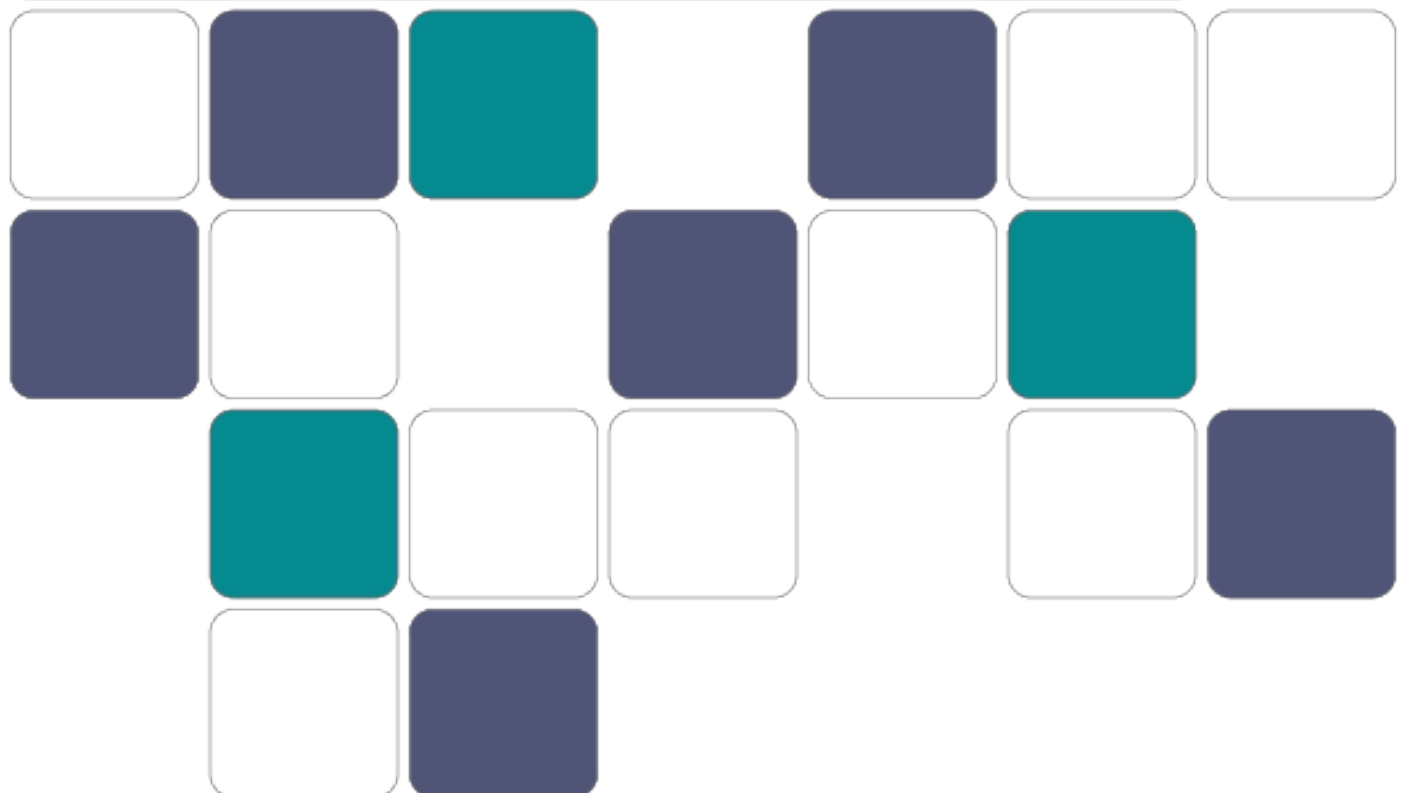


# Quarterly Financial Report

*For the period ending  
June 30, 2023*



## Statement of Net Position

as of June 30, 2023 and December 31, 2022

	6/30/2023	12/31/2022
<b>Assets</b>		
Cash and short-term investments		
Cash and short-term investments	\$ 68,801,639	\$ 56,579,912
Security lending collateral	139,154,572	68,602,894
<b>Total cash and short-term investments</b>	<b>207,956,211</b>	<b>125,182,806</b>
<b>Receivables:</b>		
Investment income	1,693,199	1,651,989
Unsettled securities sold	30,723	322,369
Contributions	(53,791)	8,174,993
Leases receivable	86,375	86,375
<b>Total receivables</b>	<b>1,756,506</b>	<b>10,235,726</b>
<b>Investments, at fair value:</b>		
U.S. government obligations	276,002,530	414,001,488
Domestic corporate and other fixed income	285,987,848	165,778,256
Domestic equity	496,909,820	427,424,871
International equity	484,009,119	461,045,869
Real estate	216,606,819	235,542,925
Alternative investments	423,159,450	437,244,499
Absolute return	167,029,378	120,580,067
Infrastructure	71,866,084	<b>70,980,435</b>
<b>Total investments</b>	<b>2,421,571,048</b>	<b>2,332,598,410</b>
<b>Capital assets</b>		
Property and equipment, net of accumulated depreciation	1,950,243	1,950,243
<b>Total assets</b>	<b>2,633,234,008</b>	<b>2,469,967,185</b>
<b>Liabilities</b>		
Unsettled securities purchased	55,515	11,890
Securities lending obligations	139,154,572	68,602,894
Lease payable	19,963	19,963
Accounts payable	425,736	2,001,922
<b>Total liabilities</b>	<b>139,655,786</b>	<b>70,636,669</b>
<b>Deferred inflow of resources</b>	<b>86,375</b>	<b>86,375</b>
<b>Net position restricted for benefits</b>	<b>\$ 2,493,491,847</b>	<b>\$ 2,399,244,141</b>
