

Memorandum

DATE: May 18, 2026
TO: Members of the Board of Retirement
FROM: Jennifer Reyes, Director of Finance
SUBJECT: **FIRST QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026**

Written Report

Background/Discussion

The attached financial statements present the unaudited financial activity for the three months ended March 31, 2026. These statements are unaudited and are not the official financial statements of OCERS. They provide a summary of financial progress for the first quarter of 2026. The official financial statements of OCERS are presented in the Annual Comprehensive Financial Report (ACFR) for the year ended December 31, 2025, which will be published on our website, www.ocers.org, following the completion of the 2025 year-end audit in June 2026.

Summary

Statement of Fiduciary Net Position (Unaudited)

As of March 31, 2026, the net position restricted for pension, other postemployment benefits and employer totaled \$28.1 billion, reflecting a \$3.6 billion increase (14.8%), compared to March 31, 2025.

This growth was primarily driven by a \$3.4 billion increase in total assets, along with a \$212.4 million decrease in total liabilities.

- Total assets increased primarily due to a \$3.5 billion increase in investments at fair value, \$17.8 million increase in receivables, and a \$6.0 million increase in net capital assets. These increases were partially offset by a decrease of \$151.8 million in cash and short-term investments.
 - Cash and short-term investments decreased by \$151.8 million, reflecting a \$120.4 million decrease in cash and cash equivalents due to the timing of investing employee and employer contributions received during the year and securities lending collateral, which decreased \$31.4 million, indicating lower demand for U.S. government securities and shifting collateral preferences.
 - Receivables increased \$17.8 million, primarily driven by increases of \$6.3 million in investment income, \$6.4 million in securities sales and \$5.6 million in contributions. The reductions were partially offset by decreases of \$0.1 million in foreign currency forward contracts and \$0.4 million in other receivables.
 - Capital assets increased by \$6.0 million due to increases in construction-in-progress for the new OCERS headquarters building.

- Investments at fair value increased by \$3.5 billion, primarily reflecting strong market performance over the trailing one-year period, partially offset by market volatility and negative returns during the first quarter of 2026.
- The total investment portfolio returned 15.7% for the one-year period ended March 31, 2026, compared to 5.9% as of March 31, 2025. This stronger performance was driven by solid corporate earnings and lower interest rates in late 2025. Although markets were volatile early this quarter due to the Iran conflict, expectations of de-escalation helped stabilize conditions toward the end of the quarter.
 - Income strategies decreased by \$92.3 million compared to the prior year. All other investment categories experienced increases in the current year compared to 2025. Global public equity increased by \$1.6 billion, private equity increased by \$1.1 billion, real assets increased by \$437.0 million, risk mitigation by \$83.8 million, and unique strategies increased by \$404.3 million.
- Total liabilities decreased by \$212.4 million, primarily due to:
 - A \$31.4 million decrease in obligations under the securities lending program, as previously discussed, a \$176.9 million decrease in securities purchased liabilities due to timing, and a \$15.4 million decrease in other liabilities.
 - These decreases were partially offset by increases of \$3.7 million in unearned contributions and \$7.4 million in retiree payroll payable.

Statement of Changes in Fiduciary Net Position (Unaudited)

While the ending net position restricted for pension, other postemployment benefits, and employer for the three months ended March 31, 2026, increased by \$3.6 billion, or 14.8%, compared to March 31, 2025, fiduciary net position decreased during the first quarter of 2026, primarily due to net investment losses.

- Additions to fiduciary net position totaled \$96.5 million, a decrease of \$148.9 million (-60.7%) from the prior year, primarily due to net investment loss.
 - Despite a strong one-year performance, the first quarter resulted in a net investment loss of \$199.9 million for the period, driven mainly by a \$225.3 million increase in net depreciation (loss) in fair value of investments because of market volatility during the quarter.
 - Global public equities, income strategies, real assets and unique strategies reported declines in the year-to-date (YTD) returns compared to the prior year.
 - Global public equities reported a YTD loss of -2.3%, compared to a -1.7% loss in 2025.
 - Income strategies reported a YTD return of 0.1%, compared to 0.3% in 2025.
 - Real assets reported a YTD return of 1.4%, compared to 2.4% in 2025.
 - Unique strategies reported a YTD return of 2.6%, compared to 3.8% in 2025.
 - Private equity and risk mitigation reported strong to modest increases in YTD returns compared to the same period in 2025.
 - This decline was partially offset by a \$77.5 million increase in dividends, interest, and other investment income, along with a \$1.1 million decrease in investment fees and expenses. The reduction in expenses was primarily driven by a \$1.1 million decrease in other fund expenses,

including a \$0.3 million decrease in investment managers' fees, reflecting the net effect of new investment managers reporting fees offset by terminated managers.

