

Quarterly Financial Report

For the period ending June 30, 2021



Statement of Net Position

as of June 30, 2021 and December 31, 2020

	6/30/2021	12/31/2020
Assets		
Cash and short-term investments		
Cash and short-term investments	\$ 55,305,850	\$ 56,448,623
Security lending collateral	148,900,957	82,051,725
Total cash and short-term investments	204,206,807	138,500,348
Receivables:		
Investment income	1,413,190	1,420,389
Unsettled securities sold	96,641	270,094
Total receivables	1,509,831	1,690,483
Investments, at fair value:		
U.S. government obligations	393,432,443	155,040,399
Domestic corporate and other fixed income	277,637,051	471,787,108
Domestic equity	562,010,830	510,224,162
International equity	554,376,537	529,656,674
Real estate	208,404,801	168,606,473
Alternative investments	523,242,384	518,457,913
Absolute return	48,446,555	29,461,318
Total investments	2,567,550,601	2,383,234,047
Prepaid items	33,844	33,844
Capital assets		
Property and equipment, net of accumulated depreciation	2,716,226	2,716,226
Total assets	2,776,017,309	2,526,174,948
Liabilities		
Unsettled securities purchased	145,161	390,287
Securities lending obligations	148,900,957	82,051,725
Accounts payable	944,634	2,041,863
Total liabilities	149,990,752	84,483,875
Net position restricted for benefits	\$ 2,626,026,557	\$ 2,441,691,073
Net position restricted for pension benefits	2,505,148,500	2,319,174,144
Net position restricted for DROP benefits	120,878,057	122,516,929
Net position restricted for benefits	\$ 2,626,026,557	\$ 2,441,691,073

Statement of Change in Net Position

for the six month period ended June 30, 2021 and for the year ended December 31, 2020

	For the period 6/30/2021	For the year 12/31/2020
Additions:		
Contributions:		
Employer	\$ 55,351,974	\$ 112,733,625
Plan members	32,369,886	67,845,591
Total contributions	87,721,860	180,579,216
Investments income:		
Net appreciation/(depreciation) in fair value of investments	212,125,128	200,430,935
Earnings on investments	22,932,632	(1,226,470)
Investment expenses	(4,460,833)	(13,395,682)
Net investment income from investing activities	230,596,927	185,808,783
Securities lending income	138,866	616,478
Securities lending borrower rebates	47,604	(221,560)
Securities lending agent fees	(46,591)	(98,670)
Net income from securities lending	139,879	296,248
Net investment income	230,736,806	186,105,031
Total additions	318,458,666	366,684,247
Deductions:		
Retired members benefits	126,065,999	241,094,522
DROP benefits	2,899,607	4,476,210
Refunds of contributions	2,912,651	4,986,810
Administrative expenses	2,244,925	4,607,234
Total deductions	134,123,182	255,164,776
Net change	184,335,484	111,519,471
Net position held in trust for benefits		
Beginning of period	2,441,691,073	2,330,171,602
End of period	\$ 2,626,026,557	\$ 2,441,691,073

Net Position Available for Benefits

Cost value 6/30/2021	Market value 6/30/2021	Unrealized gain/(loss)
1,922,026,615	2,626,026,557	703,999,942

Estimated Funded and Unfunded Actuarial Accrued Liability

Funded actuarial accrued liability

Pension benefits	\$ 2,378,772,435	60.3 %
Health benefits	75,471,409	44.4 %
Total funded actuarial accrued liability 1/1/2021	\$ 2,454,243,844	59.6 %

