

Memorandum

DATE: November 17, 2025
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: **THIRD QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025**

Written Report

Background/Discussion

The attached financial statements present the unaudited financial activity for the nine months ended September 30, 2025. These statements are unaudited and are not the official financial statements of OCERS. They provide a concise overview of OCERS' financial progress through the third quarter of 2025. The official financial statements are included in OCERS' Annual Comprehensive Financial Report (ACFR) for the year ended December 31, 2024, which is available on our website, www.ocers.org.

Summary

Statement of Fiduciary Net Position (Unaudited)

As of September 30, 2025, the net position restricted for pension, other postemployment benefits, and employer totaled \$27.0 billion, representing a \$2.5 billion (10.2%) increase from September 30, 2024.

This growth was driven by a \$2.5 billion increase in total assets, partially offset by a \$29.6 million increase in total liabilities.

- Total assets increased due to a \$115.4 million increase in cash and short-term investments, a \$21.1 million increase in receivables, a \$2.4 billion increase in investments at fair value, and a \$2.7 million increase in net capital assets.
 - Cash and short-term investments increased \$115.4 million, reflecting a \$148.0 million increase in cash and cash equivalents, of which \$106.9 million supported the synthetic replication strategy used for passive non-U.S. equity exposure, and unallocated cash which rose an additional \$32.3 million due to timing differences in investing employee and employer contributions.
 - These increases were partially offset by a \$32.6 million reduction in securities lending collateral, reflecting less demand for U.S. government securities and a shift in collateral preferences.
 - Receivables increased \$21.1 million, driven by a \$38.0 million increase in pending securities sales, \$4.4 million increase in contributions, and \$1.0 million increase in other receivables, partially offset by a \$21.6 million decrease in investment income.
 - Capital assets increased by \$2.7 million, primarily reflecting increases in construction-in-progress for the new OCERS headquarters building.

- Investments at fair value increased by \$2.4 billion, attributed to the investment of contributions, favorable market returns, and strategic asset allocation decisions.
- The total investment portfolio reported a one-year return of 10.8% as of September 30, 2025, compared to 17.7% as of September 30, 2024. Performance stabilized in the third quarter after volatility in the beginning of 2025 as investor confidence improved following mid-year Federal Reserve rate cuts. The higher return in the prior year was mainly due to strong global equity gains, including a \$1.3 billion increase driven by a sharp rebound in major technology stocks.
 - All investment categories increased in the current year compared to the prior year. Global public equity increased by \$722.1 million, private equity increased by \$682.7 million, income strategies increased by \$712.4 million, real assets increased by \$220.0 million, risk mitigation by \$4.6 million, and unique strategies increased by \$44.0 million.
- Total liabilities increased by \$29.6 million, primarily from:
 - A \$49.1 million increase in securities purchased attributable to settlement timing, a \$6.0 million increase in retiree payroll payable, and a \$4.0 million increase in other liabilities.
 - These increases were partially offset by a \$32.6 million decline in obligations under the securities lending program, as previously noted.

Statement of Changes in Fiduciary Net Position (Unaudited)

The ending net position restricted for pension, other postemployment benefits, and employer for the nine months ended September 30, 2025, increased by \$2.5 billion, or 10.2%, compared to the same period in 2024.

- Total additions to fiduciary net position reported \$3.5 billion, an increase of \$319.4 million (10.0%) from the prior year, primarily due to higher net investment income.
 - Net investment income totaled \$2.6 billion, an increase of \$260.7 million from 2024, driven by:
 - A \$325.7 million increase in net appreciation in fair value of investments.
 - The year-to-date investment return was 11.8%, compared to 10.9% for the third quarter in 2024.
 - Global public equities reported a strong year-to-date return of 17.5%, slightly below the 18.2% return in 2024.
 - Risk mitigation delivered a year-to-date return of 1.3%, which decreased from 1.9% in 2024.
 - Private equity, real assets, income strategies, and unique strategies reported strong to modest increases in year-to-date returns compared to 2024.
 - An offsetting decrease of \$46.5 million in dividends, interest, and other investment income.
 - Investment fees and expenses increased \$18.4 million (12.8%), primarily driven by a \$17.3 million increase in other fund expenses, including foreign income taxes and indirect flow-through costs.
 - Securities lending fees and rebates declined by \$2.9 million, reflecting lower earnings and reduced benchmark rates.

