

Quarterly Financial Report

*For the period ending
March 31, 2022*



Statement of Net Position

as of March 31, 2022 and December 31, 2021

	3/31/2022	12/31/20201 (u)
Assets		
Cash and short-term investments		
Cash and short-term investments	\$ 85,131,188	\$ 84,569,097
Security lending collateral	148,433,432	77,080,319
Total cash and short-term investments	233,564,620	161,649,416
Receivables:		
Investment income	1,642,416	1,368,675
Unsettled securities sold	112,311	49,690
Leases receivable	22,218	22,218
Total receivables	1,776,945	1,440,583
Investments, at fair value:		
U.S. government obligations	383,553,864	416,012,652
Domestic corporate and other fixed income	273,181,797	272,310,932
Domestic equity	504,398,153	532,772,973
International equity	506,593,175	555,365,597
Real estate	254,317,904	241,720,064
Alternative investments	536,837,191	576,542,588
Absolute return	89,792,574	69,175,620
Infrastructure	25,582,288	—
Total investments	2,574,256,946	2,663,900,426
Capital assets		
Property and equipment, net of accumulated depreciation	2,329,334	2,329,334
Total assets	2,811,927,845	2,829,319,759
Liabilities		
Unsettled securities purchased	336,536	213,850
Securities lending obligations	148,433,432	77,080,319
Lease payable	30,570	30,570
Accounts payable	926,767	2,219,799
Total liabilities	149,727,305	79,544,538
Deferred inflow of resources	22,218	22,218
Net position restricted for benefits	\$ 2,662,178,322	\$ 2,749,753,003
Net position restricted for pension benefits	2,541,210,069	2,637,431,329
Net position restricted for DROP benefits	120,968,253	112,321,674
Net position restricted for benefits	\$ 2,662,178,322	\$ 2,749,753,003
(u) Unaudited		

Statement of Change in Net Position

for the three month period ended March 31, 2022 and for the year ended December 31, 2021

	For the period 3/31/2022	For the year 12/31/2021 (u)
Additions:		
Contributions:		
Employer	\$ 29,204,555	\$ 117,270,262
Plan members	15,545,715	66,425,088
Total contributions	44,750,270	183,695,350
Investments income:		
Net appreciation/(depreciation) in fair value of investments	(65,417,402)	362,175,795
Earnings on investments	17,975,740	57,841,622
Investment expenses	(1,576,305)	(14,295,147)
Net investment income from investing activities	(49,017,967)	405,722,270
Securities lending income	68,360	263,678
Securities lending borrower rebates	21,455	91,205
Securities lending agent fees	(22,444)	(88,673)
Net income from securities lending	67,371	266,210
Net investment income	(48,950,596)	405,988,480
Total additions	(4,200,326)	589,683,830
Deductions:		
Retired members benefits	64,509,515	253,811,589
DROP benefits	15,797,638	15,261,680
Refunds of contributions	2,036,629	7,743,279
Administrative expenses	1,030,573	4,805,352
Total deductions	83,374,355	281,621,900
Net change	(87,574,681)	308,061,930
Net position held in trust for benefits		
Beginning of period	2,749,753,003	2,441,691,073
End of period	\$ 2,662,178,322	\$ 2,749,753,003

Net Position Available for Benefits

Cost value 3/31/2022	Market value 3/31/2022	Unrealized gain/(loss)
2,028,810,054	2,662,178,322	633,368,268

(u) Unaudited

Estimated Funded and Unfunded Actuarial Accrued Liability

Funded actuarial accrued liability

Pension benefits	\$ 2,480,031,000	61.8 %
Health benefits	78,898,000	47.7 %
Total funded actuarial accrued liability 1/1/2022	\$ 2,558,929,000	61.2 %

