115
Employer Contribution Reserve	2,787,419	3,432,594
Annuity Reserve	2,250,295	2,053,113
Health Care Reserve	496,808	413,934
Custodial Fund Reserve	20,605	18,105
County Investment Account (POB Proceeds) Reserve	165,754	149,513
OCSD UAAL Deferred Reserve	13,433	12,088
Contra Account	616,722	(1,814,847)
Total Net Position Restricted for Penion, Other Postemployment Benefits and Employer	<u>\$ 21,145,676</u>	<u>\$ 17,337,039</u>

Schedule of Contributions

For the Nine Months Ended September 30, 2021

(with summarized comparative amounts for the Nine Months Ended September 30, 2020)

(Dollars in Thousands)

	2021		2020	
	Employee	Employer	Employee	Employer
Pension Trust Fund Contributions				
County of Orange	\$ 152,748	\$ 395,781	\$ 160,963	\$ 372,812
Orange County Fire Authority	21,780	72,552 ¹	20,837	62,625 ¹
Orange County Superior Court of California	11,490	27,623	12,058	25,682
Orange County Transportation Authority	7,568	22,339	7,779	21,404
Orange County Sanitation District	6,277	6,429	6,234	6,339
UCI Medical Center & Campus	-	2,440 ²	-	2,264 ²
Orange County Employees Retirement System	880	2,469	930	2,166
City of San Juan Capistrano	548	1,824	607	1,801
Transportation Corridor Agencies	568	650	585	670
Orange County Department of Education	-	286 ²	-	230 ²
Orange County Cemetery District	135	175	124	154
Orange County In-Home Supportive Services Public Authority	95	127	94	126
Orange County Local Agency Formation Commission	35	142	33	119
Orange County Children & Families Commission	102	145	91	112
Orange County Public Law Library	108	102	123	98
Contributions Before Prepaid Discount	202,344	533,084	210,458	496,602
Prepaid Employer Contributions Discount	-	(22,316)	-	(15,550)
Total Pension Trust Fund Contributions	202,344	510,768	210,458	481,052
Health Care Fund - County Contributions	-	20,349	-	22,679
Health Care Fund - OCFA Contributions	-	1,354	-	1,456
Custodial Fund - OCTA OPEB Contributions	-	464	-	452
Total Contributions	\$ 202,344	\$ 532,935	\$ 210,458	\$ 505,639

¹ Unfunded actuarial accrued liability payments were made in 2021 for \$11.7 million and 2020 for \$6.2 million for the Orange County Fire Authority.

² Unfunded actuarial accrued liability payments have been made in accordance with a separate 20-year level dollar payment schedule to include liabilities for employee benefits related to past service credit.

Schedule of Investment Expenses

For the Nine Months Ended September 30, 2021

(with summarized comparative amounts for the Nine Months Ended September 30, 2020)

(Dollars in Thousands)

	2021	2020
Investment Management Fees*		
Global Public Equity		
U.S. Equity	\$ 2,801	\$ 2,588
International Equity	7,128	4,636
Emerging Markets Equity	4,413	3,325
Total Global Public Equity	<u>14,342</u>	<u>10,549</u>
Core Fixed Income		
U.S. Fixed Income	1,961	2,011
Total Core Fixed Income	<u>1,961</u>	<u>2,011</u>
Credit		
Emerging Markets Debt	2,356	2,142
Corporate Credit	557	1,227
Opportunistic Credit	1,944	2,875
Private Credit	4,166	2,268
Total Credit	<u>9,023</u>	<u>8,512</u>
Real Assets		
Real Estate	9,693	8,679
Real Return		
Timber	77	419
Agriculture	886	942
Infrastructure	5,785	2,483
Energy	5,315	4,832
Total Real Return	<u>12,063</u>	<u>8,676</u>
Total Real Assets	<u>21,756</u>	<u>17,355</u>
Absolute Return		
Direct Hedge Fund	1	5
Total Absolute Return	<u>1</u>	<u>5</u>
Private Equity	19,818	17,634
Risk Mitigation	9,274	10,877
Unique Strategies	967	-
Short-Term Investments	304	244
Total Investment Management Fees	<u>77,446</u>	<u>67,187</u>
Other Fund Expenses ¹	<u>13,961</u>	<u>10,291</u>
Other Investment Expenses		
Consulting/Research Fees	1,625	1,445
Investment Department Expenses	2,137	1,768
Legal Services	329	354
Custodian Services	435	435
Investment Service Providers	14	14
Total Other Investment Expenses	<u>4,540</u>	<u>4,016</u>
Security Lending Activity		
Security Lending Fees	190	174
Rebate Fees	(10)	678
Total Security Lending Activity	<u>180</u>	<u>852</u>
Custodial Fund - OCTA Investment Fees and Expenses	2	2
Total Investment Expenses	<u>\$ 96,129</u>	<u>\$ 82,348</u>

* Does not include undisclosed fees deducted at source.

¹ These costs include, but are not limited to, foreign income tax and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

Schedule of Administrative Expenses

For the Nine Months Ended September 30, 2021

(with summarized comparative amounts for the Nine Months Ended September 30, 2020)

(Dollars in Thousands)

	2021	2020
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 9,912	\$ 9,678
Board Members' Allowance	11	11
Total Personnel Services	<u>9,923</u>	<u>9,689</u>
Office Operating Expenses		
Depreciation/Amortization	1,933	1,900
Professional Services	1,519	1,304
General Office and Administrative Expenses	1,098	1,108
Rent/Leased Real Property	531	512
Total Office Operating Expenses	<u>5,081</u>	<u>4,824</u>
Total Expenses Subject to the Statutory Limit	<u>15,004</u>	<u>14,513</u>
Expenses Not Subject to the Statutory Limit		
Information Technology Professional Services	480	733
Actuarial Fees	286	288
Equipment / Software	167	195
Information Security Professional Services	79	92
Total Expenses Not Subject to the Statutory Limit	<u>1,012</u>	<u>1,308</u>
Total Pension Trust Fund Administrative Expenses	16,016	15,821
Health Care Fund - County Administrative Expenses	17	16
Health Care Fund - OCFA Administrative Expenses	18	17
Custodial Fund - OCTA Administrative Expenses	17	16
Total Administrative Expenses	<u>\$ 16,068</u>	<u>\$ 15,870</u>

Administrative Expense Compared to Projected Actuarial Accrued Liability

For the Nine Months Ended September 30, 2021

(Dollars in Thousands)

Projected Actuarial Accrued Liability (AAL) as of 12/31/21	\$	23,948,779
Maximum Allowed for Administrative Expense (AAL * 0.21%)		50,292
Actual Administrative Expense ¹		<u>15,004</u>
Excess of Allowed Over Actual Expense	\$	<u>35,288</u>
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of 12/31/21		0.06%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of 12/31/20		0.06%
¹ Administrative Expense Reconciliation		
Administrative Expense per Statement of Changes in Fiduciary Net Position	\$	16,016
Less: Administrative Expense Not Considered per CERL Section 31596.1		<u>(1,012)</u>
Administrative Expense Allowable Under CERL Section 31580.2	\$	<u>15,004</u>