

Quarterly Financial Report

For the period ending June 30, 2024



Statement of Net Position

as of June 30, 2024 and December 31, 2023

	6/30/2024 (u)	12/31/2023
Assets		
Cash and short-term investments		
Cash and short-term investments	\$ 37,926,851	\$ 54,754,251
Security lending collateral	189,906,821	61,700,970
Total cash and short-term investments	227,833,672	116,455,221
Receivables:		
Investment income	2,337,282	1,934,082
Unsettled securities sold	66,636	2,478,656
Contributions	9,535,028	9,159,813
Leases receivable	56,475	56,475
Total receivables	11,995,421	13,629,026
Investments, at fair value:		
U.S. government obligations	324,193,303	295,916,409
Domestic corporate and other fixed income	298,383,220	302,940,355
Domestic equity	585,549,862	510,492,429
International equity	570,565,060	533,909,954
Real estate	175,444,877	191,834,900
Alternative investments	402,169,548	417,790,675
Absolute return	181,415,900	171,236,709
Infrastructure	73,186,254	72,096,192
Total investments	2,610,908,024	2,496,217,623
Capital assets		
Property and equipment, net of accumulated depreciation	1,529,228	1,529,228
Total assets	2,852,266,345	2,627,831,098
Liabilities		
Unsettled securities purchased	156,517	14,742
Securities lending obligations	189,906,821	61,700,970
Lease payable	34,650	34,650
Accounts payable	(702,754)	2,144,180
Total liabilities	189,395,234	63,894,542
Deferred inflow of resources	56,475	56,475
Net position restricted for benefits	\$ 2,662,814,636	\$ 2,563,880,081
Net position restricted for pension benefits	2,604,083,990	2,505,149,356
Net position restricted for DROP benefits	58,730,646	58,730,725
Net position restricted for benefits	\$ 2,662,814,636	\$ 2,563,880,081
(u) Unaudited		

Statement of Change in Net Position

for the six month period ended June 30, 2024 and for the year ended December 31, 2023

	For the period 6/30/2024 (u)	For the year 12/31/2023
Additions:		
Contributions:		
Employer	\$ 87,090,431	\$ 159,584,423
Plan members	40,343,705	75,788,120
Total contributions	127,434,136	235,372,543
Investments income:		
Net appreciation/(depreciation) in fair value of investments	101,901,631	194,982,293
Earnings on investments	26,404,639	46,893,824
Investment expenses	(7,196,587)	(16,217,030)
Net investment income from investing activities	121,109,683	225,659,087
Securities lending income	1,915,284	3,627,850
Securities lending borrower rebates	(1,727,917)	(3,318,983)
Securities lending agent fees	(46,826)	(77,189)
Net income from securities lending	140,541	231,678
Net investment income	121,250,224	225,890,765
Total additions	248,684,360	461,263,308
Deductions:		
Retired members benefits	137,952,922	269,116,655
DROP benefits	5,331,244	15,612,129
Refunds of contributions	3,776,877	6,595,035
Administrative expenses	2,688,762	5,303,549
Total deductions	149,749,805	296,627,368
Net change	98,934,555	164,635,940
Net position held in trust for benefits		
Beginning of period	2,563,880,081	2,399,244,141
End of period	\$ 2,662,814,636	\$ 2,563,880,081

Net Position Available for Benefits		
Cost value 6/30/2024	Market value 6/30/2024	Unrealized gain/(loss)
\$ 2,106,116,809	\$ 2,662,814,636	\$ 556,697,827

