Memorandum

DATE: November 16, 2026

TO: Members of the Board of Retirement

FROM: Jennifer Reyes, Director of Finance

SUBJECT: **THIRD QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2026**

Written Report

Background/Discussion

The attached financial statements present the unaudited financial activity for the nine months ended September 30, 2026. These statements are unaudited and are not the official financial statements of OCERS. They provide a summary of financial progress for the third 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 September 30, 2026, the net position restricted for pension, other postemployment benefits and employer totaled $31.4 billion, reflecting a $4.3 billion increase (16.0%), compared to September 30, 2025.

This growth was driven by a $4.3 billion increase in total assets and a $1.2 million decrease in total liabilities.

- Total assets increased due to a $148.9 million increase in cash and short-term investments, a $6.8 million increase in receivables, a $4.1 billion increase in investments at fair value, and a $19.5 million increase in net capital assets.
    - Cash and short-term investments increased by $148.9 million, reflecting an $86.1 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 $62.9 million, driven by increased demand for U.S. equity and government borrows.
    - Receivables increased by $6.8 million, primarily due to increases of $4.3 million in contributions and $2.2 million in foreign currency forward contracts.
    - Capital assets increased by $19.5 million, primarily due to increases in construction-in-progress related to the new OCERS headquarters building and the Pension Administration System (PAS) project.
    - Investments at fair value increased by $4.1 billion, reflecting strong market performance over the trailing one-year period.

- The total investment portfolio reported a one-year net return of 17.0% as of September 30, 2026, compared with 10.8% as of September 30, 2025. Performance remained resilient, supported by AI-related growth and strong corporate earnings despite persistent inflation, geopolitical tensions, and rising interest rates.
    - All investment categories increased compared to the prior year, except for income strategies, which decreased by $165.7 million. Global public equity increased by $1.2 billion, private equity by $1.9 billion, real assets by $349.2 million, risk mitigation by $435.8 million, and unique strategies by $482.0 million.
- Total liabilities decreased by $1.2 million, primarily due to a $121.4 million decrease in securities purchased liabilities and a $1.2 million decrease in foreign currency forward contracts. These decreases were largely offset by a $62.9 million increase in obligations under the securities lending program, as previously discussed; a $47.7 million increase in other liabilities; a $7.9 million increase in retiree payroll payable, and a $3.0 million increase in unearned contributions.

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, 2026, increased by $4.3 billion, or 16.0%, compared to the same period in 2025.

- Additions to fiduciary net position totaled $4.1 billion, an increase of $603.3 million (17.1%) compared to the prior year, primarily due to higher net investment income.
    - Net investment income totaled $3.2 billion, an increase of $603.7 million compared to the prior year, primarily reflecting a $375.0 million increase in net appreciation in fair value of investments, and a $244.1 million increase in dividends, interest, and other investment income, partially offset by higher investment fees and expenses.
        - All investment categories except Income Strategies reported positive year-to-date (YTD) returns as of September 30, 2026.
            - Global public equities reported a YTD return of 13.0%, compared to a 17.5% return in 2025.
            - Private equity reported a YTD return of 39.8% compared to a 13.3% return in 2025.
            - Income strategies reported a YTD loss of 2.9%, compared to 6.4% return in 2025.
            - Real assets reported a YTD return of 6.0%, compared to 3.5% in 2025.
            - Risk mitigation reported a YTD return of 11.2%, compared to 1.3% in 2025.
            - Unique strategies reported a YTD return of 16.1%, compared to 13.1% in 2025.
    - Total contributions decreased by $0.5 million compared to the prior year, as a $2.7 million decrease in employer contributions was largely offset by a $2.2 million increase in employee contributions. The decrease in employer contributions primarily reflects lower County of Orange contributions related to the use of the Pension Obligation Bond proceeds and lower Orange County Fire Authority (OCFA) contributions following the cessation of unfunded actuarial

accrued liability payments, partially offset by increases from other employers and higher OCFA health care contributions.

- Total deductions increased by $67.2 million (6.3%) compared to 2025, primarily due to a $64.1 million increase in participant benefits, reflecting growth in the number of payees and higher average benefit payments.
    - As of September 2026, there were 22,370 payees with an average benefit payment of $5,332 compared to 21,840 payees with an average benefit payment of $5,134 as of September 2025.

