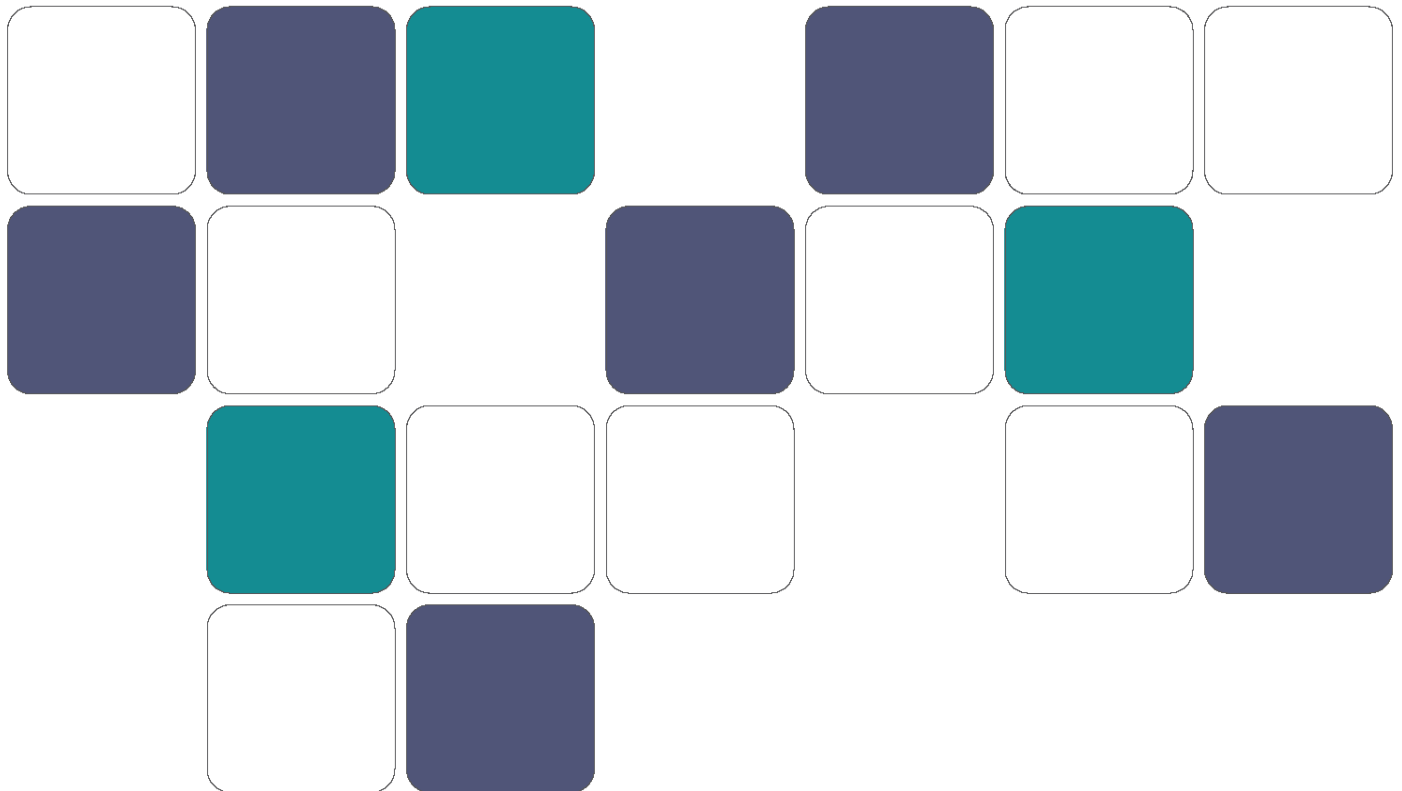


# Quarterly Financial Report

*For the period ending  
September 30, 2022*



## Statement of Net Position

as of September 30, 2022 and December 31, 2021

	9/30/2022	12/31/2021
<b>Assets</b>		
Cash and short-term investments		
Cash and short-term investments	\$ 72,924,829	\$ 84,569,097
Security lending collateral	132,813,643	77,080,319
<b>Total cash and short-term investments</b>	<b>205,738,472</b>	<b>161,649,416</b>
<b>Receivables:</b>		
Investment income	1,845,242	1,368,675
Unsettled securities sold	69,045	49,690
Leases receivable	22,218	22,218
<b>Total receivables</b>	<b>1,936,505</b>	<b>1,440,583</b>
<b>Investments, at fair value:</b>		
U.S. government obligations	295,799,851	416,012,652
Domestic corporate and other fixed income	290,178,814	272,310,932
Domestic equity	404,791,296	532,772,973
International equity	396,419,058	555,365,597
Real estate	252,774,936	241,720,064
Alternative investments	445,633,722	576,542,588
Absolute return	113,703,246	69,175,620
Infrastructure	69,454,721	—
<b>Total investments</b>	<b>2,268,755,644</b>	<b>2,663,900,426</b>
Capital assets		
Property and equipment, net of accumulated depreciation	2,329,334	2,329,334
<b>Total assets</b>	<b>2,478,759,955</b>	<b>2,829,319,759</b>
<b>Liabilities</b>		
Unsettled securities purchased	205,204	213,850
Securities lending obligations	132,813,643	77,080,319
Lease payable	30,570	30,570
Accounts payable	1,279,394	2,219,799
<b>Total liabilities</b>	<b>134,328,811</b>	<b>79,544,538</b>
<b>Deferred inflow of resources</b>	<b>22,218</b>	<b>22,218</b>
<b>Net position restricted for benefits</b>	<b>\$ 2,344,408,926</b>	<b>\$ 2,749,753,003</b>
Net position restricted for pension benefits	2,223,440,673	2,637,431,329
