Memorandum

DATE: August 17, 2026

TO: Members of the Board of Retirement

FROM: Jennifer Reyes, Director of Finance

SUBJECT: **SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2026**

Written Report

Background/Discussion

The attached financial statements present the unaudited financial activity for the six months ended June 30, 2026. These statements are unaudited and are not the official financial statements of OCERS. They provide a summary of financial progress for the second 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, and are published on our website, www.ocers.org.

Summary

Statement of Fiduciary Net Position (Unaudited)

As of June 30, 2026, the net position restricted for pension, other postemployment benefits and employer totaled $30.4 billion, reflecting a $4.6 billion increase (17.6%), compared to June 30, 2025.

This growth was driven by a $4.6 billion increase in total assets, offset by a $7.7 million increase in total liabilities.

- Total assets increased due to a $338.8 million increase in cash and short-term investments, a $33.4 million increase in receivables, a $4.2 billion increase in investments at fair value, and a $12.4 million increase in net capital assets.
  - Cash and short-term investments increased by $338.8 million, reflecting a $317.9 million increase in cash and cash equivalents due to the timing of investing employee and employer contributions received during the year. Securities lending collateral increased by $20.9 million, driven by increased demand for equity borrows.
  - Receivables increased by $33.4 million, primarily due to increases of $27.5 million in securities sales and $6.1 million in contributions.
  - Capital assets increased by $12.4 million due to increases in construction-in-progress for the new OCERS headquarters building.
  - Investments at fair value increased by $4.2 billion, primarily reflecting strong market performance over the trailing one-year period, despite market volatility during the second quarter of 2026.
- The total investment portfolio reported a one-year net return of 18.6% as of June 30, 2026, compared to 9.9% as of June 30, 2025. This stronger performance was driven by solid corporate earnings and lower interest rates

in late 2025. Despite market volatility and inflation concerns due to the Iran conflict, continued AI-driven demand and expectations for a U.S.-Iran ceasefire framework supported strong performance during the second quarter of 2026.

  - All investment categories increased compared to the prior year, except for income strategies, which decreased by $378.0 million. Global public equity increased by $2.3 billion, private equity increased by $958.8 million, real assets increased by $461.3 million, risk mitigation increased by $347.8 million, and unique strategies increased by $468.8 million.
- Total liabilities increased by $7.7 million, primarily due to:
  - A $20.9 million increase in obligations under the securities lending program, as previously discussed; a $3.2 million increase in unearned contributions; and a $7.7 million increase in retiree payroll payable due to growth in the number of payees and the average benefit payment.
  - These increases were primarily offset by a $23.9 million decrease in securities purchased liabilities.

Statement of Changes in Fiduciary Net Position (Unaudited)

The ending net position restricted for pension, other postemployment benefits and employer for the six months ended June 30, 2026, increased by $4.6 billion, or 17.6%, compared to the same period in 2025.

- Additions to fiduciary net position totaled $2.7 billion, an increase of $809.5 million (41.9%) compared to the prior year, primarily due to net investment income.
  - Net investment income totaled $2.1 billion for the period, driven mainly by a $619.2 million increase in net appreciation in fair value of investments, and $186.9 million in dividends, interest, and other investment income.
    - All investment categories reported positive year-to-date (YTD) returns as of June 30, 2026.
      - Global public equities reported a YTD return of 12.7%, compared to a 9.5% return in 2025.
      - Private equity reported a YTD return of 17.1% compared to an 8.5% return in 2025.
      - Income strategies reported a YTD return of 1.1%, compared to 4.2% in 2025.
      - Real assets reported a YTD return of 4.2%, compared to 1.9% in 2025.
      - Risk mitigation reported a YTD return of 7.1%, compared to a YTD loss of 2.5% in 2025.
      - Unique strategies reported a YTD return of 9.5%, compared to 2.0% in 2025.
  - Total contributions increased by $5.2 million, primarily due to an increase in employee pension contributions and employer contributions to the OCFA Health Care Fund. These increases were partially offset by the County of Orange's use of Pension Obligation Bond proceeds held by OCERS in an investment account to fund a portion of its employer contributions.
    - Employer contributions increased by $2.3 million.
    - Employee contributions increased by $2.9 million.

- Total deductions increased $42.5 million (6.0%), compared to 2025, primarily due to a $42.2 million increase in participant benefits, reflecting growth in the number of payees and higher average benefit payments.
    - As of June 2026, there were 22,333 payees with an average benefit payment of $5,367 compared to 21,821 payees with an average benefit payment of $5,171 as of June 2025.