Net position restricted for pension benefits	2,428,715,780	2,325,553,063
Net position restricted for DROP benefits	64,776,067	73,691,078
<b>Net position restricted for benefits</b>	<b>\$ 2,493,491,847</b>	<b>\$ 2,399,244,141</b>

## Statement of Change in Net Position

for the six month period ended June 30, 2023 and for the year ended December 31, 2022

	For the period 6/30/2023	For the year 12/31/2022
<b>Additions:</b>		
Contributions:		
Employer	\$ 72,901,029	\$ 136,145,712
Plan members	34,602,234	72,428,925
<b>Total contributions</b>	<b>107,503,263</b>	<b>208,574,637</b>
<b>Investments income:</b>		
Net appreciation/(depreciation) in fair value of investments	117,417,301	(293,751,342)
Earnings on investments	24,132,149	64,583,514
Investment expenses	(5,952,935)	(14,914,617)
<b>Net investment income from investing activities</b>	<b>135,596,515</b>	<b>(244,082,445)</b>
Securities lending income	1,794,052	1,385,042
Securities lending borrower rebates	(1,655,454)	(1,036,362)
Securities lending agent fees	(34,636)	(87,132)
<b>Net income from securities lending</b>	<b>103,962</b>	<b>261,548</b>
<b>Net investment income</b>	<b>135,700,477</b>	<b>(243,820,897)</b>
<b>Total additions</b>	<b>243,203,740</b>	<b>(35,246,260)</b>
<b>Deductions:</b>		
Retired members benefits	133,763,909	261,801,340
DROP benefits	9,256,506	39,502,980
Refunds of contributions	3,297,155	9,153,814
Administrative expenses	2,638,464	4,804,468
<b>Total deductions</b>	<b>148,956,034</b>	<b>315,262,602</b>
Net change	94,247,706	(350,508,862)
Net position held in trust for benefits		
Beginning of period	2,399,244,141	2,749,753,003
<b>End of period</b>	<b>\$ 2,493,491,847</b>	<b>\$ 2,399,244,141</b>