Net position restricted for DROP benefits	120,968,253	112,321,674
<b>Net position restricted for benefits</b>	<b>\$ 2,344,408,926</b>	<b>\$ 2,749,753,003</b>

## Statement of Change in Net Position

for the nine month period ended September 30,2022 and for the year ended December 31, 2021

	For the period 9/30/2022	For the year 12/31/2021
<b>Additions:</b>		
Contributions:		
Employer	\$ 97,960,625	\$ 117,270,262
Plan members	52,402,051	66,425,088
<b>Total contributions</b>	<b>150,362,676</b>	<b>183,695,350</b>
<b>Investments income:</b>		
Net appreciation/(depreciation) in fair value of investments	(361,199,560)	362,175,795
Earnings on investments	51,677,424	57,841,622
Investment expenses	(9,231,850)	(14,295,147)
<b>Net investment income from investing activities</b>	<b>(318,753,986)</b>	<b>405,722,270</b>
Securities lending income	614,934	263,678
Securities lending borrower rebates	(343,839)	91,205
Securities lending agent fees	(67,744)	(88,673)
<b>Net income from securities lending</b>	<b>203,351</b>	<b>266,210</b>
<b>Net investment income</b>	<b>(318,550,635)</b>	<b>405,988,480</b>
<b>Total additions</b>	<b>(168,187,959)</b>	<b>589,683,830</b>
<b>Deductions:</b>		
Retired members benefits	195,498,834	253,811,589
DROP benefits	31,241,760	15,261,680
Refunds of contributions	6,847,163	7,743,279
Administrative expenses	3,568,361	4,805,352
<b>Total deductions</b>	<b>237,156,118</b>	<b>281,621,900</b>
Net change	(405,344,077)	308,061,930
Net position held in trust for benefits		
Beginning of period	2,749,753,003	2,441,691,073
<b>End of period</b>	<b>\$ 2,344,408,926</b>	<b>\$ 2,749,753,003</b>

### Net Position Available for Benefits

Cost value 9/30/2022	Market value 9/30/2022	Unrealized gain/(loss)
<b>2,024,425,387</b>	<b>2,344,408,926</b>	<b>319,983,539</b>

