

Quarterly Financial Report

*For the period ending
September 30, 2021*



Statement of Net Position

as of September 30, 2021 and December 31, 2020

| | 9/30/2021 | 12/31/2020 |
|---|-------------------------|-------------------------|
| Assets | | |
| Cash and short-term investments | | |
| Cash and short-term investments | \$ 59,531,388 | \$ 56,448,623 |
| Security lending collateral | 120,262,935 | 82,051,725 |
| Total cash and short-term investments | 179,794,323 | 138,500,348 |
| Receivables: | | |
| Investment income | 1,653,462 | 1,420,389 |
| Unsettled securities sold | 175,029 | 270,094 |
| Total receivables | 1,828,491 | 1,690,483 |
| Investments, at fair value: | | |
| U.S. government obligations | 410,607,093 | 155,040,399 |
| Domestic corporate and other fixed income | 282,082,186 | 471,787,108 |
| Domestic equity | 529,553,116 | 510,224,162 |
| International equity | 538,269,462 | 529,656,674 |
| Real estate | 216,417,381 | 168,606,473 |
| Alternative investments | 554,820,491 | 518,457,913 |
| Absolute return | 55,220,848 | 29,461,318 |
| Total investments | 2,586,970,577 | 2,383,234,047 |
| Prepaid items | — | 33,844 |
| Capital assets | | |
| Property and equipment, net of accumulated depreciation | 2,723,231 | 2,716,226 |
| Total assets | 2,771,316,622 | 2,526,174,948 |
| Liabilities | | |
| Unsettled securities purchased | 737,704 | 390,287 |
| Securities lending obligations | 120,262,935 | 82,051,725 |
| Accounts payable | 1,126,962 | 2,041,863 |
| Total liabilities | 122,127,601 | 84,483,875 |
| Net position restricted for benefits | \$ 2,649,189,021 | \$ 2,441,691,073 |
| Net position restricted for pension benefits | 2,528,220,768 | 2,319,174,144 |
| Net position restricted for DROP benefits | 120,968,253 | 122,516,929 |
| Net position restricted for benefits | \$ 2,649,189,021 | \$ 2,441,691,073 |

Statement of Change in Net Position

for the nine month period ended September 30,2021 and for the year ended December 31, 2020

| | For the period 9/30/2021 | For the year 12/31/2020 |
|---|-----------------------------|----------------------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 80,194,336 | \$ 112,733,625 |
| Plan members | 47,463,310 | 67,845,591 |
| Total contributions | 127,657,646 | 180,579,216 |
| Investments income: | | |
| Net appreciation/(depreciation) in fair value of investments | 256,256,456 | 200,430,935 |
| Earnings on investments | 34,757,642 | (1,226,470) |
| Investment expenses | (8,348,212) | (13,395,682) |
| Net investment income from investing activities | 282,665,886 | 185,808,783 |
| Securities lending income | 205,990 | 616,478 |
| Securities lending borrower rebates | 74,078 | (221,560) |
| Securities lending agent fees | (69,979) | (98,670) |
| Net income from securities lending | 210,089 | 296,248 |
| Net investment income | 282,875,975 | 186,105,031 |
| Total additions | 410,533,621 | 366,684,247 |
| Deductions: | | |
| Retired members benefits | 189,570,582 | 241,094,522 |
| DROP benefits | 4,965,677 | 4,476,210 |
| Refunds of contributions | 5,000,871 | 4,986,810 |
| Administrative expenses | 3,498,543 | 4,607,234 |
| Total deductions | 203,035,673 | 255,164,776 |
| Net change | 207,497,948 | 111,519,471 |
| Net position held in trust for benefits | | |
| Beginning of period | 2,441,691,073 | 2,330,171,602 |
| End of period | \$ 2,649,189,021 | \$ 2,441,691,073 |

Net Position Available for Benefits

| Cost value | Market value | Unrealized |
|----------------------|----------------------|--------------------|
| 9/30/2021 | 9/30/2021 | gain/(loss) |
| 1,983,017,032 | 2,649,189,021 | 666,171,989 |

