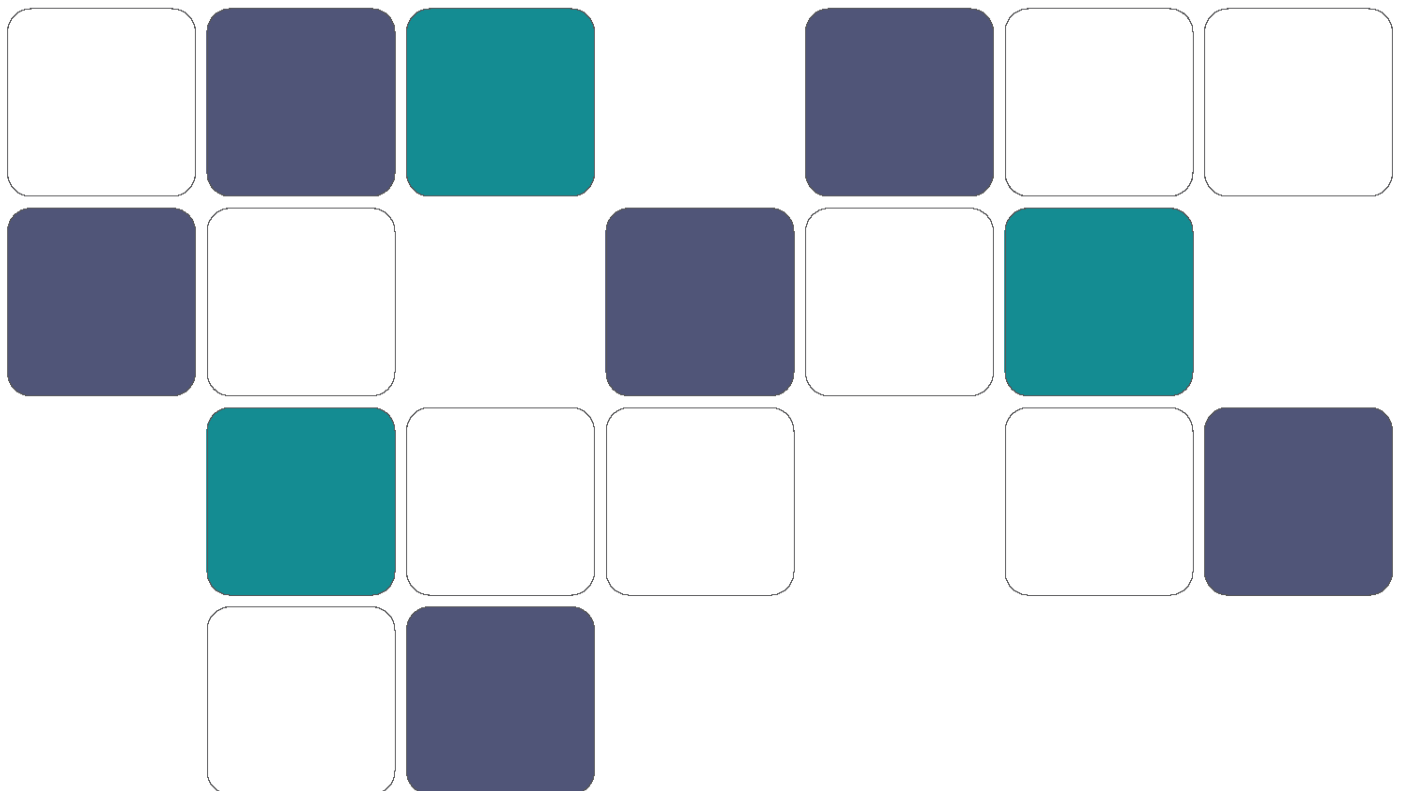


# Quarterly Financial Report

*For the period ending  
December 31, 2022*



## Statement of Net Position

as of December 31, 2022 and December 31, 2021

	12/31/2022 (u)	12/31/2021
<b>Assets</b>		
Cash and short-term investments		
Cash and short-term investments	\$ 56,579,912	\$ 84,569,097
Security lending collateral	121,574,823	77,080,319
<b>Total cash and short-term investments</b>	<b>178,154,735</b>	<b>161,649,416</b>
<b>Receivables:</b>		
Investment income	9,826,984	1,368,675
Unsettled securities sold	322,369	49,690
Leases receivable	22,218	22,218
<b>Total receivables</b>	<b>10,171,571</b>	<b>1,440,583</b>
<b>Investments, at fair value:</b>		
U.S. government obligations	285,154,532	416,012,652
Domestic corporate and other fixed income	293,065,997	272,310,932
Domestic equity	427,424,871	532,772,973
International equity	461,045,869	555,365,597
Real estate	235,558,782	241,720,064
Alternative investments	435,676,018	576,542,588
Absolute return	120,580,067	69,175,620
Infrastructure	70,980,434	—
<b>Total investments</b>	<b>2,329,486,570</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>2,520,142,210</b>	<b>2,829,319,759</b>
<b>Liabilities</b>		
Unsettled securities purchased	11,890	213,850
Securities lending obligations	121,574,823	77,080,319
Lease payable	30,570	30,570
Accounts payable	1,757,674	2,219,799
<b>Total liabilities</b>	<b>123,374,957</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>\$ 2,396,745,035</b>	<b>\$ 2,749,753,003</b>
Net position restricted for pension benefits	2,323,053,957	2,637,431,329
Net position restricted for DROP benefits	73,691,078	112,321,674