## 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 %
<b>Total funded actuarial accrued liability 1/1/2022</b>	<b>\$ 2,558,929,000</b>	<b>61.2 %</b>

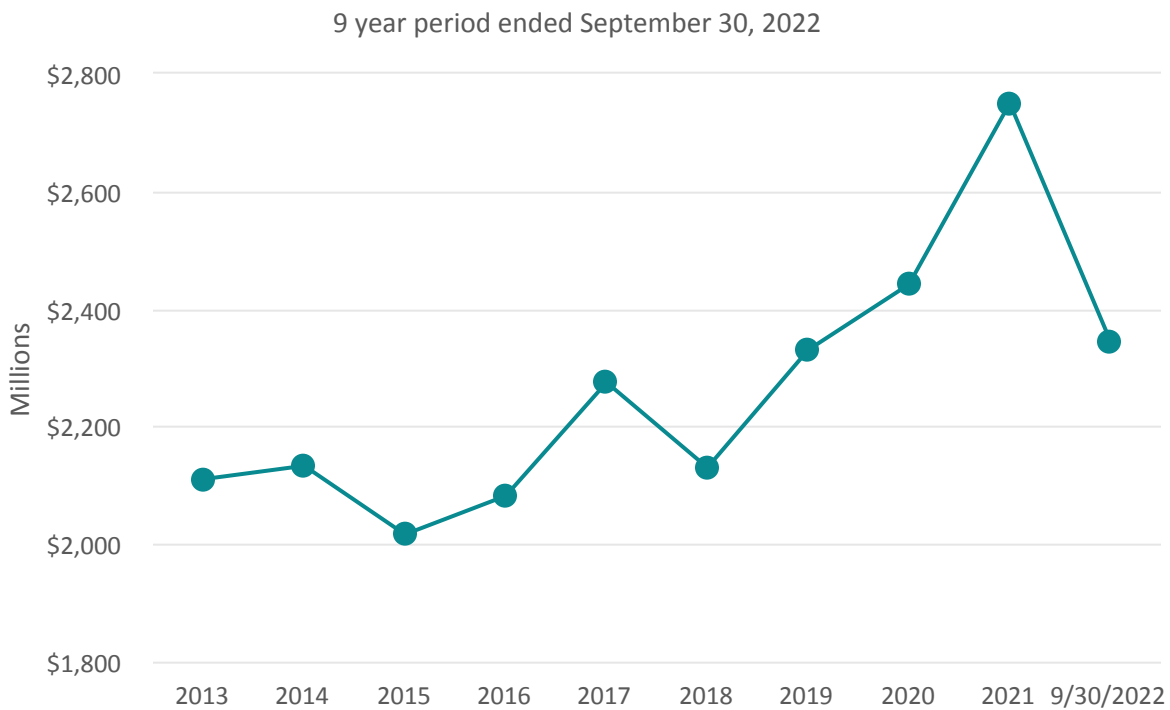
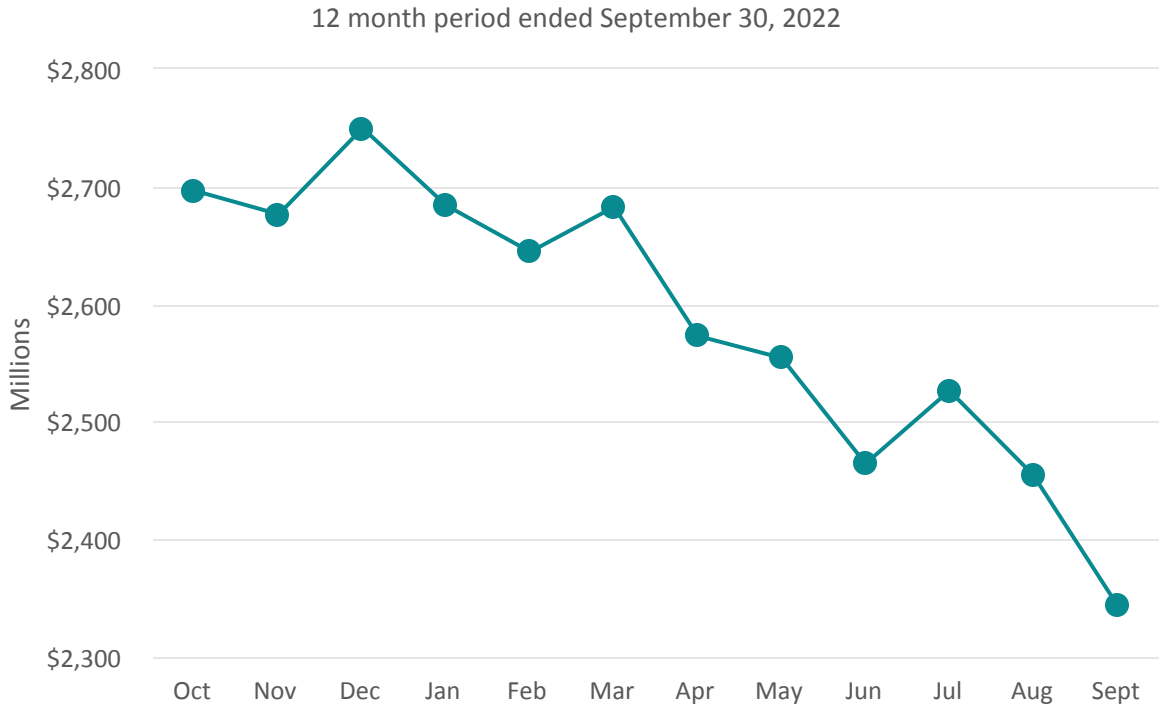
### Unfunded actuarial accrued liability