- Total contributions decreased by \$2.1 million, primarily due to the County of Orange's use of Pension Obligation Bond proceeds held in the investment account reserve to fund a portion of its employer contributions. These amounts are recorded as a transfer of reserves rather than current-period employer contributions, partially offset by higher employee contributions.
 - Employer contributions decreased \$3.4 million.
 - Employee contributions increased \$1.3 million.
- Total deductions increased \$23.0 million (6.7%), compared to 2025, primarily due to a \$21.1 million increase in participant benefits, reflecting continued membership growth and rising average benefit payments received.
 - As of March 2026, there were 22,037 payees with an average benefit payment of \$5,184 compared to 21,522 payees with an average benefit payment of \$4,994 in the prior year.

Other Supporting Schedules

In addition to the basic financial statements for the three months ending March 31, 2026, 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 Three Months Ended March 31, 2026

Orange County Employees Retirement System

Unaudited Financial Statements For the Three Months Ended March 31, 2026

Table of Contents

Statement of Fiduciary Net Position (Unaudited).....	1
Statement of Changes in Fiduciary Net Position (Unaudited).....	2
Total Plan Reserves.....	3
Schedule of Contributions.....	4
Schedule of Investment Expenses	5
Schedule of Administrative Expenses.....	6

Statement of Fiduciary Net Position (Unaudited)

As of March 31, 2026

(with summarized comparative amounts as of March 31, 2025)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCTA	Total Funds	Comparative Totals 2025
Assets						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 1,496,693	\$ 28,853	\$ 7,960	\$ 637	\$ 1,534,143	\$ 1,654,547
Securities Lending Collateral	<u>145,456</u>	<u>2,804</u>	<u>774</u>	<u>-</u>	<u>149,034</u>	<u>180,403</u>
Total Cash and Short-Term Investments	1,642,149	31,657	8,734	637	1,683,177	1,834,950
Receivables						
Investment Income	31,270	603	166	-	32,039	25,748
Securities Sales	241,918	4,664	1,287	-	247,869	241,430
Contributions	74,435	-	-	-	74,435	68,830
Foreign Currency Forward Contracts	49	1	-	-	50	157
Other Receivables	<u>8,716</u>	<u>168</u>	<u>46</u>	<u>-</u>	<u>8,930</u>	<u>9,319</u>
Total Receivables	356,388	5,436	1,499	-	363,323	345,484
Investments at Fair Value						
Global Public Equity	10,892,243	209,978	57,932	22,739	11,182,892	9,608,506
Private Equity	5,114,244	98,591	27,201	-	5,240,036	4,118,593
Income Strategies	4,075,445	78,566	21,676	18,469	4,194,156	4,286,455
Real Assets	3,479,378	67,075	18,506	-	3,564,959	3,127,969
Risk Mitigation	2,022,183	38,983	10,755	-	2,071,921	1,988,135
Unique Strategies	<u>579,551</u>	<u>11,172</u>	<u>3,082</u>	<u>-</u>	<u>593,805</u>	<u>189,533</u>
Total Investments at Fair Value	26,163,044	504,365	139,152	41,208	26,847,769	23,319,191
Capital Assets, Net	<u>12,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,628</u>	<u>6,585</u>
Total Assets	<u>28,174,209</u>	<u>541,458</u>	<u>149,385</u>	<u>41,845</u>	<u>28,906,897</u>	<u>25,506,210</u>
Liabilities						
Obligations Under Securities Lending Program	145,456	2,804	774	-	149,034	180,403
Securities Purchased	385,160	7,425	2,049	-	394,634	571,512
Unearned Contributions	107,245	-	-	-	107,245	193,540
Foreign Currency Forward Contracts	264	5	1	-	270	227
Retiree Payroll Payable	111,949	5,221	739	-	117,909	110,477
Other	<u>36,093</u>	<u>696</u>	<u>192</u>	<u>-</u>	<u>36,981</u>	<u>52,359</u>
Total Liabilities	<u>786,167</u>	<u>16,151</u>	<u>3,755</u>	<u>-</u>	<u>806,073</u>	<u>1,018,518</u>
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	<u>\$27,388,042</u>	<u>\$ 525,307</u>	<u>\$ 145,630</u>	<u>\$ 41,845</u>	<u>\$28,100,824</u>	<u>\$24,487,692</u>