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 % |

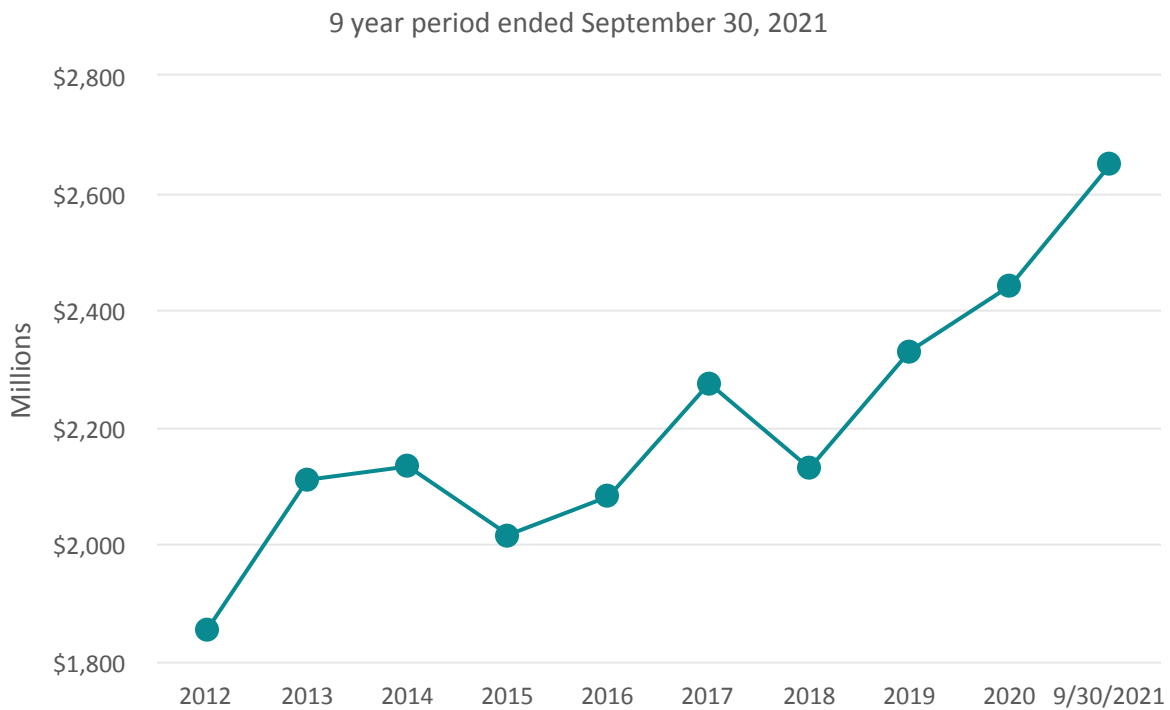
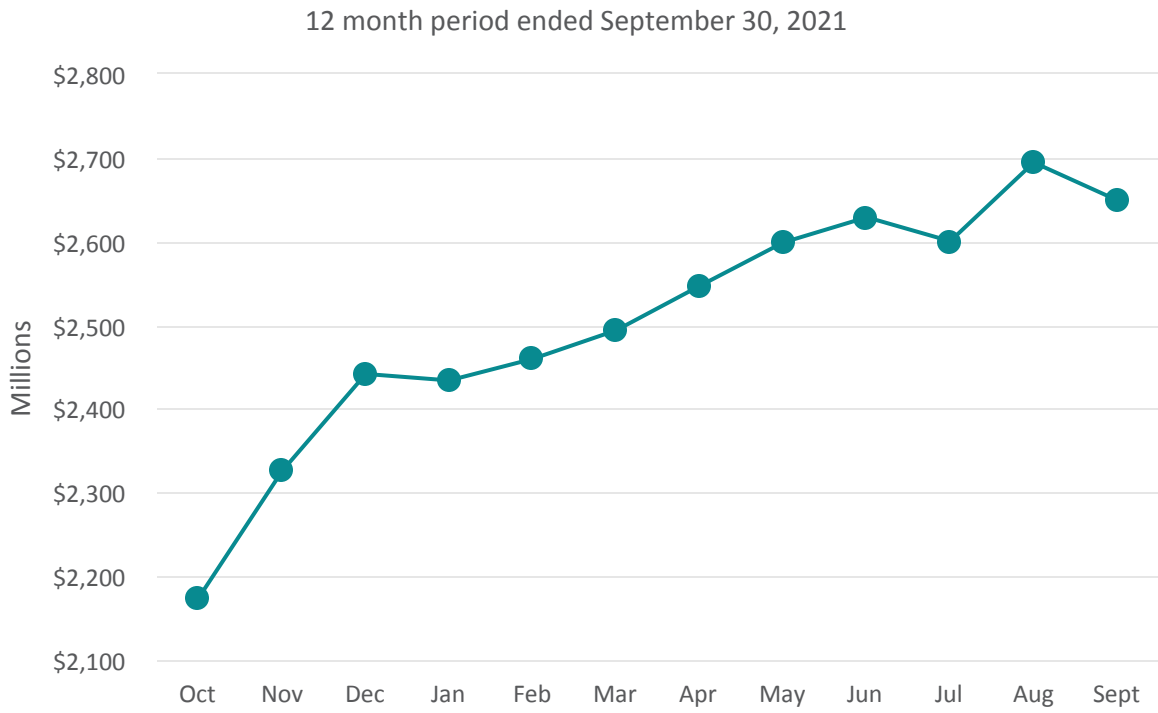
Unfunded actuarial accrued liability

| | | |
|--|-------------------------|---------------|
| 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 9/30/2021 | 2.3 % |
| For the year to date ended 9/30/2021 | 14.0 % |
| For the 1 year period ended 9/30/2021 (annualized) | 25.5 % |
| For the 3 year period ended 9/30/2021 (annualized) | 8.5 % |
| For the 5 year period ended 9/30/2021 (annualized) | 9.3 % |
| For the 10 year period ended 9/30/2021 (annualized) | 9.1 % |
| For the 25 year period ended 9/30/2021 (annualized) | 7.4 % |
| For the period beginning 1/1/1986 (annualized) | 8.7 % |

Market Value of Net Position



Analysis of Recent Investment Returns

Third 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.