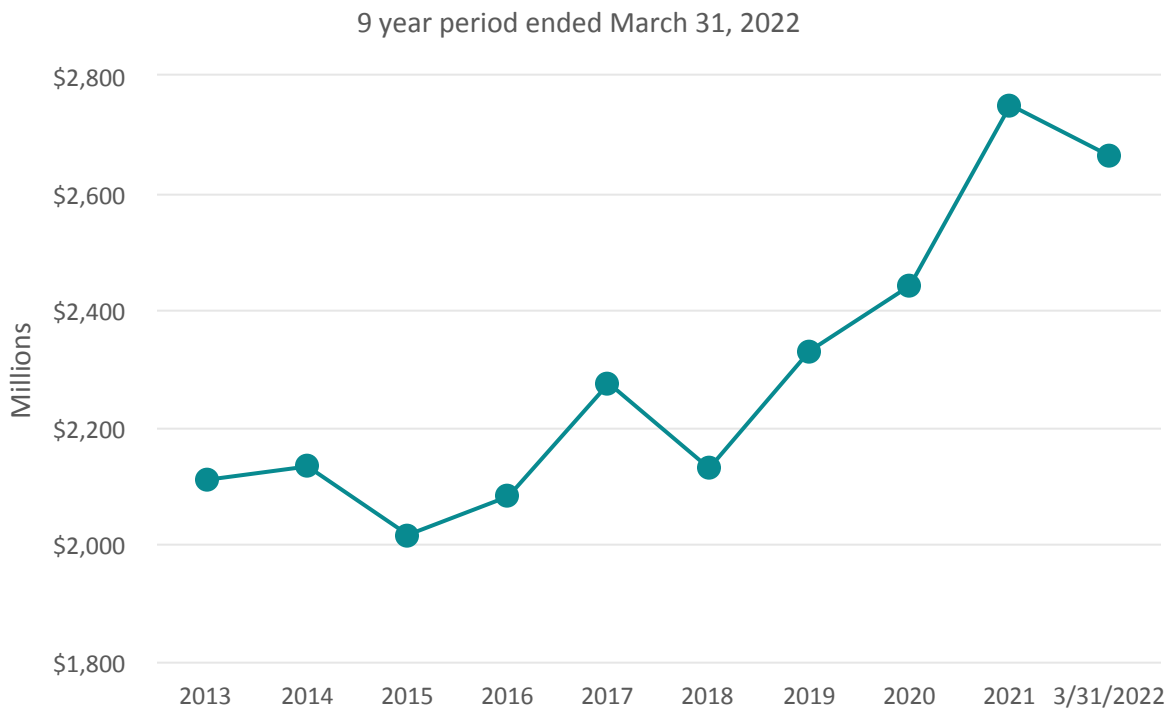
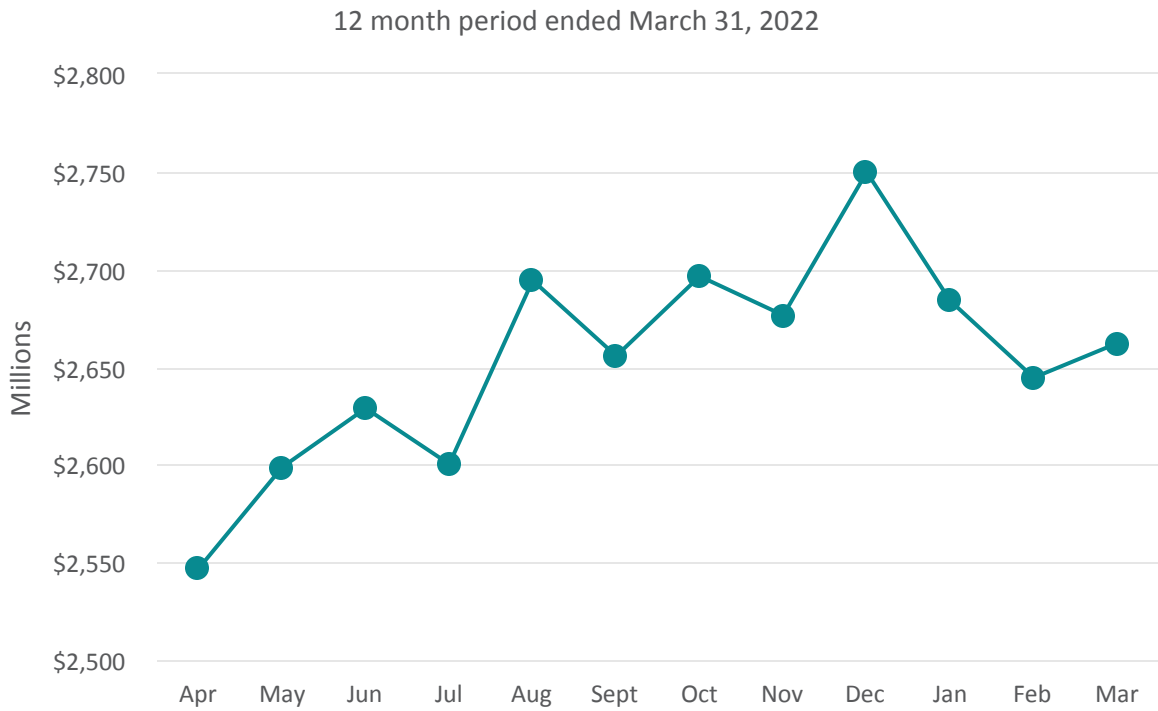
Unfunded actuarial accrued liability

Pension benefits	\$ 1,532,671,000	38.2 %
Health benefits	86,495,000	52.3 %
Total unfunded actuarial accrued liability 1/1/2022	\$ 1,619,166,000	38.8 %

Total Returns from Investment (net of fees)

