



**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

**Unaudited Financial Statements**

**For the Three Months Ended March 31, 2017**

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Table of Contents

Statement of Fiduciary Net Position (Unaudited).....	1
Statement of Changes in Fiduciary Net Position (Unaudited).....	2
Total Fund Reserves.....	3
Pension Trust Fund Contributions.....	4
Schedule of Investment Expenses .....	5
Schedule of Administrative Expenses.....	6
Administrative Expense Compared to Projected Actuarial Accrued Liability.....	7

Statement of Fiduciary Net Position (Unaudited)  
As of March 31, 2017  
(with summarized comparative amounts as of March 31, 2016)  
(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>OPEB 115 Agency Fund</u>	<u>Total Fund</u>	<u>Comparative Totals 2016</u>
<b>ASSETS</b>						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 637,301	\$ 10,783	\$ 1,755	\$ 205	\$ 650,044	\$ 639,521
Securities Lending Collateral	<u>147,152</u>	<u>2,490</u>	<u>405</u>	<u>-</u>	<u>150,047</u>	<u>145,773</u>
Total Cash and Short-Term Investments	784,453	13,273	2,160	205	800,091	785,294
Receivables						
Investment Income	17,353	294	48	-	17,695	23,257
Securities Sales	74,485	1,260	205	-	75,950	174,108
Contributions	22,951	-	-	-	22,951	24,411
Foreign Currency Forward Contracts (Net)	28	-	-	-	28	1,828
Other Receivables	<u>2,639</u>	<u>45</u>	<u>7</u>	<u>-</u>	<u>2,691</u>	<u>1,759</u>
Total Receivables	117,456	1,599	260	-	119,315	225,363
Investments at Fair Value						
Domestic Equity Securities	2,505,918	42,399	6,899	6,870	2,562,086	2,075,610
International Equity Securities	1,444,355	24,438	3,976	2,676	1,475,445	1,167,353
Global Equity Securities	437,112	7,396	1,203	-	445,711	537,595
Domestic Fixed Income	1,931,684	32,683	5,318	5,478	1,975,163	1,516,470
Real Estate	1,078,947	18,255	2,970	-	1,100,172	1,134,678
Diversified Credit	1,705,832	28,862	4,696	-	1,739,390	1,316,271
Emerging Markets Equity	870,699	14,732	2,397	-	887,828	742,395
Emerging Markets Debt	391,834	6,630	1,079	-	399,543	353,971
Real Return	880,103	14,891	2,423	-	897,417	863,715
Absolute Return	1,368,654	23,157	3,768	-	1,395,579	1,556,017
Private Equity	<u>729,485</u>	<u>12,342</u>	<u>2,008</u>	<u>-</u>	<u>743,835</u>	<u>650,767</u>
Total Investments at Fair Value	13,344,623	225,785	36,737	15,024	13,622,169	11,914,842
Capital Assets, Net	<u>22,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,269</u>	<u>24,299</u>
<b>Total Assets</b>	<b>14,268,801</b>	<b>240,657</b>	<b>39,157</b>	<b>15,229</b>	<b>14,563,844</b>	<b>12,949,798</b>
<b>LIABILITIES</b>						
Obligations Under Securities Lending Program	147,152	2,490	405	-	150,047	145,773
Securities Purchased	124,284	2,103	342	-	126,729	172,939
Unearned Contributions	583,241	-	-	-	583,241	540,921
Retiree Payroll Payable	60,399	2,514	216	-	63,129	59,694
Other	22,534	381	62	-	22,977	21,790
Due to Employers	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,229</u>	<u>15,229</u>	<u>14,102</u>
<b>Total Liabilities</b>	<b>937,610</b>	<b>7,488</b>	<b>1,025</b>	<b>15,229</b>	<b>961,352</b>	<b>955,219</b>
<b>Net Position Restricted for Pension and Other Postemployment Benefits</b>	<b><u>\$ 13,331,191</u></b>	<b><u>\$ 233,169</u></b>	<b><u>\$ 38,132</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 13,602,492</u></b>	<b><u>\$ 11,994,579</u></b>

**Statement of Changes in Fiduciary Net Position (Unaudited)**

For the Three Months Ended March 31, 2017

(with summarized comparative amounts for the Three Months Ended March 31, 2016)