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Three Months Ended March 31, 2026

(with summarized comparative amounts for the Three Months Ended March 31, 2025)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCTA	Total Funds	Comparative Totals 2025
Additions						
Contributions						
Employer	\$ 217,803	\$ -	\$ 295	\$ -	\$ 218,098	\$ 221,528
Employee	77,882	-	-	-	77,882	76,550
Employer OPEB Contributions	-	-	-	364	364	350
Total Contributions	295,685	-	295	364	296,344	298,428
Investment Income						
Net Appreciation / (Depreciation) in Fair Value of Investments	(333,533)	6,763	1,845	(732)	(325,656)	(100,361)
Dividends, Interest, & Other Investment Income	174,191	3,358	927	7	178,483	100,979
Securities Lending Income						
Gross Earnings	1,639	32	9	-	1,680	2,094
Less: Borrower Rebates and Bank Charges	(1,495)	(29)	(8)	-	(1,532)	(1,881)
Net Securities Lending Income	144	3	1	-	148	213
Total Investment Income / (Loss)	(159,198)	10,124	2,773	(725)	(147,025)	831
Investment Fees and Expenses	(51,559)	(994)	(274)	-	(52,827)	(53,916)
Net Investment Income / (Loss)	(210,757)	9,130	2,499	(725)	(199,852)	(53,085)
Total Additions	84,928	9,130	2,794	(361)	96,492	245,343
Deductions						
Participant Benefits	344,939	9,307	2,122	-	356,368	335,279
Death Benefits	205	-	-	-	205	90
Member Withdrawals and Refunds	4,088	-	-	-	4,088	2,617
Employer OPEB Payments	-	-	-	581	581	468
Administrative Expenses	7,958	7	5	6	7,976	7,723
Total Deductions	357,190	9,314	2,127	587	369,218	346,177
Net Increase / (Decrease)	(272,262)	(184)	667	(948)	(272,726)	(100,834)
Net Position Restricted For Pension, Other Postemployment Benefits and Employer, Beginning of Year						
	27,660,311	525,489	144,957	42,793	28,373,550	24,588,526
Ending Net Position Restricted For Pension, Other Postemployment Benefits and Employer						
	\$ 27,388,042	\$ 525,307	\$ 145,630	\$ 41,845	\$ 28,100,824	\$ 24,487,692

Total Plan Reserves

For the Three Months Ended March 31, 2026

(with summarized comparative amounts for the Three Months Ended March 31, 2025)

(Dollars in Thousands)

	2026	2025
Pension Reserve	\$ 14,152,181	\$ 13,649,245
Employee Contribution Reserve	4,291,245	4,162,724
Employer Contribution Reserve	4,293,598	3,685,602
Annuity Reserve	3,419,492	3,098,910
Health Care Reserve	670,937	584,529
Custodial Fund Reserve	41,845	38,107
County Investment Account (POB Proceeds) Reserve	156,758	156,378
OCSD UAAL Deferred Reserve	20,136	17,594
Contra Account and Actuarial Deferred Return	1,054,632	(905,397)
Total Net Position Restricted for Pension, Other Postemployment Benefits and Employer	\$ 28,100,824	\$ 24,487,692

Schedule of Contributions

For the Three Months Ended March 31, 2026

(with summarized comparative amounts for the Three Months Ended March 31, 2025)

(Dollars in Thousands)