Other Supporting Schedules

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

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM J.R. - Approved

Jennifer Reyes
Director of Finance



Orange County Employees Retirement System

Unaudited Financial Statements

For the Nine Months Ended September 30, 2026

Orange County Employees Retirement System

Unaudited Financial Statements
For the Nine Months Ended September 30, 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 September 30, 2026

(with summarized comparative amounts as of September 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	$ 1,597,856	$ 30,399	$ 10,056	$ 201	$ 1,638,512	$ 1,552,457
Securities Lending Collateral	247,583	4,710	1,558	-	253,851	191,000
Total Cash and Short-Term Investments	1,845,439	35,109	11,614	201	1,892,363	1,743,457
Receivables						
Investment Income	27,783	529	175	-	28,487	28,899
Securities Sales	225,713	4,294	1,420	-	231,427	231,003
Contributions	78,863	-	-	-	78,863	74,554
Foreign Currency Forward Contracts	2,250	43	14	-	2,307	138
Other Receivables	9,851	187	62	-	10,100	9,782
Total Receivables	344,460	5,053	1,671	-	351,184	344,376
Investments at Fair Value						
Global Public Equity	12,364,479	235,231	77,815	26,234	12,703,759	11,510,447
Private Equity	6,220,889	118,351	39,151	-	6,378,391	4,528,168
Income Strategies	4,016,940	76,421	25,280	17,945	4,136,586	4,302,270
Real Assets	3,592,665	68,350	22,610	-	3,683,625	3,334,460
Risk Mitigation	2,231,431	42,452	14,043	-	2,287,926	1,852,155
Unique Strategies	701,970	13,355	4,418	-	719,743	237,778
Total Investments at Fair Value	29,128,374	554,160	183,317	44,179	29,910,030	25,765,278
Capital Assets, Net	28,200	-	-	-	28,200	8,704
Total Assets	**31,346,473**	**594,322**	**196,602**	**44,380**	**32,181,777**	**27,861,815**
Liabilities						
Obligations Under Securities Lending Program	247,583	4,710	1,558	-	253,851	191,000
Securities Purchased	289,777	5,513	1,824	-	297,114	418,495
Unearned Contributions	65,281	-	-	-	65,281	62,302
Foreign Currency Forward Contracts	-	-	-	-	-	1,174
Retiree Payroll Payable	117,062	5,254	723	-	123,039	115,163
Other	75,880	1,444	478	-	77,802	30,118
Total Liabilities	**795,583**	**16,921**	**4,583**	**-**	**817,087**	**818,252**
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	**$30,550,890**	**$ 577,401**	**$ 192,019**	**$ 44,380**	**$31,364,690**	**$27,043,563**

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Nine Months Ended September 30, 2026

(with summarized comparative amounts for the Nine Months Ended September 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	$ 656,182	$ 7,871	$ 30,132	$ -	$ 694,185	$ 696,912
Employee	235,138	-	-	-	235,138	232,979
Employer OPEB Contributions	-	-	-	1,136	1,136	1,020
Total Contributions	891,320	7,871	30,132	1,136	930,459	930,911
Investment Income						
Net Appreciation in Fair Value of Investments	2,766,459	65,609	21,428	2,241	2,855,737	2,480,742
Dividends, Interest, & Other Investment Income	509,509	9,693	3,206	13	522,421	278,350
Securities Lending Income						
Gross Earnings	6,584	125	41	-	6,750	6,333
Less: Borrower Rebates and Bank Charges	(6,021)	(115)	(38)	-	(6,174)	(5,834)
Net Securities Lending Income	563	10	3	-	576	499
Total Investment Income	3,276,531	75,312	24,637	2,254	3,378,734	2,759,591
Investment Fees and Expenses	(173,266)	(3,296)	(1,090)	(5)	(177,657)	(162,222)
Net Investment Income	3,103,265	72,016	23,547	2,249	3,201,077	2,597,369
Total Additions	**3,994,585**	**79,887**	**53,679**	**3,385**	**4,131,536**	**3,528,280**
Deductions						
Participant Benefits	1,064,659	27,955	6,598	-	1,099,212	1,035,111
Death Benefits	995	-	-	-	995	445
Member Withdrawals and Refunds	14,253	-	-	-	14,253	12,593
Employer OPEB Payments	-	-	-	1,779	1,779	1,508
Administrative Expenses	24,099	20	19	19	24,157	23,586
Total Deductions	**1,104,006**	**27,975**	**6,617**	**1,798**	**1,140,396**	**1,073,243**
Net Increase	2,890,579	51,912	47,062	1,587	2,991,140	2,455,037
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	**$ 30,550,890**	**$ 577,401**	**$ 192,019**	**$ 44,380**	**$ 31,364,690**	**$ 27,043,563**

Total Plan Reserves

For the Nine Months Ended September 30, 2026

(with summarized comparative amounts for the Nine Months Ended September 30, 2025)

(Dollars in Thousands)

	2026	2025
Pension Reserve	$ 14,835,381	$ 14,201,992
Employee Contribution Reserve	4,334,045	4,176,587
Employer Contribution Reserve	4,160,490	3,676,512
Annuity Reserve	3,606,420	3,309,221
Health Care Reserve	769,420	658,624
Custodial Fund Reserve	44,380	42,091
County Investment Account (POB Proceeds) Reserve	162,630	165,087
OCSD UAAL Deferred Reserve	20,136	17,594
Contra Account and Actuarial Deferred Return / (Loss)	3,431,788	795,855
Total Net Position Restricted for Pension, Other Postemployment Benefits and Employer	**$ 31,364,690**	**$ 27,043,563**

