



Orange County Employees Retirement System

Unaudited Financial Statements

For the Six Months Ended June 30, 2021

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Statement of Fiduciary Net Position (Unaudited)

As of June 30, 2021

(with summarized comparative amounts as of June 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	\$ 836,946	\$ 18,368	\$ 1,779	\$ 68	\$ 857,161	\$ 627,894
Securities Lending Collateral	264,688	5,809	563	-	271,060	181,497
Total Cash and Short-Term Investments	1,101,634	24,177	2,342	68	1,128,221	809,391
Receivables						
Investment Income	18,164	399	39	-	18,602	23,851
Securities Sales	44,570	978	95	-	45,643	213,721
Contributions	21,215	-	-	-	21,215	24,127
Foreign Currency Forward Contracts	-	-	-	-	-	413
Other Receivables	4,793	105	10	-	4,908	4,709
Total Receivables	88,742	1,482	144	-	90,368	266,821
Investments at Fair Value						
Global Public Equity	10,130,456	222,322	21,537	14,688	10,389,003	6,391,948
Private Equity	2,571,199	56,427	5,466	-	2,633,092	1,799,482
Core Fixed Income	2,352,669	51,631	5,002	6,031	2,415,333	2,973,798
Credit	1,543,679	33,877	3,282	-	1,580,838	1,638,039
Real Assets	1,836,718	40,308	3,905	-	1,880,931	2,088,493
Risk Mitigation	1,762,141	38,672	3,746	-	1,804,559	1,720,114
Absolute Return	3	-	-	-	3	574
Unique Strategies	53,402	1,172	114	-	54,688	2,081
Total Investments at Fair Value	20,250,267	444,409	43,052	20,719	20,758,447	16,614,529
Capital Assets, Net	12,424	-	-	-	12,424	14,963
Total Assets	21,453,067	470,068	45,538	20,787	21,989,460	17,705,704
Liabilities						
Obligations Under Securities Lending Program	264,688	5,809	563	-	271,060	181,497
Securities Purchased	107,598	2,361	229	-	110,188	326,441
Unearned Contributions	611,110	-	-	-	611,110	586,594
Foreign Currency Forward Contracts	1,094	24	2	-	1,120	52
Retiree Payroll Payable	83,973	4,821	830	-	89,624	83,614
Other	20,984	461	45	-	21,490	17,096
Total Liabilities	1,089,447	13,476	1,669	-	1,104,592	1,195,294
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	\$20,363,620	\$ 456,592	\$ 43,869	\$ 20,787	\$20,884,868	\$16,510,410

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Six Months Ended June 30, 2021

(with summarized comparative amounts for the Six Months Ended June 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	\$ 332,030	\$ 20,349	\$ 933	\$ -	\$ 353,312	\$ 333,873
Employee	133,903	-	-	-	133,903	140,441
Employer OPEB Contributions	-	-	-	299	299	313
Total Contributions	465,933	20,349	933	299	487,514	474,627
Investment Income						
Net Appreciation / (Depreciation) in Fair Value of Investments	1,498,103	36,382	3,639	1,624	1,539,748	(548,305)
Dividends, Interest, & Other Investment Income	188,832	4,144	401	(1)	193,376	33,506
Securities Lending Income						
Gross Earnings	584	13	1	-	598	1,348
Less: Borrower Rebates and Bank Charges	(109)	(2)	-	-	(111)	(797)
Net Securities Lending Income	475	11	1	-	487	551
Total Investment Income / (Loss)	1,687,410	40,537	4,041	1,623	1,733,611	(514,248)
Investment Fees and Expenses	(60,123)	(1,319)	(128)	(1)	(61,571)	(48,273)
Net Investment Income / (Loss)	1,627,287	39,218	3,913	1,622	1,672,040	(562,521)
Total Additions	2,093,220	59,567	4,846	1,921	2,159,554	(87,894)
Deductions						
Participant Benefits	509,263	18,823	2,923	-	531,009	492,941
Death Benefits	616	-	-	-	616	388
Member Withdrawals and Refunds	6,486	-	-	-	6,486	5,680
Employer OPEB Payments	-	-	-	702	702	686
Administrative Expenses	10,438	11	12	11	10,472	10,385
Total Deductions	526,803	18,834	2,935	713	549,285	510,080
Net Increase / (Decrease)	1,566,417	40,733	1,911	1,208	1,610,269	(597,974)
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	\$ 20,363,620	\$ 456,592	\$ 43,869	\$ 20,787	\$ 20,884,868	\$ 16,510,410

