

Quarterly Financial Report

*For the period ending
March 31, 2023*



Statement of Net Position

as of March 31, 2023 and December 31, 2022

	3/31/2023	12/31/2022
Assets		
Cash and short-term investments		
Cash and short-term investments	\$ 55,632,128	\$ 56,579,912
Security lending collateral	134,267,659	68,602,894
Total cash and short-term investments	189,899,787	125,182,806
Receivables:		
Investment income	1,593,562	1,651,989
Unsettled securities sold	279,445	322,369
Contributions	182,095	8,174,993
Leases receivable	86,375	86,375
Total receivables	2,141,477	10,235,726
Investments, at fair value:		
U.S. government obligations	275,416,871	414,001,488
Domestic corporate and other fixed income	291,980,578	165,778,256
Domestic equity	473,202,002	427,424,871
International equity	478,998,400	461,045,869
Real estate	226,326,804	235,542,925
Alternative investments	429,168,499	437,244,499
Absolute return	148,187,257	120,580,067
Infrastructure	71,699,412	70,980,435
Total investments	2,394,979,823	2,332,598,410
Capital assets		
Property and equipment, net of accumulated depreciation	1,950,243	1,950,243
Total assets	2,588,971,330	2,469,967,185
Liabilities		
Unsettled securities purchased	700,094	11,890
Securities lending obligations	134,267,659	68,602,894
Lease payable	19,963	19,963
Accounts payable	(827,639)	2,001,922
Total liabilities	134,160,077	70,636,669
Deferred inflow of resources	86,375	86,375
Net position restricted for benefits	\$ 2,454,724,878	\$ 2,399,244,141
Net position restricted for pension benefits	2,381,033,800	2,325,553,063
Net position restricted for DROP benefits	73,691,078	73,691,078
Net position restricted for benefits	\$ 2,454,724,878	\$ 2,399,244,141

Statement of Change in Net Position

for the three month period ended March 31, 2023 and for the year ended December 31, 2022

	For the period 3/31/2023	For the year 12/31/2022
Additions:		
Contributions:		
Employer	\$ 35,974,057	\$ 136,145,712
Plan members	17,174,656	72,428,925
Total contributions	53,148,713	208,574,637
Investments income:		
Net appreciation/(depreciation) in fair value of investments	67,104,397	(293,751,342)
Earnings on investments	10,511,172	64,583,514
Investment expenses	(2,607,304)	(14,914,617)
Net investment income from investing activities	75,008,265	(244,082,445)
Securities lending income	834,386	1,385,042
Securities lending borrower rebates	(761,150)	(1,036,362)
Securities lending agent fees	(18,302)	(87,132)
Net income from securities lending	54,934	261,548
Net investment income	75,063,199	(243,820,897)
Total additions	128,211,912	(35,246,260)
Deductions:		
Retired members benefits	66,647,078	261,801,340
DROP benefits	3,158,110	39,502,980
Refunds of contributions	1,612,985	9,153,814
Administrative expenses	1,313,002	4,804,468
Total deductions	72,731,175	315,262,602
Net change	55,480,737	(350,508,862)
Net position held in trust for benefits		
Beginning of period	2,399,244,141	2,749,753,003
End of period	\$ 2,454,724,878	\$ 2,399,244,141

Net Position Available for Benefits

Cost value 3/31/2023	Market value 3/31/2023	Unrealized gain/(loss)
2,019,827,950	2,454,724,878	434,896,929