Schedule of Contributions

For the Nine Months Ended September 30, 2026

(with summarized comparative amounts for the Nine Months Ended September 30, 2025)

(Dollars in Thousands)

	2026		2025	
	Employee	**Employer**	**Employee**	**Employer**
Pension Trust Fund Contributions				
County of Orange	$ 174,364	$ 508,306	$ 173,947	$ 517,825
Orange County Fire Authority	26,093	65,460[1]	25,480	66,856[1]
Orange County Superior Court of California	12,903	37,539	12,944	36,873
Orange County Transportation Authority	10,774	29,475	10,260	28,445
Orange County Sanitation District	7,637	8,056	7,165	7,504
Orange County Employees Retirement System	1,342	4,684	1,233	4,199
UCI - Medical Center and Campus	-	1,999[2]	-	2,105[2]
City of San Juan Capistrano	546	1,904	541	1,881
Transportation Corridor Agencies	776	902	753	823
Orange County Department of Education	-	241[2]	-	258[2]
Orange County Cemetery District	189	256	161	225
Orange County Local Agency Formation Commission	29	120	27	111
Orange County In-Home Supportive Services Public Authority	160	191	150	182
Children and Families Commission of Orange County	200	249	181	220
Orange County Public Law Library	125	100	137	104
Contributions Before Prepaid Discount	235,138	659,482	232,979	667,611
Prepaid Employer Contributions Discount	-	(3,300)	-	(4,832)
Total Pension Trust Fund Contributions	**235,138**	**656,182**	**232,979**	**662,779**
Health Care Fund - County Contributions	**-**	**7,871**	**-**	**8,432**
Health Care Fund - OCFA Contributions	**-**	**30,132**	**-**	**25,701**
Custodial Fund - OCTA OPEB Contributions	**-**	**1,136**	**-**	**1,020**
Total Contributions	**$ 235,138**	**$ 695,321**	**$ 232,979**	**$ 697,932**

[1] Unfunded actuarial accrued liability payments were made in 2026 for $10.9 million and 2025 for $12.6 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 Nine Months Ended September 30, 2026

(with summarized comparative amounts for the Nine Months Ended September 30, 2025)

(Dollars in Thousands)

	2026	2025
Investment Management Fees*		
Global Public Equity	$ 13,597	$ 10,903
Income Strategies	15,730	14,768
Real Assets	30,904	27,037
Private Equity	41,269	41,308
Risk Mitigation	9,090	7,718
Unique Strategies	7,228	4,118
Short-Term Investments	7	31
Total Investment Management Fees	**117,825**	**105,883**
Other Fund Expenses[1]	**52,196**	**49,415**
Other Investment Expenses		
Consulting/Research Fees	1,871	1,818
Investment Department Expenses	4,698	4,152
Legal Services	604	491
Custodian Services	435	435
Investment Service Providers	23	24
Total Other Investment Expenses	**7,631**	**6,920**
Security Lending Activity		
Security Lending Fees	145	119
Rebate Fees	6,029	5,715
Total Security Lending Activity	**6,174**	**5,834**
Custodial Fund - OCTA Investment Fees and Expenses	**5**	**4**
Total Investment Expenses	**$ 183,831**	**$ 168,056**

* 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, 2026

(with summarized comparative amounts for the Nine Months Ended September 30, 2025)

(Dollars in Thousands)

	2026	2025
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	$ 17,075	$ 15,664
Board Members' Allowance	10	8
Total Personnel Services	17,085	15,672
Office Operating Expenses		
Depreciation/Amortization	225	1,678
Professional Services	1,658	1,571
General Office and Administrative Expenses	994	956
Rent/Leased Real Property	796	596
Total Office Operating Expenses	3,673	4,801
Total Expenses Subject to the Statutory Limit	20,758	20,473
Expenses Not Subject to the Statutory Limit		
Information Technology Professional Services	2,595	2,429
Information Security Professional Services	151	135
Finance Software Professional Services	3	9
Actuarial Fees	422	359
Equipment/Software	170	130
Total Expenses Not Subject to the Statutory Limit	3,341	3,062
Total Pension Trust Fund Administrative Expenses	**24,099**	**23,535**
Health Care Fund - County Administrative Expenses	**20**	**18**
Health Care Fund - OCFA Administrative Expenses	**19**	**16**
Custodial Fund - OCTA Administrative Expenses	**19**	**17**
Total Administrative Expenses	**$ 24,157**	**$ 23,586**