

Memorandum

DATE: March 16, 2026
TO: Members of the Board of Retirement
FROM: Jennifer Reyes, Director of Finance
SUBJECT: **FOURTH QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025**

Written Report

Background/Discussion

The attached financial statements provide a preliminary, unaudited overview of financial activity for the year ended December 31, 2025. These reports are subject to change and do not yet include adjustment for timing and market differences between the investment manager's statements and the custodian bank's records.

Any necessary adjustments, along with other potential year-end modifications identified during the upcoming annual audit, will be incorporated if it is determined to have a material impact for the final Annual Comprehensive Financial Report (ACFR). The ACFR, which serves as the official financial statements for OCERS, will be available on our website, www.ocers.org, after the anticipated completion date of the audit at the end of June 2026.

Summary

Statement of Fiduciary Net Position (Unaudited)

As of December 31, 2025, the net position restricted for pension, other postemployment benefits, and employer totaled \$27.7 billion, representing a \$3.1 billion (12.6%) increase from December 31, 2024.

The growth is driven by a \$3.0 billion increase in total assets and a \$48.5 million reduction in total liabilities.

- Total assets increased primarily due to a \$3.2 billion increase in investments at fair value and a \$3.6 million increase in net capital assets. These increases were partially offset by decreases of \$25.3 million in cash and short-term investments and \$115.8 million in receivables.
 - Cash and short-term investments decreased by \$25.3 million, reflecting an \$11.4 million decrease in cash and cash equivalents due to the timing of investing employee and employer contributions during the year and securities lending collateral, which decreased \$13.9 million, indicating lower demand for U.S. government securities and shifting collateral preferences.
 - Receivables decreased \$115.8 million, primarily driven by decreases of \$47.0 million in securities sales and \$80.1 million in other receivables. The reductions were partially offset by an increase of \$12.0 million in investment income receivable.
 - Capital assets increased by \$3.6 million due to increases in construction-in-progress for the new OCERS headquarters building.

- Investments at fair value increased by \$3.2 billion, attributed to the investment of contributions, favorable market performance, and strategic asset allocation decisions.
- The total investment portfolio returned 14.6% for the one-year period ended December 31, 2025, compared to 10.0% for the year ended December 31, 2024. After volatility earlier in the year, markets stabilized in the fourth quarter and finished 2025 strong, supported by solid U.S. corporate earnings, a weaker U.S. dollar, and multiple Federal Reserve rate cuts during in the year.
 - All investment categories experienced increases in the current year compared to 2024. Global public equity increased by \$1.6 billion, private equity increased by \$547.4 million, income strategies increased by \$387.0 million, real assets increased by \$422.6 million, risk mitigation by \$113.6 million, and unique strategies increased by \$59.9 million.
- Total liabilities decreased by \$48.5 million, primarily due to:
 - A \$13.9 million decrease in obligations under the securities lending program, as previously discussed, a \$5.1 million decrease in securities purchased liabilities due to timing, and a \$39.2 million decrease in other liabilities.
 - These decreases were partially offset by increases of \$2.2 million in foreign currency forward contracts and \$6.6 million in retiree payroll payable.

Statement of Changes in Fiduciary Net Position (Unaudited)

The ending net position restricted for pension, other postemployment benefits, and employer for the year ended December 31, 2025, increased by \$3.1 billion, or 12.6%, compared to the same period in 2024.

- Additions to fiduciary net position totaled \$4.5 billion, an increase of \$930.9 million (25.9%) from the prior year, primarily due to higher net investment income.
 - Net investment income totaled \$3.3 billion, an increase of \$890.6 million from 2024, driven by:
 - An \$851.1 million increase in net appreciation in fair value of investments, reflecting stronger market performance.
 - An overall investment return of 14.6%, compared to 10.0% for the year ended December 31, 2024, with all major investment categories generating higher returns than the prior year:
 - Global public equities reported a 21.2% return, up from 16.9% in 2024.
 - Private equities reported a 15.9% return compared to 7.3% in 2024.
 - Income strategies delivered a return of 7.9%, a significant increase from 2.0% in 2024.
 - Real assets, risk mitigation, and unique strategies also reported strong to modest increases in year-to-date returns compared to 2024.
 - An increase in dividends, interest, and other investment income of \$60.5 million.
 - These increases were partially offset by a \$20.9 million increase in investment fees and expenses, primarily driven by a \$15.2 million increase in other fund expenses, including foreign income taxes and indirect flow-through costs.
 - Total contributions increased by \$40.3 million, due to higher employer and employee contribution rates.