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 %

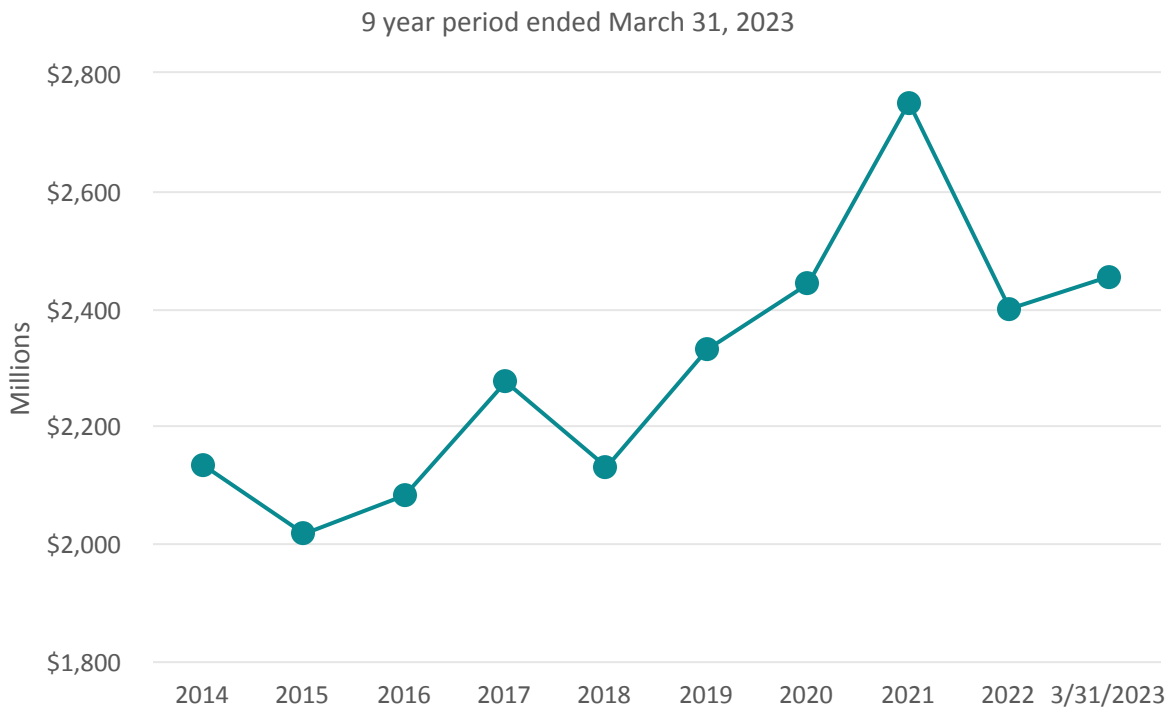
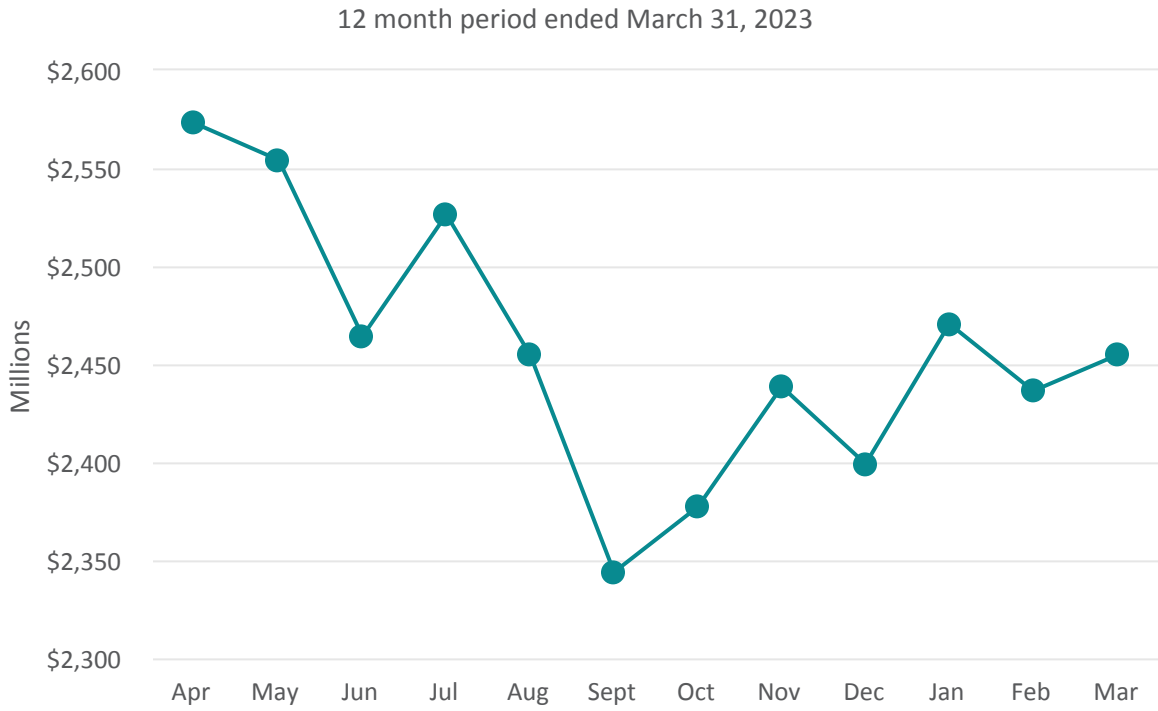
Unfunded actuarial accrued liability