Other Supporting Schedules

In addition to the basic financial statements for the six months ending June 30, 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:

J.R. - Approved

Jennifer Reyes
Director of Finance

Orange County Employees Retirement System

Unaudited Financial Statements

For the Six Months Ended June 30, 2026

Orange County Employees Retirement System

Unaudited Financial Statements
For the Six Months Ended June 30, 2026

Table of Contents

Statement of Fiduciary Net Position (Unaudited)

As of June 30, 2026

(with summarized comparative amounts as of June 30, 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	$ 1,773,092	$ 34,152	$ 11,205	$ 353	$ 1,818,802	$ 1,500,864
Securities Lending Collateral	183,932	3,543	1,162	-	188,637	167,766
Total Cash and Short-Term Investments	1,957,024	37,695	12,367	353	2,007,439	1,668,630
Receivables						
Investment Income	41,901	807	265	-	42,973	43,907
Securities Sales	155,176	2,989	981	-	159,146	131,684
Contributions	56,511	-	-	-	56,511	50,424
Other Receivables	9,999	193	63	-	10,255	9,451
Total Receivables	263,587	3,989	1,309	-	268,885	235,466
Investments at Fair Value						
Global Public Equity	12,643,236	243,527	79,901	25,851	12,992,515	10,675,980
Private Equity	5,122,808	98,673	32,374	-	5,253,855	4,295,048
Income Strategies	3,986,154	76,779	25,191	18,594	4,106,718	4,484,744
Real Assets	3,529,556	67,984	22,305	-	3,619,845	3,158,595
Risk Mitigation	2,077,847	40,022	13,131	-	2,131,000	1,783,224
Unique Strategies	640,475	12,336	4,048	-	656,859	188,108
Total Investments at Fair Value	28,000,076	539,321	176,950	44,445	28,760,792	24,585,699
Capital Assets, Net	19,694	-	-	-	19,694	7,298
Total Assets	**30,240,381**	**581,005**	**190,626**	**44,798**	**31,056,810**	**26,497,093**
Liabilities						
Obligations Under Securities Lending Program	183,932	3,543	1,162	-	188,637	167,765
Securities Purchased	255,237	4,916	1,613	-	261,766	285,641
Unearned Contributions	86,771	-	-	-	86,771	83,529
Foreign Currency Forward Contracts	1,426	27	9	-	1,462	3,262
Retiree Payroll Payable	117,545	5,280	745	-	123,570	115,840
Other	34,474	664	218	-	35,356	33,793
Total Liabilities	**679,385**	**14,430**	**3,747**	**-**	**697,562**	**689,830**
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	**$29,560,996**	**$ 566,575**	**$ 186,879**	**$ 44,798**	**$30,359,248**	**$25,807,263**

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Six Months Ended June 30, 2026

(with summarized comparative amounts for the Six Months Ended June 30, 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	$ 438,590	$ 7,871	$ 29,861	$ -	$ 476,322	$ 474,017
Employee	155,875	-	-	-	155,875	152,980
Employer OPEB Contributions	-	-	-	687	687	659
Total Contributions	594,465	7,871	29,861	687	632,884	627,656
Investment Income						
Net Appreciation in Fair Value of Investments	1,807,147	47,488	14,992	2,506	1,872,133	1,252,958
Dividends, Interest, & Other Investment Income	336,200	6,476	2,125	11	344,812	157,883
Securities Lending Income						
Gross Earnings	4,309	83	27	-	4,419	4,245
Less: Borrower Rebates and Bank Charges	(3,975)	(77)	(25)	-	(4,077)	(3,887)
Net Securities Lending Income	334	6	2	-	342	358
Total Investment Income	2,143,681	53,970	17,119	2,517	2,217,287	1,411,199
Investment Fees and Expenses	(107,006)	(2,061)	(676)	(4)	(109,747)	(107,923)
Net Investment Income	2,036,675	51,909	16,443	2,513	2,107,540	1,303,276
Total Additions	**2,631,140**	**59,780**	**46,304**	**3,200**	**2,740,424**	**1,930,932**
Deductions						
Participant Benefits	705,425	18,680	4,370	-	728,475	686,309
Death Benefits	522	-	-	-	522	246
Member Withdrawals and Refunds	8,635	-	-	-	8,635	8,833
Employer OPEB Payments	-	-	-	1,182	1,182	979
Administrative Expenses	15,873	14	12	13	15,912	15,828
Total Deductions	**730,455**	**18,694**	**4,382**	**1,195**	**754,726**	**712,195**
Net Increase	1,900,685	41,086	41,922	2,005	1,985,698	1,218,737
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	**$ 29,560,996**	**$ 566,575**	**$ 186,879**	**$ 44,798**	**$ 30,359,248**	**$ 25,807,263**

Total Plan Reserves

For the Six Months Ended June 30, 2026

(with summarized comparative amounts for the Six Months Ended June 30, 2025)
(Dollars in Thousands)