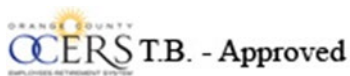
- Total contributions increased by \$58.7 million, driven by higher employer and employee contribution rates:
 - Employer contributions increased \$49.6 million.
 - Employee contributions increased \$8.8 million.
- Total deductions increased \$53.4 million (5.2%), compared to the same period in 2024, primarily due to:
 - A \$55.7 million increase in participant benefits, driven by membership growth and rising average benefit payments.
 - As of September 2025, there were 21,840 payees with an average benefit payment of \$5,134 compared to 21,369 payees with an average benefit payment of \$4,969 in the prior year.
 - The increase was partially offset by a \$2.7 million decline in death benefits and member withdrawals and refunds, reflecting normal year-to-year fluctuations.

Other Supporting Schedules

In addition to the basic financial statements for the nine months ended September 30, 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:



Tracy Bowman
Director of Finance



Orange County Employees Retirement System

Unaudited Financial Statements

For the Nine Months Ended September 30, 2025

Orange County Employees Retirement System

Unaudited Financial Statements
For the Nine Months Ended September 30, 2025

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Statement of Fiduciary Net Position (Unaudited)

As of September 30, 2025

(with summarized comparative amounts as of September 30, 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	\$ 1,514,241	\$ 29,765	\$ 8,264	\$ 187	\$1,552,457	\$ 1,404,435
Securities Lending Collateral	<u>186,321</u>	<u>3,662</u>	<u>1,017</u>	<u>-</u>	<u>191,000</u>	<u>223,582</u>
Total Cash and Short-Term Investments	1,700,562	33,427	9,281	187	1,743,457	1,628,017
Receivables						
Investment Income	28,191	554	154	-	28,899	50,541
Securities Sales	225,344	4,429	1,230	-	231,003	193,014
Contributions	74,554	-	-	-	74,554	70,111
Foreign Currency Forward Contracts	134	3	1	-	138	652
Other Receivables	<u>9,542</u>	<u>188</u>	<u>52</u>	<u>-</u>	<u>9,782</u>	<u>8,977</u>
Total Receivables	337,765	5,174	1,437	-	344,376	323,295
Investments at Fair Value						
Global Public Equity	11,205,403	220,260	61,156	23,628	11,510,447	10,788,391
Private Equity	4,417,232	86,828	24,108	-	4,528,168	3,845,465
Income Strategies	4,179,040	82,146	22,808	18,276	4,302,270	3,589,847
Real Assets	3,252,769	63,938	17,753	-	3,334,460	3,114,498
Risk Mitigation	1,806,779	35,515	9,861	-	1,852,155	1,847,545
Unique Strategies	<u>231,953</u>	<u>4,559</u>	<u>1,266</u>	<u>-</u>	<u>237,778</u>	<u>193,735</u>
Total Investments at Fair Value	25,093,176	493,246	136,952	41,904	25,765,278	23,379,481
Capital Assets, Net	<u>8,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,704</u>	<u>6,015</u>
Total Assets	<u>27,140,207</u>	<u>531,847</u>	<u>147,670</u>	<u>42,091</u>	<u>27,861,815</u>	<u>25,336,808</u>
Liabilities						
Obligations Under Securities Lending Program	186,321	3,662	1,017	-	191,000	223,582
Securities Purchased	408,242	8,025	2,228	-	418,495	369,387
Unearned Contributionst	62,302	-	-	-	62,302	60,443
Foreign Currency Forward Contracts	1,145	23	6	-	1,174	-
Retiree Payroll Payable	109,969	4,467	727	-	115,163	109,123
Other	<u>29,380</u>	<u>578</u>	<u>160</u>	<u>-</u>	<u>30,118</u>	<u>26,097</u>
Total Liabilities	<u>797,359</u>	<u>16,755</u>	<u>4,138</u>	<u>-</u>	<u>818,252</u>	<u>788,632</u>
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	<u>\$26,342,848</u>	<u>\$ 515,092</u>	<u>\$ 143,532</u>	<u>\$ 42,091</u>	<u>\$27,043,563</u>	<u>\$24,548,176</u>