<b>Net position restricted for benefits</b>	<b>\$ 2,396,745,035</b>	<b>\$ 2,749,753,003</b>

(u) Unaudited

## Statement of Change in Net Position

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

	For the period 12/31/2022 (u)	For the year 12/31/2021
<b>Additions:</b>		
Contributions:		
Employer	\$ 136,145,712	\$ 117,270,262
Plan members	72,428,924	66,425,088
<b>Total contributions</b>	<b>208,574,636</b>	<b>183,695,350</b>
<b>Investments income:</b>		
Net appreciation/(depreciation) in fair value of investments	(289,351,143)	362,175,795
Earnings on investments	55,754,044	57,841,622
Investment expenses	(13,351,886)	(14,295,147)
<b>Net investment income from investing activities</b>	<b>(246,948,985)</b>	<b>405,722,270</b>
Securities lending income	1,385,042	263,678
Securities lending borrower rebates	(1,036,362)	91,205
Securities lending agent fees	(87,132)	(88,673)
<b>Net income from securities lending</b>	<b>261,548</b>	<b>266,210</b>
<b>Net investment income</b>	<b>(246,687,437)</b>	<b>405,988,480</b>
<b>Total additions</b>	<b>(38,112,801)</b>	<b>589,683,830</b>
<b>Deductions:</b>		
Retired members benefits	261,801,340	253,811,589
DROP benefits	39,502,980	15,261,680
Refunds of contributions	9,153,814	7,743,279
Administrative expenses	4,437,033	4,805,352
<b>Total deductions</b>	<b>314,895,167</b>	<b>281,621,900</b>
Net change	(353,007,968)	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>\$ 2,396,745,035</b>	<b>\$ 2,749,753,003</b>

Net Position Available for Benefits		
Cost value 12/31/2022	Market value 12/31/2022	Unrealized gain/(loss)
<b>2,014,595,697</b>	<b>2,396,745,035</b>	<b>382,149,339</b>