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

## Total Returns from Investment (net of fees)

For the quarter ended 9/30/2022	(3.3)%
For the year to date ended 9/30/2022	(10.8)%
For the 1 year period ended 9/30/2022 (annualized)	(7.0)%
For the 3 year period ended 9/30/2022 (annualized)	5.3 %
For the 5 year period ended 9/30/2022 (annualized)	5.2 %
For the 10 year period ended 9/30/2022 (annualized)	6.8 %
For the 25 year period ended 9/30/2022 (annualized)	6.2 %
For the period beginning 1/1/1986 (annualized)	8.2 %

## Market Value of Net Position



## Analysis of Recent Investment Returns

Third Quarter 2022

The following discussion presents comparative data for DERP's Investment Returns for the most-recent Quarterly, 12-Month, 5-Year, and 10-Year Periods. Analysis and highlights of portfolio performance are presented below. All figures are net of fees.

This is the first time we have included a trailing 10-Year performance number. We introduce the longer period as more representative of a full market cycle and a more stable indicator of results than shorter periods. Also with this report, the 3-Year data has been dropped, as it adds little incremental information not already provided by 1-Year and 5-Year figures. Last, we have broken out the alternatives category into its component asset classes with the intention of providing better transparency and a fuller view into allocations.

The DERP portfolio lost ground for the third consecutive quarter this year, declining 3.3% in the third quarter. There has been little positive movement in the factors weighing on global trade and financial assets. The Russia/Ukraine war, China COVID-19 lockdowns, inflation, and central bank tightening all remain unresolved. Our third quarter losses were smaller than the passive blended benchmark decline of 3.8%, and better than the 4.0% loss experienced by our peers. For the trailing 1-Year period, our loss now stands at 7.0%. While active management resulted in a significantly smaller loss than the fund policy index loss of 9.1% and we beat the median large public pension plan loss of 10.7% by an even wider margin, the losses of 2022 have been unpleasant.

Recent results are a drag on longer periods. The trailing 5-Year stands at 5.2%, ten basis points above both the policy index and median peer results of 5.1%. The 10-Year return of 6.8% is slightly better than our benchmark return of 6.7% and slightly worse than our peers' return of 7.0%.