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Nine Months Ended September 30, 2025

(with summarized comparative amounts for the Nine Months Ended September 30, 2024)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCFA	Total Funds	Comparative Totals 2024
Additions						
Contributions						
Employer	\$ 662,779	\$ 8,432	\$ 25,701	\$ -	\$ 696,912	\$ 647,271
Employee	232,979	-	-	-	232,979	224,146
Employer OPEB Contributions	-	-	-	1,020	1,020	827
Total Contributions	895,758	8,432	25,701	1,020	930,911	872,244
Investment Income						
Net Appreciation in Fair Value of Investments	2,409,619	52,174	14,284	4,665	2,480,742	2,155,052
Dividends, Interest, & Other Investment Income	271,516	5,337	1,482	15	278,350	324,817
Securities Lending Income						
Gross Earnings	6,178	121	34	-	6,333	9,375
Less: Borrower Rebates and Bank Charges	(5,691)	(112)	(31)	-	(5,834)	(8,782)
Net Securities Lending Income	487	9	3	-	499	593
Total Investment Income	2,681,622	57,520	15,769	4,680	2,759,591	2,480,462
Investment Fees and Expenses	(158,243)	(3,111)	(864)	(4)	(162,222)	(143,815)
Net Investment Income	2,523,379	54,409	14,905	4,676	2,597,369	2,336,647
Total Additions	3,419,137	62,841	40,606	5,696	3,528,280	3,208,891
Deductions						
Participant Benefits	1,001,707	27,213	6,191	-	1,035,111	979,380
Death Benefits	445	-	-	-	445	1,456
Member Withdrawals and Refunds	12,593	-	-	-	12,593	14,236
Employer OPEB Payments	-	-	-	1,508	1,508	1,296
Administrative Expenses	23,535	18	16	17	23,586	23,457
Total Deductions	1,038,280	27,231	6,207	1,525	1,073,243	1,019,825
Net Increase	2,380,857	35,610	34,399	4,171	2,455,037	2,189,066
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	\$ 26,342,848	\$ 515,092	\$ 143,532	\$ 42,091	\$ 27,043,563	\$ 24,548,176

Total Plan Reserves

For the Nine Months Ended September 30, 2025

(with summarized comparative amounts for the Nine Months Ended September 30, 2024)

(Dollars in Thousands)

	2025	2024
Pension Reserve	\$ 14,201,992	\$ 13,686,648
Employee Contribution Reserve	4,176,587	3,993,123
Employer Contribution Reserve	3,676,512	3,098,774
Annuity Reserve	3,309,221	3,049,171
Health Care Reserve	658,624	597,425
Custodial Fund Reserve	42,091	21,735
County Investment Account (POB Proceeds) Reserve	165,087	156,488
OCSD UAAL Deferred Reserve	17,594	16,025
Contra Account and Actuarial Deferred Return	795,855	(71,213)
Total Net Position Restricted for Pension, Other Postemployment Benefits and Employer	\$ 27,043,563	\$ 24,548,176

Schedule of Contributions

For the Nine Months Ended September 30, 2025

(with summarized comparative amounts for the Nine Months Ended September 30, 2024)

(Dollars in Thousands)