For the quarter ended 3/31/2022	(2.0)%
For the year to date ended 3/31/2022	(2.0)%
For the 1 year period ended 3/31/2022 (annualized)	11.1 %
For the 3 year period ended 3/31/2022 (annualized)	9.4 %
For the 5 year period ended 3/31/2022 (annualized)	8.3 %
For the 10 year period ended 3/31/2022 (annualized)	8.0 %
For the 25 year period ended 3/31/2022 (annualized)	7.3 %
For the period beginning 1/1/1986 (annualized)	8.6 %

Market Value of Net Position



Analysis of Recent Investment Returns

First Quarter 2022

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 lost 2.0% in the first quarter, as the Russia/Ukraine war, China lockdown, inflation, and central bank tightening all combined to create a difficult environment for many financial assets. Most global equity markets were down 5 to 7%, while fixed income, normally a defensive class in times of equity turmoil, lost similar amounts. However, real estate, energy, and other commodities performed well in the inflationary environment. We had negligible direct exposure to Russia, and the complete write-off of these assets had minimal impact on our overall results.

Although we experienced a decline, our results were better than both our fund policy index (down 2.7%) and the experience of our peers (down 3.5%). Our trailing 12-Month return is 11.1%, and this too is well ahead of our blended benchmark of 8.2% and the return of the median large pension plan of 7.2%.

The trailing Three-Year return of 9.4% trails the blended benchmark return of 9.9% and the peer group results of 10.7%. Similarly, our Five-Year result of 8.3% is behind both the passive benchmark return of 8.7% and the public plan median of 9.1%. However, our results are comfortably ahead of our assumed rate of return.

Portfolio Analysis

The domestic equity portfolio lost 8.1% during the quarter, worse than the overall market decline of 5.3%, as holdings in the hard-hit tech and consumer discretionary sectors fared poorly.

Our international equity declined by a smaller amount, losing 5.7% while the benchmark lost 6.3%, as our tilt to cheaper, smaller stocks held up better than the overall market. Additionally, our emerging markets fared remarkably well (down 2.4%) considering this was where we had the bulk of our Russian and Chinese exposure, with losses of -100% and -12.8%, respectively.

Fixed income was disappointing, declining 4% as interest rates rose. Over longer horizons, we expect this defensive allocation to maintain value in times of turmoil.

Real estate was supportive, as strength in occupancy and rental rates combined to produce a return of 8.1%, beating our policy real estate benchmark of 7.4%. Rising interest rates will probably provide headwinds, but have not yet had much impact.

MLPs had another standout quarter, advancing 22.0% as markets reevaluated the economics of oil and gas production in light of continued strong demand growth and Russia supply disruptions.

The alternatives portfolio also had a positive quarter, with a 2.1% return. Energy positions did well, but private equity and infrastructure were relatively flat, muting gains.

As we recognized last quarter, several macroeconomic and geopolitical events will make investing risky and volatile until they subside. We have held up well so far, though we are clearly in early days. On the other hand we know this environment is not permanent. Our goal is not to lose less than others, of course, but to make our assumed rate of return over long periods. In this regard, then, we have a history that gives us confidence our allocation will serve to protect us now and participate in future opportunities as they present themselves.

Investment Returns (Net of Fees)

for Periods Ended March 31, 2022

	Quarter	1 Year	3 Years ¹	5 Years ¹
Total Fund	(2.0)%	11.1 %	9.4 %	8.3 %
Fund Policy Index	(2.7)%	8.2 %	9.9 %	8.7 %
InvMetrics Median Public Fund ²	(3.5)%	7.2 %	10.7 %	9.1 %
Domestic Equity	(8.1)%	7.3 %	17.6 %	16.0 %
Russell 3000 Index	(5.3)%	11.9 %	18.2 %	15.4 %
Large Cap Equity	(7.4)%	10.8 %	18.7 %	16.7 %
Russell 1000 Index	(5.1)%	13.3 %	18.7 %	15.8 %
Small Cap Equity	(11.1)%	(7.0)%	12.9 %	12.4 %
Russell 2000 Index	(7.5)%	(5.8)%	11.7 %	9.7 %
International Equity	(5.7)%	1.1 %	7.0 %	5.3 %
International Equity Benchmark	(6.3)%	(3.5)%	6.9 %	6.5 %
Fixed Income	(4.0)%	(1.4)%	2.0 %	3.0 %
Fixed Income Benchmark	(4.7)%	(1.5)%	2.0 %	2.5 %
Real Estate	8.1 %	26.2 %	7.7 %	7.0 %
ODCE Index	7.4 %	28.7 %	11.5 %	10.0 %
MLP's	22.0 %	44.7 %	6.1 %	2.4 %
MLP Benchmark	24.0 %	41.9 %	8.5 %	3.3 %
Alternatives ex MLPs & HF	2.1 %	36.1 %	16.9 %	14.8 %
Alternatives ex MLPs Benchmark	1.4 %	29.0 %	21.4 %	17.4 %

¹ Annualized return

² InvMetrics Public Fund > \$1 Billion database