- Employer contributions increased \$46.0 million.
- Employee contributions increased \$10.6 million.
- These increases were offset by a decrease in employer OPEB contributions of \$16.3 million, as additional contributions were made to the OCTA Custodial Fund in the prior year but not in the current year.
- Total deductions increased \$72.4 million (5.3%), compared to 2024, primarily due to a \$74.1 million increase in participant benefits, reflecting continued membership growth and rising average benefit payments received.
 - As of December 2025, there were 21,904 payees with an average benefit payment of \$5,165 compared to 21,402 payees with an average benefit payment of \$4,979 in the prior year.
 - The increase was partially offset by a \$2.7 million decrease in death benefits and member withdrawals and refunds, reflecting normal fluctuations over time.

Other Supporting Schedules

In addition to the basic financial statements for the year ended December 31, 2025, the following supporting schedules are provided for additional information pertaining to OCERS:

- Total Plan Reserves
- Schedule of Contributions
- Schedule of Investment Expenses
- Schedule of Administrative Expenses

Submitted by:



Jennifer Reyes
Director of Finance



Orange County Employees Retirement System

Unaudited Financial Statements

For the Year Ended December 31, 2025

Orange County Employees Retirement System

Unaudited Financial Statements For the Year Ended December 31, 2025

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Statement of Fiduciary Net Position (Unaudited)

As of December 31, 2025

(with summarized comparative amounts as of December 31, 2024)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCTA	Total Funds	Comparative Totals 2024
Assets						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 1,500,979	\$ 29,444	\$ 8,088	\$ 853	\$ 1,539,364	\$ 1,550,753
Securities Lending Collateral	154,271	3,026	831	-	158,128	172,042
Total Cash and Short-Term Investments	1,655,250	32,470	8,919	853	1,697,492	1,722,795
Receivables						
Investment Income	33,774	663	182	-	34,619	22,591
Securities Sales	159,193	3,123	858	-	163,174	210,257
Contributions	59,563	-	-	-	59,563	59,339
Foreign Currency Forward Contracts	-	-	-	-	-	901
Other Receivables	9,874	194	53	-	10,121	90,199
Total Receivables	262,404	3,980	1,093	-	267,477	383,287
Investments at Fair Value						
Global Public Equity	11,481,529	225,228	61,868	23,481	11,792,106	10,145,710
Private Equity	4,514,406	88,557	24,326	-	4,627,289	4,079,878
Income Strategies	4,094,213	80,314	22,061	18,459	4,215,047	3,828,089
Real Assets	3,391,384	66,527	18,274	-	3,476,185	3,053,551
Risk Mitigation	1,940,613	38,068	10,457	-	1,989,138	1,875,533
Unique Strategies	257,260	5,047	1,386	-	263,693	203,787
Total Investments at Fair Value	25,679,405	503,741	138,372	41,940	26,363,458	23,186,548
Capital Assets, Net	9,842	-	-	-	9,842	6,259
Total Assets	27,606,901	540,191	148,384	42,793	28,338,269	25,298,889
Liabilities						
Obligations Under Securities Lending Program	154,271	3,026	831	-	158,128	172,041
Securities Purchased	300,384	5,892	1,619	-	307,895	313,006
Unearned Contributions	41,549	-	-	-	41,549	40,624
Foreign Currency Forward Contracts	2,359	46	13	-	2,418	261
Retiree Payroll Payable	110,819	5,047	780	-	116,646	110,012
Other	34,365	674	185	-	35,224	74,419
Total Liabilities	643,747	14,685	3,428	-	661,860	710,363
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	\$26,963,154	\$ 525,506	\$ 144,956	\$ 42,793	\$27,676,409	\$24,588,526