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 3/31/2023	3.3 %
For the year to date ended 3/31/2023	3.3 %
For the 1 year period ended 3/31/2023 (annualized)	(3.7)%
For the 3 year period ended 3/31/2023 (annualized)	10.6 %
For the 5 year period ended 3/31/2023 (annualized)	5.5 %
For the 10 year period ended 3/31/2023 (annualized)	6.5 %
For the 25 year period ended 3/31/2023 (annualized)	6.0 %
For the period beginning 1/1/1986 (annualized)	8.3 %

Market Value of Net Position



Analysis of Recent Investment Returns

First Quarter 2023

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 recorded a 3.3% gain in the first quarter. Quick responses from regulators quelled the prospect of bank failures causing a financial crisis, and market expectations about the path of interest rates changed from rate hikes to the outright possibility of lower rates. This change in sentiment was reflected most strongly in the equity markets, particularly in the US. China continued to perform, and inflation showed further signs of moderation. Our quarterly results lagged the total fund policy index and large public plans, both of which produced a gain of 3.7%.

For the trailing 12 months, DERP experienced a loss of 3.7%, greater than the 2.8% loss of the blended benchmark but better than our public plan peers' losses of 4.3%. The trailing 5-Year annual compounded return is 5.5%, behind the 6.2% benchmark return and the 6.0% produced by the median large public pension plan. For the 10-year period, the DERP portfolio has averaged a 6.5% annual return, below the 6.8% of our blended benchmark and the 6.9% median public pension.

Portfolio Analysis

Our US stock portfolio advanced 9.3% in the quarter, well ahead of the overall market return of 7.2%. Technology and other growth stocks performed the best, driven by solid fundamentals and a more favorable interest rate outlook.

The international equity holdings also had a strong quarter, advancing 6.9% in line with the broad market return of 6.8%.

Fixed income had a gain of 1.8%, as long-term rates declined despite the Fed's 25 basis point increase in short-term rates. The fixed income portfolio underperformed its benchmark, mostly because our private debt positions failed to keep up with a rally in their publicly traded counterparts.

Real estate declined 2.9% as appraisals continued to reflect further price pressure. This was the worst performing sector during the quarter, and appears to have further downside. Office buildings in particular look to be at risk, and we may see additional write downs.

Natural resources rose 1.5%, as energy properties increased in value while timber was flat.

Private equity declined 1.2%. The valuation of these assets often lags trends in public equities, so there may be some near term price appreciation. There was no meaningful exposure to Silicon Valley Bank or impact from its failure.

Infrastructure rose 4.7% as additional capital was deployed and acquisitions became accretive.

Our defensive hedge fund portfolio was flat at 0.2%, although the individual components themselves exhibited expected volatility.

The first quarter saw a continuation of equity price appreciation that began near the end of 2022. Results for the overall portfolio so far in 2023 are good, and we continue to believe we are well positioned for future market cycles.

Investment Returns (Net of Fees)

for Periods Ended March 31, 2023

	Quarter	1 Year	5 Years ¹	10 Years ¹
Total Fund	3.3 %	(3.7)%	5.5 %	6.5 %
Fund Policy Index	3.7 %	(2.8)%	6.2 %	6.8 %
InvMetrics Median Public Fund ²	3.7 %	(4.3)%	6.0 %	6.9 %
Domestic Equity	9.3 %	(8.1)%	10.5 %	11.5 %
Russell 3000 Index	7.2 %	(8.6)%	10.4 %	11.7 %
International Equity	6.9 %	(3.8)%	1.5 %	4.1 %
64% MSCI EAFE Index / 36% MSCI EM Index	6.8 %	(4.7)%	1.8 %	4.3 %
Fixed Income	1.8 %	(2.0)%	1.6 %	2.1 %
67% Core FI Policy Index / 33% Non-Core FI Policy Index ³	2.7 %	(0.7)%	1.7 %	1.9 %
Real Estate	(2.9)%	(4.0)%	4.7 %	7.8 %
NCREIF-ODCE + 0.2%	(3.1)%	(2.9)%	7.7 %	9.5 %
Natural Resources	1.5 %	15.1 %	0.5 %	1.3 %
CPI + 3% since October 2019, composite index prior	1.6 %	8.0 %	5.9 %	4.0 %
Private Equity	(1.2)%	(11.2)%	17.1 %	15.5 %
Burgiss Global Private Equity Index (since October 2019)	0.6 %	(5.3)%	18.8 %	16.3 %
Infrastructure	4.7 %	0.04	N/A	N/A
CPI +3%	2.4 %	0.081	N/A	N/A
Absolute Return Hedge Funds	0.2 %	(0.3)%	5.2 %	4.2 %
HFRI FOF Conservative Index	0.8 %	0.7 %	3.9 %	3.4 %

¹ Annualized return

² InvMetrics Public Fund > \$1 Billion database

³ 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