Total Plan Reserves

For the Six Months Ended June 30, 2021

(with summarized comparative amounts for the Six Months Ended June 30, 2020)

(Dollars in Thousands)

	2021	2020
Pension Reserve	\$ 11,392,340	\$ 9,839,692
Employee Contribution Reserve	3,593,342	3,458,849
Employer Contribution Reserve	2,594,563	3,255,145
Annuity Reserve	2,255,323	2,001,120
Health Care Reserve	500,461	401,407
Custodial Fund Reserve	20,787	17,383
County Investment Account (POB Proceeds) Reserve	168,802	145,496
OCSD UAAL Deferred Reserve	13,433	12,088
Contra Account	345,817	(2,620,770)
Total Net Position Restricted for Penion, Other Postemployment Benefits and Employer	<u>\$ 20,884,868</u>	<u>\$ 16,510,410</u>

Schedule of Contributions

For the Six Months Ended June 30, 2021

(with summarized comparative amounts for the Six Months Ended June 30, 2020)

(Dollars in Thousands)

	2021		2020	
	Employee	Employer	Employee	Employer
Pension Trust Fund Contributions				
County of Orange	\$ 101,123	\$ 254,033	\$ 107,693	\$ 241,033
Orange County Fire Authority	14,400	49,240 ¹	13,625	40,529 ¹
Orange County Superior Court of California	7,660	17,795	8,068	16,609
Orange County Transportation Authority	4,960	14,477	5,268	14,070
Orange County Sanitation District	4,125	4,224	4,077	4,195
UCI Medical Center & Campus	-	1,608 ²	-	1,471 ²
Orange County Employees Retirement System	593	1,602	587	1,413
City of San Juan Capistrano	358	1,176	410	1,185
Transportation Corridor Agencies	369	421	402	459
Orange County Department of Education	-	168 ²	-	146 ²
Orange County Cemetery District	88	106	81	102
Orange County In-Home Supportive Services Public Authority	61	81	63	84
Orange County Local Agency Formation Commission	22	90	23	80
Orange County Children & Families Commission	67	91	62	71
Orange County Public Law Library	77	69	82	61
Contributions Before Prepaid Discount	133,903	345,181	140,441	321,508
Prepaid Employer Contributions Discount	-	(13,151)	-	(11,322)
Total Pension Trust Fund Contributions	133,903	332,030	140,441	310,186
Health Care Fund - County Contributions	-	20,349	-	22,679
Health Care Fund - OCFA Contributions	-	933	-	1,008
Custodial Fund - OCTA OPEB Contributions	-	299	-	313
Total Contributions	\$ 133,903	\$ 353,611	\$ 140,441	\$ 334,186

¹ Unfunded actuarial accrued liability payments were made in 2021 for \$9.2 million and 2020 for \$3.8 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 Six Months Ended June 30, 2021

(with summarized comparative amounts for the Six Months Ended June 30, 2020)

(Dollars in Thousands)