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Year Ended December 31, 2025

(with summarized comparative amounts for the Year Ended December 31, 2024)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCTA	Total Funds	Comparative Totals 2024
Additions						
Contributions						
Employer	\$ 886,888	\$ 16,401	\$ 26,052	\$ -	\$ 929,341	\$ 883,355
Employee	313,190	-	-	-	313,190	302,545
Employer OPEB Contributions	-	-	-	1,338	1,338	17,669
Total Contributions	1,200,078	16,401	26,052	1,338	1,243,869	1,203,569
Investment Income						
Net Appreciation in Fair Value of Investments	2,926,432	60,768	16,664	5,587	3,009,451	2,158,337
Dividends, Interest, & Other Investment Income	465,398	9,129	2,508	19	477,054	416,582
Securities Lending Income						
Gross Earnings	8,058	158	43	-	8,259	11,887
Less: Borrower Rebates and Bank Charges	(7,370)	(145)	(40)	-	(7,555)	(11,100)
Net Securities Lending Income	688	13	3	-	704	787
Total Investment Income	3,392,518	69,910	19,175	5,606	3,487,209	2,575,706
Investment Fees and Expenses	(203,647)	(3,995)	(1,097)	(6)	(208,745)	(187,825)
Net Investment Income	3,188,871	65,915	18,078	5,600	3,278,464	2,387,881
Total Additions	4,388,949	82,316	44,130	6,938	4,522,333	3,591,450
Deductions						
Participant Benefits	1,338,778	36,269	8,285	-	1,383,332	1,309,237
Death Benefits	628	-	-	-	628	1,593
Member Withdrawals and Refunds	16,451	-	-	-	16,451	18,200
Employer OPEB Payments	-	-	-	2,042	2,042	1,754
Administrative Expenses	31,929	23	22	23	31,997	31,250
Total Deductions	1,387,786	36,292	8,307	2,065	1,434,450	1,362,034
Net Increase	3,001,163	46,024	35,823	4,873	3,087,883	2,229,416
Net Position Restricted For Pension, Other Postemployment Benefits and Employer, Beginning of Year	23,961,991	479,482	109,133	37,920	24,588,526	22,359,110
Ending Net Position Restricted For Pension, Other Postemployment Benefits and Employer	\$ 26,963,154	\$ 525,506	\$ 144,956	\$ 42,793	\$ 27,676,409	\$ 24,588,526

Total Plan Reserves

For the Year Ended December 31, 2025

(with summarized comparative amounts for the Year Ended December 31, 2024)

(Dollars in Thousands)

	2025	2024
Pension Reserve	\$ 14,433,939	\$ 13,914,265
Employee Contribution Reserve	4,286,057	4,112,391
Employer Contribution Reserve	4,068,499	3,466,239
Annuity Reserve	3,414,208	3,134,538
Health Care Reserve	670,462	588,615
Custodial Fund Reserve	42,793	37,920
County Investment Account (POB Proceeds) Reserve	161,418	155,100
OCSD UAAL Deferred Reserve	20,136	17,594
Contra Account and Actuarial Deferred Return / (Loss)	578,897	(838,136)
Total Net Position Restricted for Pension, Other Postemployment Benefits and Employer	<u>\$ 27,676,409</u>	<u>\$ 24,588,526</u>

Schedule of Contributions

For the Year Ended December 31, 2025

(with summarized comparative amounts for the Year Ended December 31, 2024)

(Dollars in Thousands)