(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>Total Fund</u>	<u>Comparative Totals 2016</u>
<b>ADDITIONS</b>					
Contributions					
Employer	\$ 130,991	\$ -	\$ 553	\$ 131,544	\$ 137,509
Employee	64,756	-	-	64,756	64,242
Total Contributions	<u>195,747</u>	<u>-</u>	<u>553</u>	<u>196,300</u>	<u>201,751</u>
Investment Income					
Net Appreciation/(Depreciation) in Fair Value of					
Investments	488,508	8,915	1,426	498,849	76,476
Interest	26,705	452	74	27,231	12,848
Dividends	11,438	194	31	11,663	5,788
Real Estate Income	3,685	62	10	3,757	(5,109)
Alternative Investments	1,086	18	3	1,107	5,403
Other Investment Income	128	2	-	130	(5)
Securities Lending Income					
Gross Earnings	669	11	2	682	337
Less: Borrower Rebates and Bank Charges	(270)	(5)	(1)	(276)	(106)
Net Securities Lending Income	<u>399</u>	<u>6</u>	<u>1</u>	<u>406</u>	<u>231</u>
Total Investment Income	<u>531,949</u>	<u>9,649</u>	<u>1,545</u>	<u>543,143</u>	<u>95,632</u>
Investment Fees and Expenses	<u>(17,139)</u>	<u>(290)</u>	<u>(47)</u>	<u>(17,476)</u>	<u>(12,583)</u>
Net Investment Income/(Loss)	<u>514,810</u>	<u>9,359</u>	<u>1,498</u>	<u>525,667</u>	<u>83,049</u>
<b>Total Additions</b>	<b><u>710,557</u></b>	<b><u>9,359</u></b>	<b><u>2,051</u></b>	<b><u>721,967</u></b>	<b><u>284,800</u></b>
<b>DEDUCTIONS</b>					
Participant Benefits	180,768	7,991	753	189,512	179,484
Death Benefits	226	-	-	226	20
Member Withdrawals and Refunds	3,491	-	-	3,491	2,521
Administrative Expenses	4,085	5	6	4,096	4,286
<b>Total Deductions</b>	<b><u>188,570</u></b>	<b><u>7,996</u></b>	<b><u>759</u></b>	<b><u>197,325</u></b>	<b><u>186,311</u></b>
Net Increase	<u>521,987</u>	<u>1,363</u>	<u>1,292</u>	<u>524,642</u>	<u>98,489</u>
Net Position Restricted For Pension and Other Postemployment Benefits, Beginning of Year	<u>12,809,204</u>	<u>231,806</u>	<u>36,840</u>	<u>13,077,850</u>	<u>11,896,090</u>
<b>Ending Net Position Restricted For Pension and Other Postemployment Benefits</b>	<b><u>\$ 13,331,191</u></b>	<b><u>\$ 233,169</u></b>	<b><u>\$ 38,132</u></b>	<b><u>\$ 13,602,492</u></b>	<b><u>\$ 11,994,579</u></b>

**Total Fund Reserves**  
For the Three Months Ended March 31, 2017  
(with summarized comparative amounts for the Three Months Ended March 31, 2016)  
(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
Pension Reserve	\$ 7,969,697	\$ 7,464,291
Employee Contribution Reserve	2,911,905	2,744,901
Employer Contribution Reserve	2,222,836	2,048,889
Annuity Reserve	1,276,983	1,101,579
Health Care Reserve	271,301	238,852
County Investment Account (POB Proceeds) Reserve	122,528	109,437
OCSD UAAL Deferred Reserve	34,067	-
Contra Account	<u>(1,206,825)</u>	<u>(1,713,370)</u>
<b>Net Position - Total Fund</b>	<b><u>\$ 13,602,492</u></b>	<b><u>\$ 11,994,579</u></b>

**Schedule of Contributions**  
For the Three Months Ended March 31, 2017  
(with summarized comparative amounts for the Three Months Ended March 31, 2016)  
(Dollars in Thousands)

	2017		2016	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
<b>Pension Trust Fund Contributions</b>				
County of Orange	\$ 50,761	\$ 101,811	\$ 51,055	\$ 100,726
Orange County Fire Authority	5,169	17,211 <sup>1</sup>	4,376	16,672
Superior Court	4,036	7,579	4,019	8,084
Transportation Authority	2,206	5,909	2,237	6,132
Sanitation District	1,851	1,948	1,829	2,998
UCI	-	714 <sup>2</sup>	1	3
San Juan Capistrano	199	581	182	542
OCERS	220	459	241	534
Transportation Corridor Agencies	180	445	167	405
Department of Education	-	259 <sup>2</sup>	-	-
Public Law Library	42	76	42	81
Children & Family Commission	23	69	31	93
OCIHSS	30	52	23	48
Cemetery District	30	40	30	38
LAFCO	9	30	9	31
Contributions Before Prepaid Discount	64,756	137,183	64,242	136,387
Prepaid Employer Contribution Discount	-	(6,192)	-	(6,017)
<b>Total Pension Trust Fund Contributions</b>	<b>64,756</b>	<b>130,991</b>	<b>64,242</b>	<b>130,370</b>
<b>Health Care Fund - County Contributions</b>	-	-	-	<b>6,480</b>
<b>Health Care Fund - OCFA Contributions</b>	-	<b>553</b>	-	<b>659</b>
<b>Total Contributions</b>	<b>\$ 64,756</b>	<b>\$ 131,544</b>	<b>\$ 64,242</b>	<b>\$ 137,509</b>

<sup>1</sup> Unfunded actuarial accrued liability payments were made in 2017 of \$0.8 million for the Orange County Fire Authority.