### Net Position Available for Benefits

Cost value	Market value	Unrealized
6/30/2023	6/30/2023	gain/(loss)
<b>2,026,077,100</b>	<b>2,493,491,847</b>	<b>467,414,748</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>

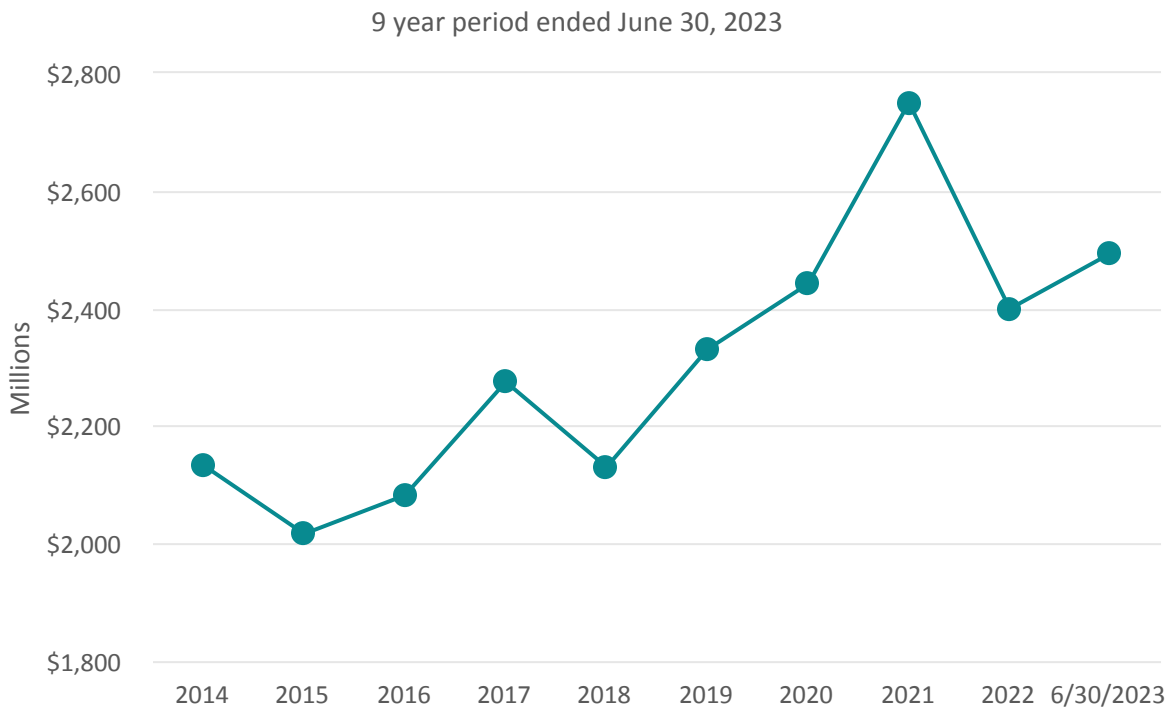
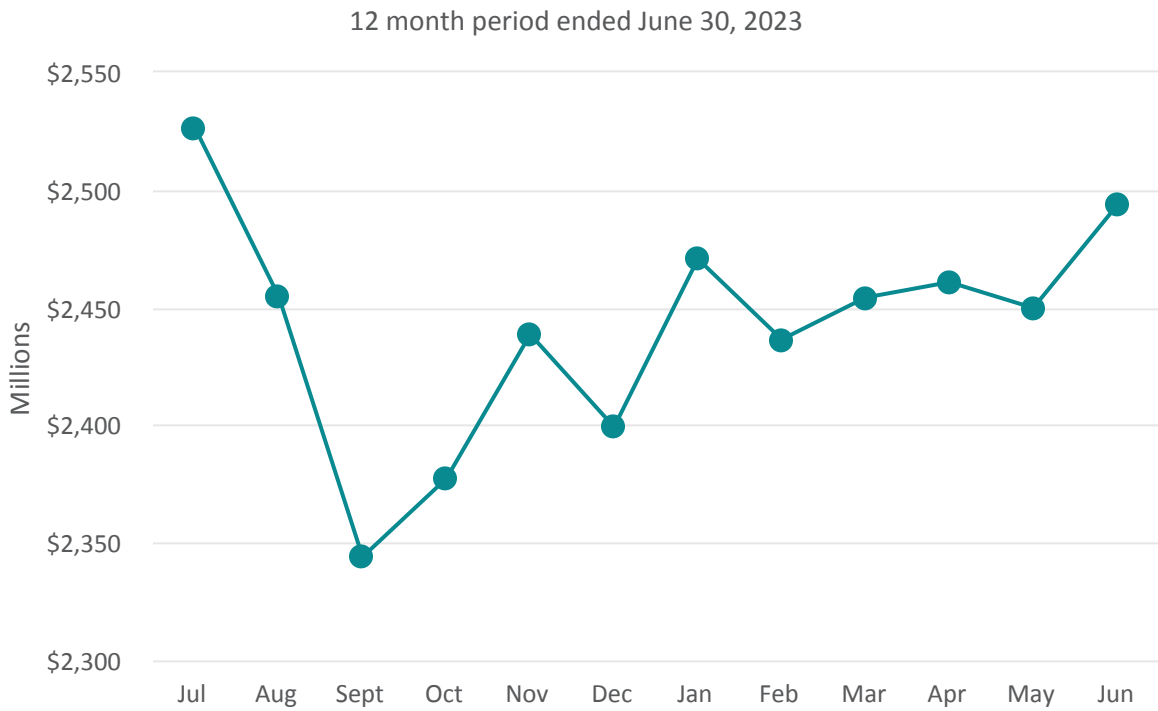
### Unfunded actuarial accrued liability