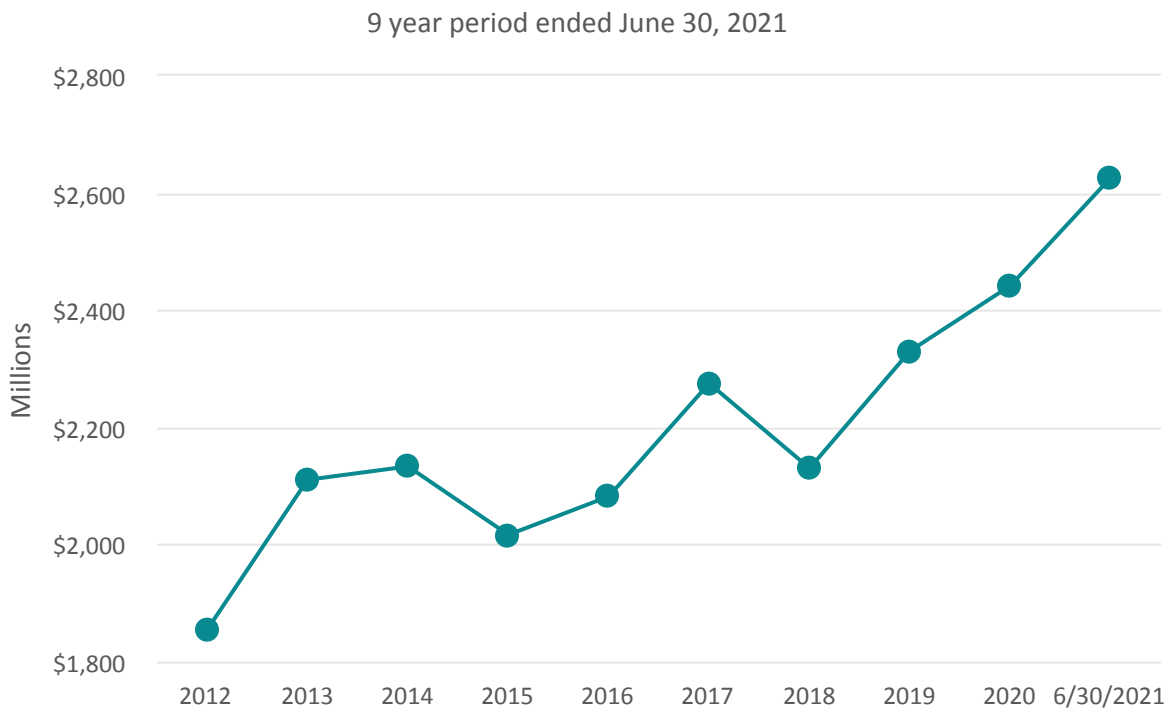
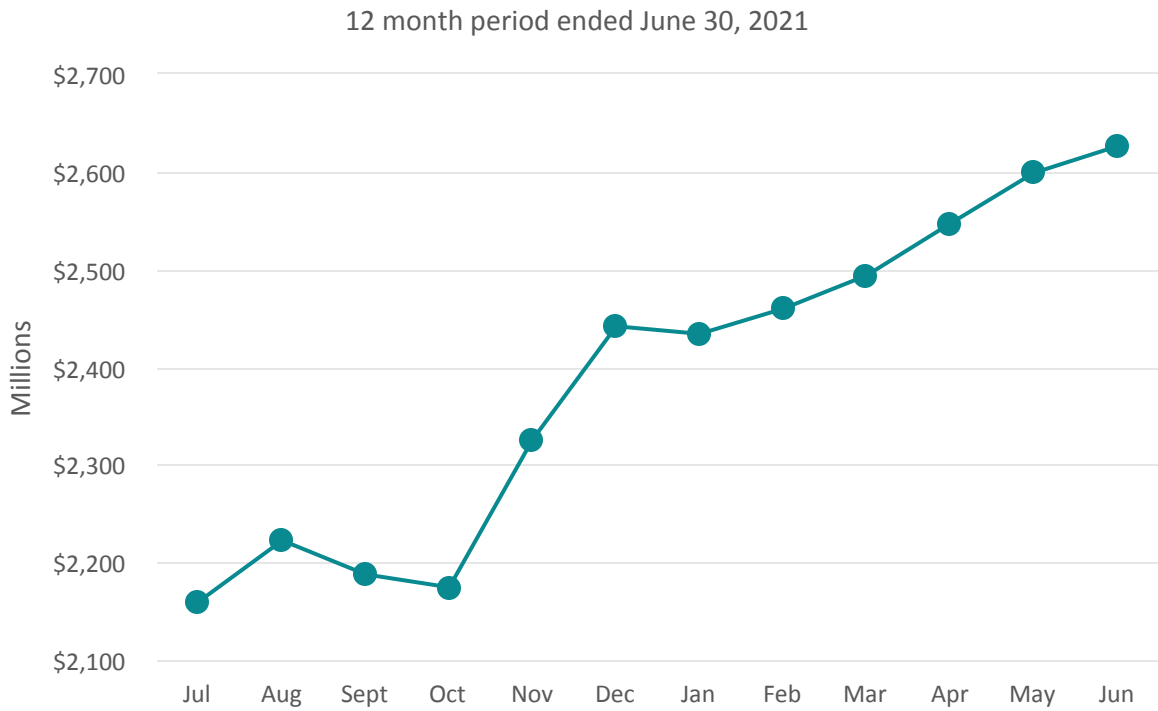
Unfunded actuarial accrued liability

Pension benefits	\$ 1,568,894,847	39.7 %
Health benefits	94,482,945	55.6 %
Total unfunded actuarial accrued liability 1/1/2021	\$ 1,663,377,792	40.4 %

Total Returns from Investment (net of fees)

For the quarter ended 6/30/2021	6.2 %
For the year to date ended 6/30/2021	11.3 %
For the 1 year period ended 6/30/2021 (annualized)	26.9 %
For the 3 year period ended 6/30/2021 (annualized)	8.7 %
For the 5 year period ended 6/30/2021 (annualized)	9.7 %
For the 10 year period ended 6/30/2021 (annualized)	7.7 %
For the 25 year period ended 6/30/2021 (annualized)	7.4 %
For the period beginning 1/1/1986 (annualized)	8.7 %

Market Value of Net Position



Analysis of Recent Investment Returns

First Quarter 2021

The following discussion presents comparative data for DERP's Investment Returns for the most-recent Quarterly, 12-Month, Three-Year, and Five-Year Periods. Analysis and highlights of portfolio performance are presented below. All figures are net of fees.