	2026	2025
Pension Reserve	$ 15,128,711	$ 14,477,971
Employee Contribution Reserve	4,311,590	4,133,374
Employer Contribution Reserve	3,938,092	3,446,383
Annuity Reserve	3,621,524	3,338,012
Health Care Reserve	753,454	638,067
Custodial Fund Reserve	44,798	40,367
County Investment Account (POB Proceeds) Reserve	161,827	164,695
OCSD UAAL Deferred Reserve	20,136	17,594
Contra Account and Actuarial Deferred Return / (Loss)	2,379,116	(449,200)
Total Net Position Restricted for Pension, Other Postemployment Benefits and Employer	**$ 30,359,248**	**$ 25,807,263**

Schedule of Contributions

For the Six Months Ended June 30, 2026

(with summarized comparative amounts for the Six Months Ended June 30, 2025

(Dollars in Thousands)

	2026		2025	
	Employee	**Employer**	**Employee**	**Employer**
Pension Trust Fund Contributions				
County of Orange	$ 115,888	$ 337,177	$ 113,951	$ 344,039
Orange County Fire Authority	17,211	46,239[1]	16,895	44,401[1]
Orange County Superior Court of California	8,560	25,038	8,650	24,416
Orange County Transportation Authority	7,022	19,620	6,703	18,615
Orange County Sanitation District	4,968	5,262	4,676	4,865
Orange County Employees Retirement System	906	3,165	822	2,785
UCI - Medical Center and Campus	-	1,293[2]	-	1,383[2]
City of San Juan Capistrano	357	1,253	356	1,238
Transportation Corridor Agencies	502	580	501	529
Orange County Department of Education	-	160[2]	-	179[2]
Orange County Cemetery District	122	166	102	147
Orange County Local Agency Formation Commission	19	79	18	76
Orange County In-Home Supportive Services Public Authority	104	123	96	117
Children and Families Commission of Orange County	132	163	120	145
Orange County Public Law Library	84	68	90	66
Contributions Before Prepaid Discount	155,875	440,386	152,980	443,001
Prepaid Employer Contributions Discount	-	(1,796)	-	(2,814)
Total Pension Trust Fund Contributions	**155,875**	**438,590**	**152,980**	**440,187**
Health Care Fund - County Contributions	**-**	**7,871**	**-**	**8,432**
Health Care Fund - OCFA Contributions	**-**	**29,861**	**-**	**25,398**
Custodial Fund - OCTA OPEB Contributions	**-**	**687**	**-**	**659**
Total Contributions	**$ 155,875**	**$ 477,009**	**$ 152,980**	**$ 474,676**

[1] Unfunded actuarial accrued liability payments were made in 2026 for $9.4 million and 2025 for $8.4 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 Six Months Ended June 30, 2026

(with summarized comparative amounts for the Six Months Ended June 30, 2025)
(Dollars in Thousands)

	2026	2025
Investment Management Fees*		
Global Public Equity	$ 8,542	$ 7,332
Income Strategies	10,452	8,197
Real Assets	18,711	20,119
Private Equity	27,545	27,109
Risk Mitigation	6,241	5,136
Unique Strategies	4,298	1,357
Short-Term Investments	14	22
Total Investment Management Fees	**75,803**	**69,272**
Other Fund Expenses[1]	**28,683**	**33,820**
Other Investment Expenses		
Consulting/Research Fees	1,232	1,207
Investment Department Expenses	3,387	2,949
Legal Services	332	368
Custodian Services	290	290
Investment Service Providers	16	15
Total Other Investment Expenses	**5,257**	**4,829**
Security Lending Activity		
Security Lending Fees	93	82
Rebate Fees	3,984	3,805
Total Security Lending Activity	**4,077**	**3,887**
Custodial Fund - OCTA Investment Fees and Expenses	**4**	**2**
Total Investment Expenses	**$ 113,824**	**$ 111,810**

* 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, 2026

(with summarized comparative amounts for the Six Months Ended June 30, 2025)
(Dollars in Thousands)

	2026	2025
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	$ 11,280	$ 10,296
Board Members' Allowance	6	5
Total Personnel Services	11,286	10,301
Office Operating Expenses		
Depreciation/Amortization	150	1,259
Professional Services	1,093	1,184
General Office and Administrative Expenses	649	674
Rent/Leased Real Property	421	402
Total Office Operating Expenses	2,313	3,519
Total Expenses Subject to the Statutory Limit	13,599	13,820
Expenses Not Subject to the Statutory Limit		
Information Technology Professional Services	1,880	1,507
Information Security Professional Services	72	99
Finance Software Professional Services	1	1
Actuarial Fees	221	249
Equipment/Software	100	117
Total Expenses Not Subject to the Statutory Limit	2,274	1,973
Total Pension Trust Fund Administrative Expenses	**15,873**	**15,793**
Health Care Fund - County Administrative Expenses	**14**	**13**
Health Care Fund - OCFA Administrative Expenses	**12**	**11**
Custodial Fund - OCTA Administrative Expenses	**13**	**11**
Total Administrative Expenses	**$ 15,912**	**$ 15,828**