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

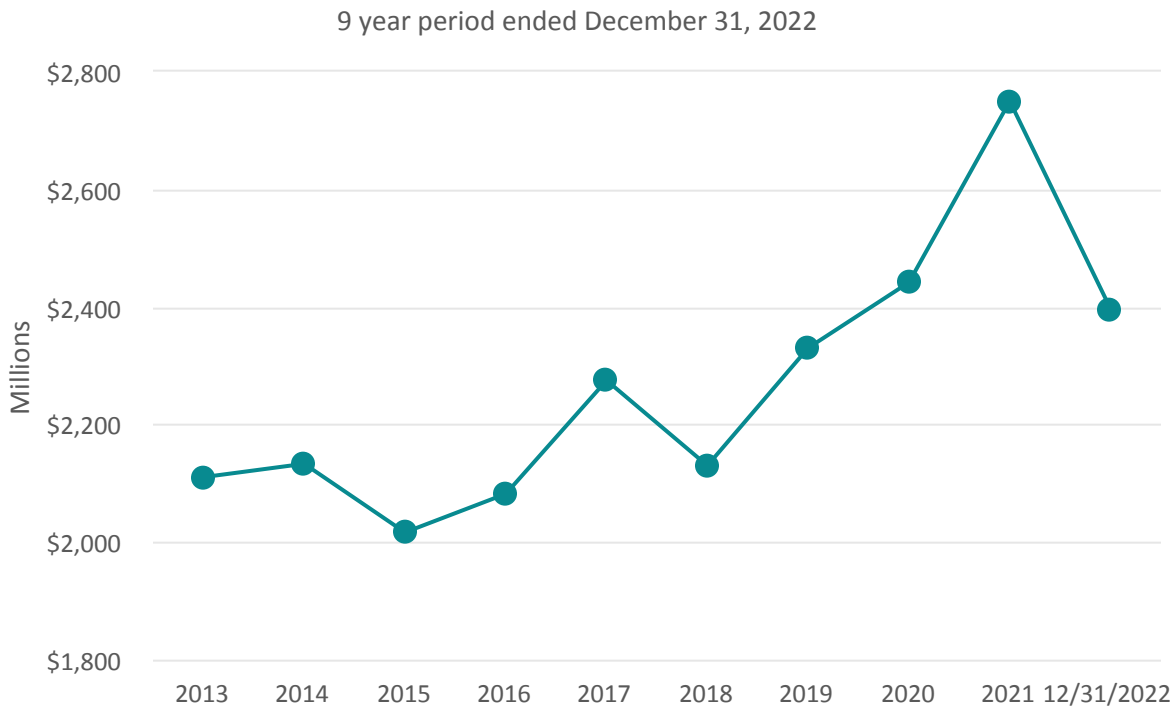
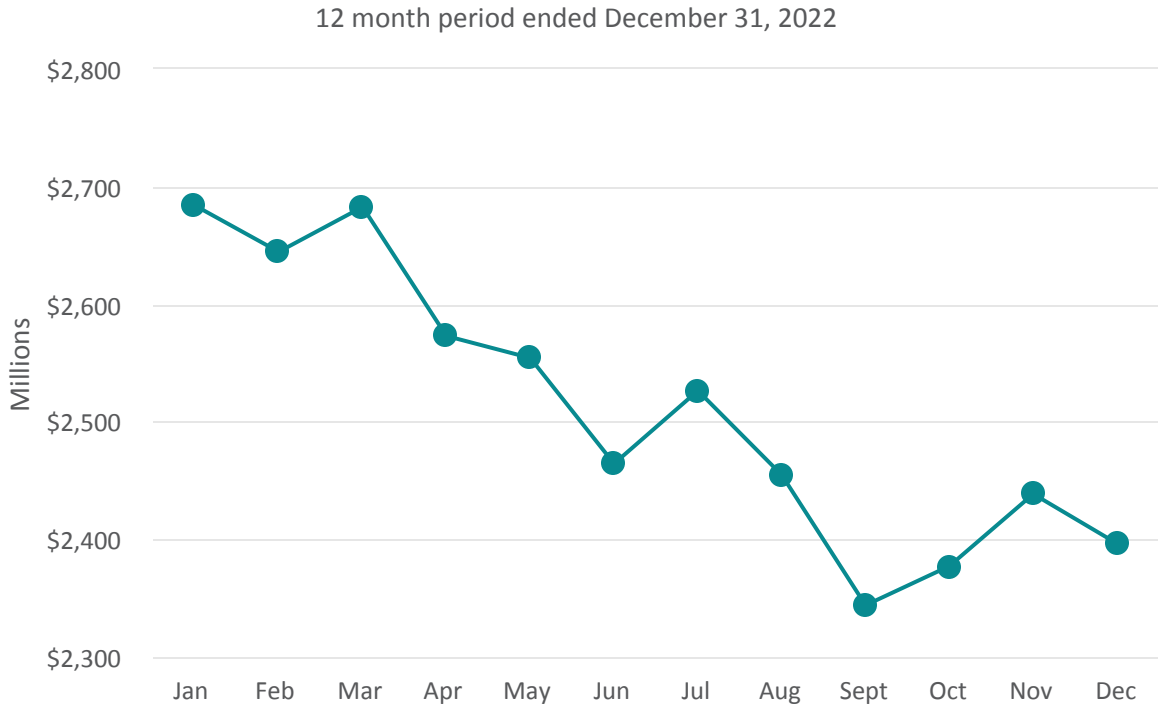
### Unfunded actuarial accrued liability

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 12/31/2022	2.6 %
For the year to date ended 12/31/2022	(8.5)%
For the 1 year period ended 12/31/2022 (annualized)	(8.5)%
For the 3 year period ended 12/31/2022 (annualized)	4.8 %
For the 5 year period ended 12/31/2022 (annualized)	4.9 %
For the 10 year period ended 12/31/2022 (annualized)	6.8 %
For the 25 year period ended 12/31/2022 (annualized)	6.3 %
For the period beginning 1/1/1986 (annualized)	8.2 %

## Market Value of Net Position



# Analysis of Recent Investment Returns

Fourth 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.