The DERP portfolio posted a solid gain for the quarter, despite investment markets that were somewhat mixed. Domestic and developed market international equities were effectively flat, and emerging markets equities declined significantly, but real estate and private markets advanced strongly. Perennial anxieties arising from China (most recently regarding the heavily indebted Evergrande real estate giant) and accelerating inflation received the most blame for equity market losses, while rising oil prices provided a tailwind for energy positions.

The DERP portfolio rose 2.3% for the quarter, beating the 1.1% return of our blended benchmark and the small loss reported by comparable public plans. The trailing 12-month return was 25.5%, well ahead of both the fund policy index of 19.9% and the 21.2% produced by our peers.

The trailing 3-year return stands at 8.5%, which lags the 9.1% of our benchmark and the 10.1% return of our peers. Similarly, for the trailing 5-year period our annualized results are 9.3%, behind our benchmark return of 9.4% and the large public pension plan median of 9.8%.

Portfolio Analysis

For the second quarter, the domestic stock portfolio was up 0.3%, even though the broad market was down 0.1%. Large cap positions gained slightly while small cap losses were modest in comparison to those in small stocks generally.

International equities declined 1.2%, but losses were smaller than the 3.2% loss produced by the overall market. These relatively favorable results were mostly due to good performance from our emerging markets manager.

Fixed income was flat, producing a return of exactly 0%.

Real estate grew 5.6%, as economic recovery continued and clarity improved for certain subsectors.

Midstream energy (MLPs) paused, losing 0.8% during the quarter, but the asset class remains a strong performer over the past 12 months with a 68.1% return.

The alternatives portfolio was the top performing category for the third quarter, gaining 12.1% on the continued escalation in energy prices and strong venture capital exits.

After a tremendous run up in asset prices, risk to the downside seems higher. There is nothing obvious on the near-term horizon that would seem to portend a crisis, but we remain disciplined about rebalancing from appreciated assets into those that have lagged and are vigilant about maintaining a prudent risk profile.

Investment Returns (Net of Fees)

for Periods Ended September 30, 2021

| | Quarter | 1 Year | 3 Years ¹ | 5 Years ¹ |
|--|---------------|---------------|----------------------|----------------------|
| Total Fund | 2.3 % | 25.5 % | 8.5 % | 9.3 % |
| Fund Policy Index | 1.1 % | 19.9 % | 9.1 % | 9.4 % |
| InvMetrics Median Public Fund ² | (0.1)% | 21.2 % | 10.1 % | 9.8 % |
| Domestic Equity | 0.3 % | 32.8 % | 17.5 % | 18.3 % |
| Russell 3000 Index | (0.1)% | 31.9 % | 16.0 % | 16.9 % |
| Large Cap Equity | 0.7 % | 33.0 % | 18.2 % | 18.8 % |
| Russell 1000 Index | 0.2 % | 31.0 % | 16.4 % | 17.1 % |
| Small Cap Equity | (1.5)% | 31.1 % | 14.2 % | 16.1 % |
| Russell 2000 Index | (4.4)% | 47.7 % | 10.5 % | 13.4 % |
| International Equity | (1.2)% | 31.7 % | 6.7 % | 8.0 % |
| International Equity Benchmark | (3.2)% | 23.2 % | 7.8 % | 9.0 % |
| Fixed Income | — % | 1.3 % | 4.6 % | 4.1 % |
| Fixed Income Benchmark | 0.2 % | (0.7)% | 4.8 % | 3.3 % |
| Real Estate | 5.6 % | 8.9 % | 3.3 % | 4.8 % |
| ODCE Index | 6.6 % | 14.6 % | 7.1 % | 7.5 % |
| MLP's | (0.8)% | 68.1 % | (1.5)% | (0.3)% |
| MLP Benchmark | (1.9)% | 65.8 % | (0.2)% | 0.1 % |
| Alternatives ex MLPs & HF | 12.1 % | 54.4 % | 13.5 % | 14.3 % |
| Alternatives ex MLPs Benchmark | 7.7 % | 38.8 % | 15.9 % | 15.8 % |

¹ Annualized return

² InvMetrics Public Fund > \$1 Billion database