	2026		2025	
	Employee	Employer	Employee	Employer
Pension Trust Fund Contributions				
County of Orange	\$ 57,894	\$ 168,505	\$ 56,956	\$ 171,635
Orange County Fire Authority	8,707	23,019 ¹	8,510	22,113 ¹
Orange County Superior Court of California	4,274	12,478	4,401	12,179
Orange County Transportation Authority	3,419	9,540	3,278	9,094
Orange County Sanitation District	2,465	2,606	2,331	2,421
Orange County Employees Retirement System	473	1,636	420	1,411
UCI - Medical Center and Campus	-	706 ²	-	755 ²
City of San Juan Capistrano	176	615	179	622
Transportation Corridor Agencies	248	287	263	263
Orange County Department of Education	-	80 ²	-	89 ²
Orange County Cemetery District	61	82	50	73
Orange County Local Agency Formation Commission	10	39	11	43
Orange County In-Home Supportive Services Public Authority	52	61	47	58
Children and Families Commission of Orange County	62	76	59	72
Orange County Public Law Library	<u>41</u>	<u>34</u>	<u>45</u>	<u>33</u>
Contributions Before Prepaid Discount	77,882	219,764	76,550	220,861
Prepaid Employer Contributions Discount	<u>-</u>	<u>(1,961)</u>	<u>-</u>	<u>(1,397)</u>
Total Pension Trust Fund Contributions	77,882	217,803	76,550	219,464
Health Care Fund - OCFA Contributions	-	295	-	2,064
Custodial Fund - OCTA OPEB Contributions	-	364	-	350
Total Contributions	<u>\$ 77,882</u>	<u>\$ 218,462</u>	<u>\$ 76,550</u>	<u>\$ 221,878</u>

¹ Unfunded actuarial accrued liability payments were made in 2026 for \$5.3 million and 2025 for \$4.8 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 Three Months Ended March 31, 2026

(with summarized comparative amounts for the Three Months Ended March 31, 2025)

(Dollars in Thousands)

	2026	2025
Investment Management Fees*		
Global Public Equity	\$ 4,022	\$ 3,638
Income Strategies	4,437	3,911
Real Assets	9,199	9,311
Private Equity	13,031	14,980
Risk Mitigation	3,112	2,618
Unique Strategies	1,153	736
Short-Term Investments	7	19
Total Investment Management Fees	34,961	35,213
Other Fund Expenses¹	15,005	16,135
Other Investment Expenses		
Consulting/Research Fees	528	515
Investment Department Expenses	2,048	1,772
Legal Services	132	128
Custodian Services	145	145
Investment Service Providers	8	7
Total Other Investment Expenses	2,861	2,567
Security Lending Activity		
Security Lending Fees	37	49
Rebate Fees	1,495	1,832
Total Security Lending Activity	1,532	1,881
Custodial Fund - OCTA Investment Fees and Expenses	-	1
Total Investment Expenses	\$ 54,359	\$ 55,797

* 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 Three Months Ended March 31, 2026

(with summarized comparative amounts for the Three Months Ended March 31, 2025)

(Dollars in Thousands)

	2026	2025
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 5,828	\$ 5,176
Board Members' Allowance	4	2
Total Personnel Services	<u>5,832</u>	<u>5,178</u>
Office Operating Expenses		
Depreciation/Amortization	75	630
Professional Services	417	467
General Office and Administrative Expenses	352	836
Rent/Leased Real Property	<u>209</u>	<u>195</u>
Total Office Operating Expenses	<u>1,053</u>	<u>2,128</u>
Total Expenses Subject to the Statutory Limit	<u>6,885</u>	<u>7,306</u>
Expenses Not Subject to the Statutory Limit		
Information Technology Professional Services	898	232
Information Security Professional Services	36	39
Finance Software Professional Services	1	1
Actuarial Fees	95	73
Equipment/Software	<u>43</u>	<u>54</u>
Total Expenses Not Subject to the Statutory Limit	<u>1,073</u>	<u>399</u>
Total Pension Trust Fund Administrative Expenses	7,958	7,705
Health Care Fund - County Administrative Expenses	7	7
Health Care Fund - OCFA Administrative Expenses	5	5
Custodial Fund - OCTA Administrative Expenses	<u>6</u>	<u>6</u>
Total Administrative Expenses	<u>\$ 7,976</u>	<u>\$ 7,723</u>