The DERP portfolio turned positive in the fourth quarter after experiencing losses in each of the first three quarters of the year. Capital markets improved as inflation moderated somewhat, which led to increased optimism regarding future interest rate increases. China moved to reopen, with favorable effects not only on Chinese stocks but on all the companies, sectors, and countries expected to benefit. The US employment picture remained good, despite a slew of headline layoff announcements. However, the full year 2022 ended with most asset classes experiencing large losses and DERP therefore ended with a negative return for the year. 2022 was the first year since 1969 that both stocks and bonds declined together. Real estate and energy were the only major asset classes to post gains for the year.

Our fourth quarter results produced a gain of 2.6% which lagged the return of our passive blended benchmark and our pension plan peers, both of which returned 5.0%. The DERP portfolio has fewer public equities than most and therefore tends to lag when equity markets rally and outperform when they experience steep losses.

For the year, DERP had a loss of 8.5%, in line with the benchmark loss of 8.2%. While painful, this was better than the median loss of 11.1% experienced by our peers. The trailing 5-Year annual compounded return is 4.9%, below the 5.5% benchmark return and the 5.4% produced by the median large public pension plan. The loss in 2022 has reduced the 10-year compounded annual return to 6.8%, which is below our assume rate of return of 7.25%.

## Portfolio Analysis

The US stock portfolio rose 6.3% in the quarter, reversing some of the prior quarters' losses. An underweight to energy stocks contributed to returns lagging the overall market. Equities looked fairly valued at year end, but not cheap, although corporate earnings and consumer spending remained solid.

International equities were the best performing asset class for the quarter, rising 15.3% with the strongest results coming from our small cap positions. Emerging markets and larger cap positions also performed well.

Fixed income advanced 1.3% during the quarter, helped mostly by our positions in emerging markets debt.

Real estate fell 5.3% as higher cap rates reduced appraised values. Income generation and occupancy remained robust, and valuations were almost exclusively driven by higher rates. As mentioned earlier, real estate was one of only two sectors with positive performance this year.

The natural resources portfolio also fell in the last quarter of the year, as energy prices retreated from mid-year highs. For the year, however, our timber and energy positions were the strongest-performing allocation, up 20.9%. Unsurprisingly, upstream energy investments were the primary driver of these strong returns.

Private equity fell 3.7% in correlation with public companies, although at a more moderate pace.

Infrastructure was flat for the quarter and slightly negative for the year, mostly due to currency effects. Most investments in this space are independent of overall economic conditions and should perform better as the portfolio becomes more seasoned.

The hedge fund portfolio fell by 1.3% as a consequence of a liquidating position that had an outsized impact on the return calculation. However, the overall economic impact was modest given the investment's small size.

Overall, the results of 2022 are in line with expectations. There is some reason to believe the worst of things are behind us, as some disruptions get resolved and we learn to live with others.

## Investment Returns (Net of Fees)

for Periods Ended December 31, 2022

	Quarter	1 Year	5 Years <sup>1</sup>	10 Years <sup>1</sup>
<b>Total Fund</b>	2.6 %	(8.5)%	4.9 %	6.8 %
Fund Policy Index	5.0 %	(8.2)%	5.5 %	7.0 %
InvMetrics Median Public Fund <sup>2</sup>	5.0 %	(11.1)%	5.4 %	6.9 %
<b>Domestic Equity</b>	6.3 %	(22.7)%	8.8 %	11.7 %
Russell 3000 Index	7.2 %	(19.2)%	8.8 %	12.1 %
<b>International Equity</b>	15.3 %	(15.1)%	— %	3.8 %
64% MSCI EAFE Index / 36% MSCI EM Index	14.6 %	(16.4)%	0.4 %	4.0 %
<b>Fixed Income</b>	1.3 %	(7.5)%	1.3 %	2.0 %
67% Core FI Policy Index / 33% Non-Core FI Policy Index <sup>3</sup>	1.8 %	(7.9)%	1.0 %	1.7 %
<b>Real Estate</b>	(5.3)%	6.8 %	5.7 %	8.4 %
NCREIF-ODCE + 0.2%	(4.5)%	9.6 %	10.0 %	10.8 %
<b>Natural Resources</b>	(6.1)%	20.9 %	1.6 %	1.3 %
CPI + 3% since October 2019, composite index prior	1.2 %	9.6 %	6.9 %	3.9 %
<b>Private Equity</b>	(3.7)%	(8.8)%	18.5 %	16.0 %
Burgiss Global Private Equity Index (since October 2019)	— %	(0.6)%	19.8 %	16.6 %
<b>Infrastructure</b>	0.0 %	-0.006	N/A	N/A
CPI +3%	0.7 %	0.096	N/A	N/A
<b>Absolute Return Hedge Funds</b>	(1.3)%	3.2 %	5.1 %	4.6 %
HFRI FOF Conservative Index	1.5 %	0.1 %	3.9 %	3.6 %

<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