	2021	2020
Investment Management Fees*		
Global Public Equity		
U.S. Equity	\$ 671	\$ 458
International Equity	4,541	3,118
Emerging Markets Equity	2,879	2,200
Total Global Public Equity	<u>8,091</u>	<u>5,776</u>
Core Fixed Income		
U.S. Fixed Income	1,304	1,324
Total Core Fixed Income	<u>1,304</u>	<u>1,324</u>
Credit		
Emerging Markets Debt	1,571	1,416
Corporate Credit	302	870
Opportunistic Credit	1,307	1,816
Private Credit	2,092	1,414
Total Credit	<u>5,272</u>	<u>5,516</u>
Real Assets		
Real Estate	7,000	5,608
Real Return		
Timber	65	379
Agriculture	592	623
Infrastructure	2,781	1,464
Energy	1,776	2,504
Total Real Return	<u>5,214</u>	<u>4,970</u>
Total Real Assets	<u>12,214</u>	<u>10,578</u>
Absolute Return		
Direct Hedge Fund	1	4
Total Absolute Return	<u>1</u>	<u>4</u>
Private Equity	12,670	9,954
Risk Mitigation	5,909	6,692
Unique Strategies	770	-
Short-Term Investments	202	184
Total Investment Management Fees	<u>46,433</u>	<u>40,028</u>
Other Fund Expenses ¹	<u>12,095</u>	<u>5,599</u>
Other Investment Expenses		
Consulting/Research Fees	1,088	887
Investment Department Expenses	1,480	1,212
Legal Services	175	248
Custodian Services	290	290
Investment Service Providers	9	9
Total Other Investment Expenses	<u>3,042</u>	<u>2,646</u>
Security Lending Activity		
Security Lending Fees	128	137
Rebate Fees	(17)	660
Total Security Lending Activity	<u>111</u>	<u>797</u>
Custodial Fund - OCTA Investment Fees and Expenses	1	-
Total Investment Expenses	<u>\$ 61,682</u>	<u>\$ 49,070</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 Six Months Ended June 30, 2021

(with summarized comparative amounts for the Six Months Ended June 30, 2020)

(Dollars in Thousands)

	2021	2020
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 6,521	\$ 6,500
Board Members' Allowance	7	7
Total Personnel Services	<u>6,528</u>	<u>6,507</u>
Office Operating Expenses		
Depreciation/Amortization	1,289	1,267
Professional Services	1,004	830
General Office and Administrative Expenses	728	764
Rent/Leased Real Property	<u>342</u>	<u>302</u>
Total Office Operating Expenses	<u>3,363</u>	<u>3,163</u>
Total Expenses Subject to the Statutory Limit	<u>9,891</u>	<u>9,670</u>
Expenses Not Subject to the Statutory Limit		
Information Technology Professional Services	362	400
Actuarial Fees	84	88
Equipment / Software	72	161
Information Security Professional Services	<u>29</u>	<u>33</u>
Total Expenses Not Subject to the Statutory Limit	<u>547</u>	<u>682</u>
Total Pension Trust Fund Administrative Expenses	10,438	10,352
Health Care Fund - County Administrative Expenses	11	11
Health Care Fund - OCFA Administrative Expenses	12	11
Custodial Fund - OCTA Administrative Expenses	<u>11</u>	<u>11</u>
Total Administrative Expenses	<u>\$ 10,472</u>	<u>\$ 10,385</u>

Administrative Expense Compared to Projected Actuarial Accrued Liability

For the Six Months Ended June 30, 2021

(Dollars in Thousands)

Projected Actuarial Accrued Liability (AAL) as of 12/31/20	\$	22,980,997
Maximum Allowed for Administrative Expense (AAL * 0.21%)		48,260
Actual Administrative Expense ¹		<u>9,891</u>
Excess of Allowed Over Actual Expense	\$	<u>38,369</u>
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of 12/31/21		0.04%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of 12/31/20		0.08%
¹ Administrative Expense Reconciliation		
Administrative Expense per Statement of Changes in Fiduciary Net Position	\$	10,438
Less: Administrative Expense Not Considered per CERL Section 31596.1		<u>(547)</u>
Administrative Expense Allowable Under CERL Section 31580.2	\$	<u>9,891</u>