	2025		2024	
	Employee	Employer	Employee	Employer
Pension Trust Fund Contributions				
County of Orange	\$ 173,947	\$ 517,825	\$ 166,916	\$ 480,491
Orange County Fire Authority	25,480	66,856 ¹	24,688	63,057 ¹
Orange County Superior Court of California	12,944	36,873	12,848	35,249
Orange County Transportation Authority	10,260	28,445	9,714	26,065
Orange County Sanitation District	7,165	7,504	7,006	7,091
Orange County Employees Retirement System	1,233	4,199	1,164	3,836
UCI - Medical Center and Campus	-	2,105 ²	-	2,181 ²
City of San Juan Capistrano	541	1,881	507	1,736
Transportation Corridor Agencies	753	823	679	754
Orange County Department of Education	-	258 ²	-	249 ²
Orange County Cemetery District	161	225	149	198
Orange County Local Agency Formation Commission	27	111	40	161
Orange County In-Home Supportive Services Public Authority	150	182	137	166
Children and Families Commission of Orange County	181	220	155	201
Orange County Public Law Library	137	104	132	99
Orange County Mosquito and Vector Control District	-	-	11	-
Contributions Before Prepaid Discount	232,979	667,611	224,146	621,534
Prepaid Employer Contributions Discount	-	(4,832)	-	(3,894)
Total Pension Trust Fund Contributions	232,979	662,779	224,146	617,640
Health Care Fund - County Contributions	-	8,432	-	-
Health Care Fund - OCFA Contributions	-	25,701	-	29,631
Custodial Fund - OCTA OPEB Contributions	-	1,020	-	827
Total Contributions	<u>\$ 232,979</u>	<u>\$ 697,932</u>	<u>\$ 224,146</u>	<u>\$ 648,098</u>

¹ Unfunded actuarial accrued liability payments were made in 2025 for \$12.6 million and 2024 for \$11.2 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 Nine Months Ended September 30, 2025

(with summarized comparative amounts for the Nine Months Ended September 30, 2024)

(Dollars in Thousands)

	2025	2024
Investment Management Fees*		
Global Public Equity	\$ 10,903	\$ 11,086
Income Strategies	14,768	13,626
Real Assets	27,037	32,897
Private Equity	41,308	36,471
Risk Mitigation	7,718	7,168
Unique Strategies	4,118	4,132
Short-Term Investments	31	121
Total Investment Management Fees	105,883	105,501
Other Fund Expenses¹	49,415	32,074
Other Investment Expenses		
Consulting/Research Fees	1,818	1,766
Investment Department Expenses	4,152	3,768
Legal Services	491	239
Custodian Services	435	435
Investment Service Providers	24	30
Total Other Investment Expenses	6,920	6,238
Security Lending Activity		
Security Lending Fees	119	136
Rebate Fees	5,715	8,646
Total Security Lending Activity	5,834	8,782
Custodial Fund - OCTA Investment Fees and Expenses	4	2
Total Investment Expenses	\$ 168,056	\$ 152,597

* 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, 2025

(with summarized comparative amounts for the Nine Months Ended September 30, 2024)

(Dollars in Thousands)

	2025	2024
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 15,664	\$ 14,932
Board Members' Allowance	8	8
Total Personnel Services	15,672	14,940
Office Operating Expenses		
Depreciation/Amortization	1,678	1,889
Professional Services	1,571	2,065
General Office and Administrative Expenses	956	2,405
Rent/Leased Real Property	596	752
Total Office Operating Expenses	4,801	7,111
Total Expenses Subject to the Statutory Limit	20,473	22,051
Expenses Not Subject to the Statutory Limit		
Information Technology Professional Services	2,429	723
Information Security Professional Services	135	113
Finance Software Professional Services	9	3
Actuarial Fees	359	314
Equipment/Software	130	202
Total Expenses Not Subject to the Statutory Limit	3,062	1,355
Total Pension Trust Fund Administrative Expenses	23,535	23,406
Health Care Fund - County Administrative Expenses	18	18
Health Care Fund - OCFA Administrative Expenses	16	16
Custodial Fund - OCTA Administrative Expenses	17	17
Total Administrative Expenses	\$ 23,586	\$ 23,457