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 6/30/2023	2.5 %
For the year to date ended 6/30/2023	5.9 %
For the 1 year period ended 6/30/2023 (annualized)	5.1 %
For the 3 year period ended 6/30/2023 (annualized)	9.5 %
For the 5 year period ended 6/30/2023 (annualized)	5.9 %
For the 10 year period ended 6/30/2023 (annualized)	6.8 %
For the 25 year period ended 6/30/2023 (annualized)	6.0 %
For the period beginning 1/1/1986 (annualized)	8.3 %

## Market Value of Net Position



## Analysis of Recent Investment Returns

Second 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 advanced 2.5% in the second quarter, as equity markets around the world continued to rise. The best performance was concentrated in a few large US-based technology stocks. Non-US equity markets also rose, but at a slower pace. Interest rates increased slightly, with the Federal Reserve's 10<sup>th</sup> consecutive 25 basis point hike occurring in May, followed by a decision to pause in June. Fixed income values fell modestly in the environment. Inflation showed continued signs of abating, and although the China economy shows signs of stress, emerging markets valuations overall were up slightly.

Our quarterly return of 2.5% matched the total fund policy index and was slightly behind other large public plans, which produced gains of 2.6%.

For the trailing 12 months, DERP gained 5.1%, trailing both the blended benchmark and the peer group returns of 6.8% and 7.6%, respectively. The trailing 5-Year annual compounded return was 5.9%, behind the fund policy index of 6.4% and the median large public plan of 6.5%. For the 10-year period, the DERP portfolio return was 6.8% which lagged the return of our blended benchmark of 7.1% and our peers of 7.3%. The disappointing results for the 1, 5, and 10 year trailing periods are explained by underperformance in just the last 12 months, as one year ago (2Q22) results compared favorably to benchmark and peers for these same trailing time periods. Without trying to excuse our results over the last year, it helps to contextualize if we understand we have a larger allocation to private equity than our peers, and a correspondingly smaller exposure to public equities. Although our total public equity portfolio did quite well in the last 12 months, earning more than 18%, we have a smaller allocation (at ~40%) than most others. In contrast, our large private equity portfolio (~11.5% allocation) lost 9.4% in the same period. We fully expect future private equity results to more than compensate for recent markdowns and to produce returns greater than public equities. A recovery in private equity alone will be sufficient to return our results to a favorable position.