### Portfolio Analysis

The domestic equity portfolio fell 4.3% in the third quarter. Only energy and consumer discretionary stocks advanced in the period while all other sectors were negative.

International equities were the worst performing asset class for the quarter, as our investments in this space lost 9.6% in aggregate. Developed markets and emerging markets were down by similar magnitudes (-9.0% and -10.5% respectively). European economies have in general been impacted heavily by Russia's invasion of Ukraine, resulting in stress on those economies, while emerging markets have been greatly impacted by China's COVID lockdown strategy.

Fixed income again suffered losses as the Federal Reserve continued its interest rate hikes.

Real estate was nearly flat for the quarter, increasing 0.4%. There is some concern rising interest rates and a potentially slowing US economy will result in future write downs in property values, but current appraisals remain stable and the asset class has seen good performance this year.

Natural resources, consisting of timber and oil and gas investments, was up 2.0% for the quarter. Unsurprisingly, energy has been a top performer in the current environment.

Private equity gave up some earlier gains, dropping 4.4% in the quarter as valuations reflected lower prices in comparable public companies.

Infrastructure, our newest asset class, had no meaningful performance.

Last, our defensive hedge fund portfolio returned 2.8% as strategies designed to generate returns independent of market forces provided some stability.

The portfolio is performing as expected in difficult market conditions. We have ample liquidity, and allocations to resilient strategies. Further losses- even large ones- will be manageable. Although there appears to be no near-term resolution of any of the major disruptive issues, we are prepared and able to endure.

## Investment Returns (Net of Fees)

for Periods Ended September 30, 2022

	Quarter	1 Year	3 Years <sup>1</sup>	5 Years <sup>1</sup>
<b>Total Fund</b>	(3.3)%	(7.0)%	5.2 %	6.8 %
Fund Policy Index	(3.8)%	(9.1)%	5.1 %	6.7 %
InvMetrics Median Public Fund <sup>2</sup>	(4.0)%	(10.7)%	5.1 %	7.0 %
<b>Domestic Equity</b>	(4.3)%	(22.1)%	8.9 %	11.1 %
Russell 3000 Index	(4.5)%	(17.6)%	8.6 %	11.4 %
<b>International Equity</b>	(9.6)%	(24.8)%	(2.0)%	3.1 %
64% MSCI EAFE Index / 36% MSCI EM Index	(10.1)%	(26.1)%	(1.2)%	3.2 %
<b>Fixed Income</b>	(2.0)%	(8.7)%	1.3 %	1.9 %
67% Core FI Policy Index / 33% Non-Core FI Policy Index <sup>3</sup>	(1.9)%	(9.0)%	0.8 %	1.6 %
<b>Real Estate</b>	0.4 %	20.8 %	7.4 %	9.2 %
NCREIF-ODCE + 0.2%	0.6 %	22.3 %	10.4 %	11.0 %
<b>Natural Resources</b>	2.0 %	36.4 %	3.8 %	2.4 %
CPI + 3% since October 2019, composite index prior	1.2 %	11.4 %	6.9 %	5.6 %
<b>Private Equity</b>	(4.4)%	4.4 %	20.5 %	16.6 %
Burgiss Global Private Equity Index (since October 2019)	(4.3)%	5.3 %	20.9 %	16.8 %
<b>Infrastructure</b>	0.0 %	N/A	N/A	N/A
CPI +3%	0.9 %	N/A	N/A	N/A
<b>Absolute Return Hedge Funds</b>	2.8 %	4.3 %	5.8 %	5.0 %
HFRI FOF Conservative Index	0.3 %	(0.6)%	3.8 %	3.7 %

<sup>1</sup> Annualized return

<sup>2</sup> InvMetrics Public Fund > \$1 Billion database

<sup>3</sup> Core Fixed Income Policy Index = 47% Bloomberg US Gov TR/ 53% Bloomberg US Govt/Credit 1-3Yr TR

Non-Core Fixed Income Policy Index = 77% CS Leveraged Loans / 23% JP Morgan GBI EM Global Diversified TR USD