	2025		2024	
	Employee	Employer	Employee	Employer
Pension Trust Fund Contributions				
County of Orange	\$ 233,758	\$ 691,028	\$ 225,585	\$ 660,302
Orange County Fire Authority	34,490	91,117 ¹	33,397	86,142 ¹
Orange County Superior Court of California	17,276	49,505	17,208	47,591
Orange County Transportation Authority	13,810	38,433	13,037	35,314
Orange County Sanitation District	9,633	10,126	9,374	9,541
Orange County Employees Retirement System	1,618	5,546	1,527	5,061
UCI - Medical Center and Campus	-	2,928 ²	-	2,936 ²
City of San Juan Capistrano	714	2,493	683	2,349
Transportation Corridor Agencies	975	1,086	888	985
Orange County Department of Education	-	339 ²	-	338 ²
Orange County Cemetery District	249	311	201	274
Orange County Local Agency Formation Commission	37	152	54	220
Orange County In-Home Supportive Services Public Authority	206	248	185	224
Children and Families Commission of Orange County	241	293	217	271
Orange County Public Law Library	183	141	178	133
Orange County Mosquito and Vector Control District	-	-	11	-
Contributions Before Prepaid Discount	313,190	893,746	302,545	851,681
Prepaid Employer Contributions Discount	-	(6,858)	-	(5,318)
Total Pension Trust Fund Contributions	313,190	886,888	302,545	846,363
Health Care Fund - County Contributions	-	16,401	-	6,404
Health Care Fund - OCFA Contributions	-	26,052	-	30,588
Custodial Fund - OCTA OPEB Contributions	-	1,338	-	17,669
Total Contributions	<u>\$ 313,190</u>	<u>\$ 930,679</u>	<u>\$ 302,545</u>	<u>\$ 901,024</u>

¹ Unfunded actuarial accrued liability payments were made in 2025 for \$17.6 million and 2024 for \$15.6 million by 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 Year Ended December 31, 2025

(with summarized comparative amounts for the Year Ended December 31, 2024)

(Dollars in Thousands)

	2025	2024
Investment Management Fees*		
Global Public Equity	\$ 18,531	\$ 18,297
Income Strategies	20,948	18,838
Real Assets	38,884	44,040
Private Equity	51,322	45,184
Risk Mitigation	10,635	10,085
Unique Strategies	5,833	5,295
Short-Term Investments	40	111
Total Investment Management Fees	146,193	141,850
Other Fund Expenses¹	53,400	38,232
Other Investment Expenses		
Consulting/Research Fees	2,429	2,361
Investment Department Expenses	5,429	4,326
Legal Services	677	429
Custodian Services	580	580
Investment Service Providers	31	44
Total Other Investment Expenses	9,146	7,740
Security Lending Activity		
Security Lending Fees	170	188
Rebate Fees	7,385	10,912
Total Security Lending Activity	7,555	11,100
Custodial Fund - OCTA Investment Fees and Expenses	6	3
Total Investment Expenses	\$ 216,300	\$ 198,925

* 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 Year Ended December 31, 2025

(with summarized comparative amounts for the Year Ended December 31, 2024)

(Dollars in Thousands)

	2025	2024
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 21,260	\$ 20,018
Board Members' Allowance	11	11
Total Personnel Services	<u>21,271</u>	<u>20,029</u>
Office Operating Expenses		
Depreciation/Amortization	2,514	2,519
Professional Services	2,074	2,552
General Office and Administrative Expenses	1,263	3,192
Rent/Leased Real Property	822	971
Total Office Operating Expenses	<u>6,673</u>	<u>9,234</u>
Total Expenses Subject to the Statutory Limit	<u>27,944</u>	<u>29,263</u>
Expenses Not Subject to the Statutory Limit		
Information Technology Professional Services	3,132	1,191
Information Security Professional Services	195	162
Finance Software Professional Services	9	3
Actuarial Fees	386	330
Equipment/Software	263	232
Total Expenses Not Subject to the Statutory Limit	<u>3,985</u>	<u>1,918</u>
Total Pension Trust Fund Administrative Expenses	31,929	31,181
Health Care Fund - County Administrative Expenses	23	24
Health Care Fund - OCFA Administrative Expenses	22	22
Custodial Fund - OCTA Administrative Expenses	<u>23</u>	<u>23</u>
Total Administrative Expenses	\$ <u>31,997</u>	\$ <u>31,250</u>