### Quarterly Portfolio Analysis

Our US stock portfolio rose 8.5% in the quarter. As noted above, a small number of large stocks held by our large cap managers made the major contribution.

The international equity holdings were up 3.6%, ahead of the benchmark return of 2.2%, supported by strong outperformance from our emerging markets positions.

Fixed income had a gain of 0.9%, with slight losses in our core bonds offset by gains in our private debt and emerging markets debt positions.

Real estate continued to decline in the quarter, falling 1.3%. Real estate fundamentals remain generally healthy, but higher interest rates are pressuring cap rates and valuations. There remain unresolved issues for office space in the post-pandemic work from home environment. Future returns in this asset class remain biased to the downside.

Natural resources lost 1.6%, as energy prices retreated from earlier highs. Timber holdings increased in value.

Private equity declined 0.5%. Deal activity has slowed, and exits of investments through IPO or sales were negatively impacted. There are signs of recovery in the mergers and acquisitions marketplace, which would have beneficial impact on our portfolio.

Infrastructure rose 1.9% as the underlying investments stabilized reflecting the maturation of acquisitions. Approximately 90% of the cash flows are inflation linked, providing a tailwind in the current environment.

Our defensive hedge fund portfolio rose 2.5%, providing diversification to its core fixed income counterpart which experienced a slight loss.

The second quarter brought our year to date 2023 results to 5.9%, well on our way to our targeted 7.25%. Although there are pockets of worry, overall the portfolio is performing well.

## Investment Returns (Net of Fees)

for Periods Ended June 30, 2023

	Quarter	1 Year	5 Years <sup>1</sup>	10 Years <sup>1</sup>
<b>Total Fund</b>	2.5 %	5.1 %	5.9 %	6.8 %
Fund Policy Index	2.5 %	6.8 %	6.4 %	7.1 %
InvMetrics Median Public Fund <sup>2</sup>	2.6 %	7.6 %	6.5 %	7.3 %
<b>Domestic Equity</b>	8.5 %	20.8 %	11.4 %	12.2 %
Russell 3000 Index	8.4 %	19.0 %	11.4 %	12.3 %
<b>International Equity</b>	3.6 %	15.5 %	3.3 %	4.8 %
64% MSCI EAFE Index / 36% MSCI EM Index	2.2 %	12.5 %	3.0 %	5.0 %
<b>Fixed Income</b>	0.9 %	2.0 %	1.8 %	2.5 %
67% Core FI Policy Index / 33% Non-Core FI Policy Index <sup>3</sup>	0.4 %	1.0 %	1.9 %	2.3 %
<b>Real Estate</b>	(1.3)%	(8.9)%	4.2 %	7.3 %
NCREIF-ODCE + 0.2%	(2.6)%	(9.8)%	6.7 %	8.8 %
<b>Natural Resources</b>	(1.6)%	(3.8)%	0.1 %	1.3 %
CPI + 3% since October 2019, composite index prior	1.8 %	6.1 %	6.0 %	4.2 %
<b>Private Equity</b>	(0.5)%	(9.4)%	16.1 %	15.3 %
Burgiss Global Private Equity Index (since October 2019)	1.7 %	(2.1)%	18.2 %	16.3 %
<b>Infrastructure</b>	1.9 %	7.5 %	N/A	N/A
CPI +3%	1.8 %	6.1 %	N/A	N/A
<b>Absolute Return Hedge Funds</b>	2.5 %	4.3 %	5.6 %	4.3 %
HFRI FOF Conservative Index	1.0 %	3.6 %	3.9 %	3.5 %

<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