Investment markets continued to put up solid gains during the second quarter of 2021. Year to date, energy, financials, and tech have been the best performing sectors. While inflation has been heating up, opinion has split into two camps, with one side seeing the spike as a temporary effect of the reopening/recovery of the economy and the other seeing a chronic condition because of over stimulus. The "temporary" view prevailed during the quarter in the fixed income markets, as interest rates retreated and bonds recovered much of their first quarter losses.

The DERP portfolio produced a return of 6.2% for the quarter, beating the 5.3% generated by both our blended benchmark and our public plan peers. The trailing 12-month return stood at a sizeable 26.9%, outpacing the fund policy index return of 23.7% and essentially matching the 27.0% reported by our peers.

For the trailing 3-year and 5-year periods, our annualized results are 8.7% and 9.7%, respectively. These returns are wholly adequate from an actuarial perspective, greatly exceeding our assumed rate of return (currently 7.25%, formerly 7.5%, and 8% before that). Nevertheless, the 3- and 5-year performance lags our blended benchmark and our peers for these periods.

Portfolio Analysis

For the second quarter, the domestic stock portfolio was up 8.3%, helped by strong performance from our large cap positions. Overall results were slightly ahead of the broad US market as proxied by the Russell 3000 index. Both growth and value managers in the large cap space made large contributions during the quarter, while smaller stocks posted lower gains.

International equities advanced 6.2%, with the large cap space performing better than small, and developed markets outpacing emerging markets.

Fixed income had the smallest gain of any asset class during the quarter, with a return of 2.0%. As mentioned above, inflation expectations appeared to moderate somewhat in the bond markets, and a corresponding decline in interest rates resulted in a small return.

Real estate returns were 3.2%, continuing to generate steady income and modest appreciation. The overall results remain disappointing, with signs that office and retail properties will be challenged for some time to come.

Midstream energy (MLPs) continued to be the best performing segment of the portfolio, with a return of 18.1% for the quarter.

Our alternatives portfolio also had a good quarter, with a return of 9.1% driven by continued private equity gains as well as a recovery in energy commodity prices.

Halfway through 2021, results are good, almost as if the pandemic had never happened. We're gratified to have participated in the rebound in asset prices. Our views regarding valuations, rising interest rates, and the potential for sustained higher inflation remain grounds for caution, and we are positioned accordingly.

Investment Returns (Net of Fees)

for Periods Ended June 30, 2021

	Quarter	1 Year	3 Years ¹	5 Years ¹
Total Fund	6.2 %	26.9 %	8.7 %	9.7 %
Fund Policy Index	5.3 %	23.7 %	9.9 %	10.2 %
InvMetrics Median Public Fund ²	5.3 %	27.0 %	10.6 %	10.5 %
Domestic Equity	8.3 %	43.6 %	20.2 %	19.3 %
Russell 3000 Index	8.2 %	44.2 %	18.7 %	17.9 %
Large Cap Equity	9.8 %	44.1 %	20.7 %	19.5 %
Russell 1000 Index	8.5 %	43.1 %	19.2 %	18.0 %
Small Cap Equity	2.3 %	41.2 %	17.5 %	18.1 %
Russell 2000 Index	4.3 %	62.0 %	13.5 %	16.5 %
International Equity	6.2 %	39.5 %	7.3 %	10.1 %
International Equity Benchmark	5.1 %	35.7 %	9.0 %	11.3 %
Fixed Income	2.0 %	2.5 %	4.7 %	4.3 %
Fixed Income Benchmark	2.5 %	0.3 %	4.9 %	3.7 %
Real Estate	3.2 %	3.0 %	2.0 %	3.9 %
ODCE Index	3.9 %	8.0 %	5.5 %	6.6 %
MLP's	18.1 %	47.7 %	(0.3)%	0.3 %
MLP Benchmark	16.4 %	53.2 %	2.6 %	0.7 %
Alternatives ex MLPs & HF	9.1 %	46.3 %	10.7 %	12.7 %
Alternatives ex MLPs Benchmark	8.7 %	36.8 %	16.0 %	15.9 %

¹ Annualized return

² InvMetrics Public Fund > \$1 Billion database