<sup>2</sup> 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, 2017  
(with summarized comparative amounts for the Three Months Ended March 31, 2016)  
(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
<b>Investment Management Fees*</b>		
Diversified Credit	\$ 4,336	\$ 742
Absolute Return	3,117	2,126
Real Estate	1,995	1,259
Real Return	1,424	1,185
International Equity Securities	1,196	837
Private Equity	1,029	305
Emerging Markets Equity	895	827
Domestic Fixed Income	861	974
Global Equity Securities	208	254
Domestic Equity Securities	205	182
<b>Total Investment Management Fees</b>	<u><b>15,266</b></u>	<u><b>8,691</b></u>
<b>Foreign Income Tax and Other Fund Expenses</b>	<u><b>1,353</b></u>	<u><b>3,014</b></u>
<b>Other Investment Expenses (Expenses Not Subject to the Statutory Limit)</b>		
Consulting/Research Fees	284	327
Investment Department Expenses	286	380
Legal Costs	179	146
Custodian Services	75	25
Investment Service Providers	33	-
<b>Total Other Investment Expenses</b>	<u><b>857</b></u>	<u><b>878</b></u>
<b>Total Investment Expenses</b>	<u><b>\$ 17,476</b></u>	<u><b>\$ 12,583</b></u>
<b>Security Lending Activity</b>		
Security Lending Fees	89	64
Rebate Fees	187	42
<b>Total Security Lending Activity</b>	<u><b>276</b></u>	<u><b>106</b></u>

\* Does not include undisclosed fees deducted at source.

**Schedule of Administrative Expenses**  
For the Three Months Ended March 31, 2017  
(with summarized comparative amounts for the Three Months Ended March 31, 2016)  
(Dollars in Thousands)

	<b>2017</b>	<b>2016</b>
<b>Pension Trust Fund Administrative Expenses</b>		
<b>Expenses Subject to the Statutory Limit</b>		
Personnel Services		
Employee Salaries and Benefits	\$ 2,422	\$ 2,445
Board Members' Allowance	3	3
Total Personnel Services	2,425	2,448
Office Operating Expenses		
Professional Services	323	612
Depreciation/Amortization	572	583
Operating Expenses	309	303
Rent/Leased Real Property	130	213
Total Office Operating Expenses	1,334	1,711
<b>Total Expenses Subject to the Statutory Limit</b>	<b>3,759</b>	<b>4,159</b>
<b>Expenses Not Subject to the Statutory Limit</b>		
Actuarial Fees	33	-
Information Technology Consulting	239	117
Equipment / Software	54	-
<b>Total Expenses Not Subject to the Statutory Limit</b>	<b>326</b>	<b>117</b>
<b>Total Pension Fund Administrative Expenses</b>	<b>4,085</b>	<b>4,276</b>
<b>Health Care Fund - County Administrative Expenses</b>	<b>5</b>	<b>5</b>
<b>Health Care Fund - OCFA Administrative Expenses</b>	<b>6</b>	<b>5</b>
<b>Total Administrative Expenses</b>	<b>\$ 4,096</b>	<b>\$ 4,286</b>



## Administrative Expense Compared to Actuarial Accrued Liability

For the Three Months Ended March 31, 2017

(Dollars in Thousands)

<b>2016 Administrative Expense Compared to Actuarial Accrued Liability</b>	
Projected Actuarial Accrued Liability (AAL) as of December 31, 2016	\$ 17,967,005
Maximum Allowed For Administrative Expense (AAL * 0.21%)	37,731
Actual Administrative Expense <sup>1</sup>	<u>3,759</u>
Excess of Allowed Over Actual Expense	<u>33,972</u>
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability	0.02%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of prior year	0.09%
<sup>1</sup> Administrative Expense Reconciliation	
Administrative expense per Statement of Changes in Fiduciary Net Position	\$ 4,085
Less administrative expense not considered per CERL section 31596.1	<u>(326)</u>
Administrative Expense allowable under CERL section 31580.2	<u>\$ 3,759</u>