(u) Unaudited

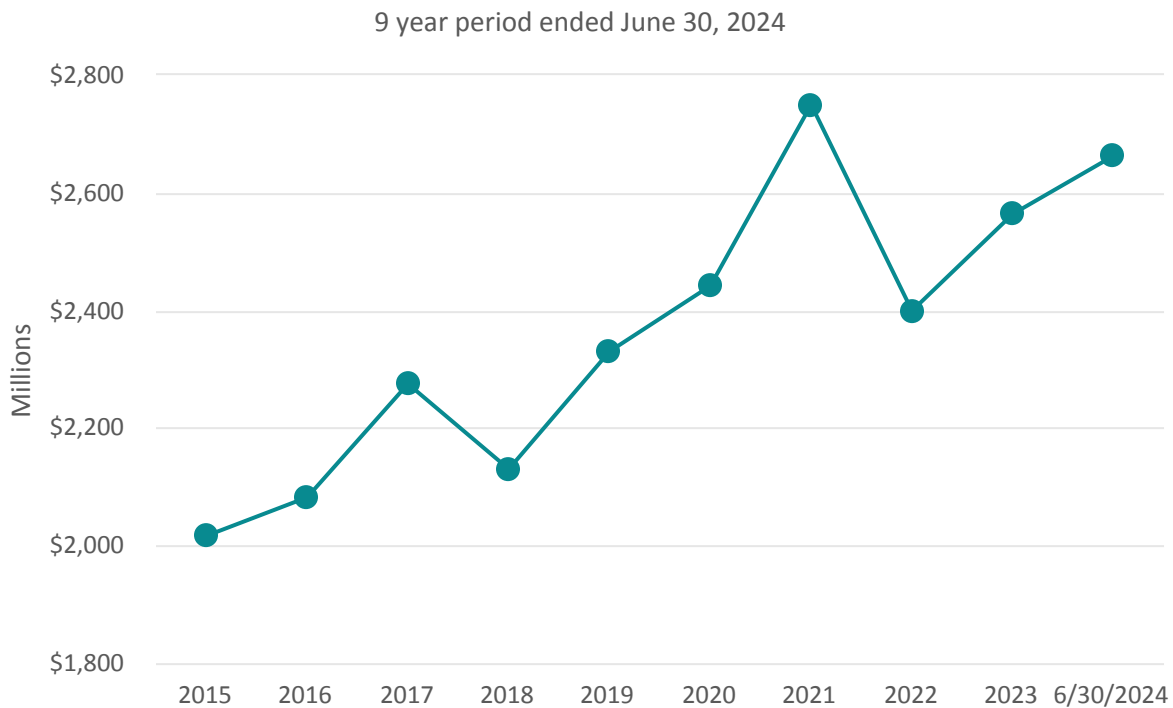
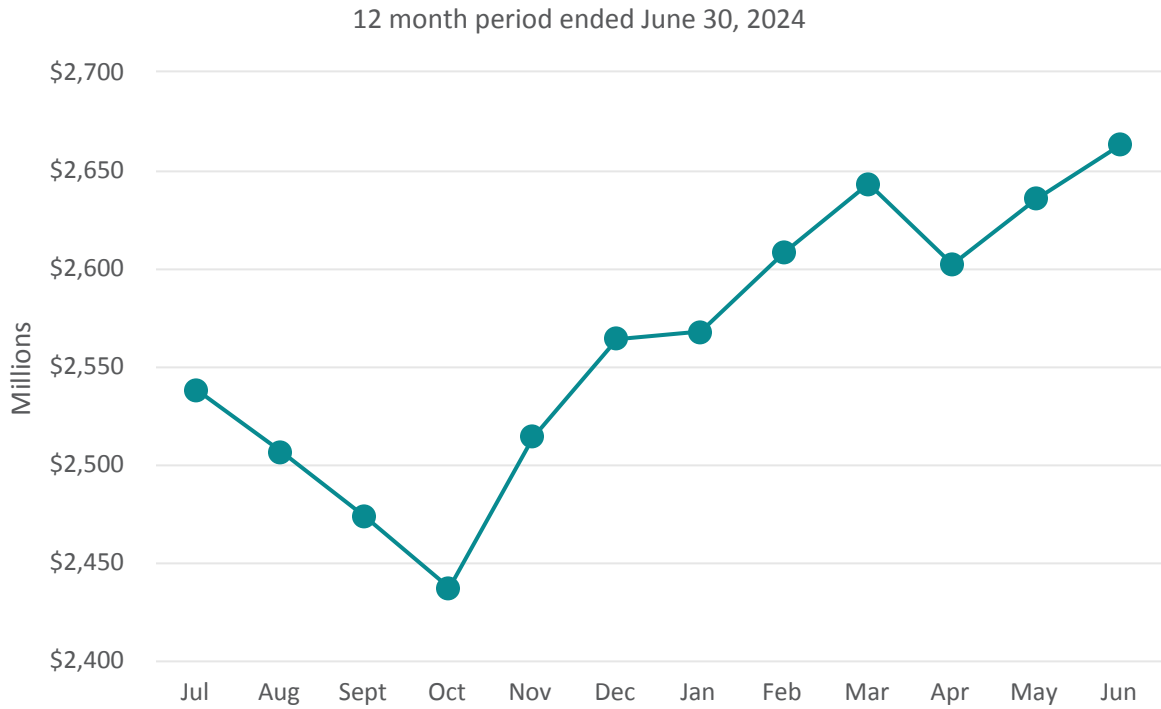
Estimated Funded and Unfunded Actuarial Liability

Actuarial value of assets		Funded Ratio
Pension benefits	\$ 2,612,204,774	60.9 %
Health benefits	81,782,169	52.1 %
Total actuarial value of assets 1/1/2024	\$ 2,693,986,943	60.6 %
Unfunded actuarial liability		
Pension benefits	\$ 1,677,037,000	
Health benefits	75,099,000	
Total unfunded actuarial liability 1/1/2024	\$ 1,752,136,000	

Total Returns from Investment (net of fees)

For the quarter ended 6/30/2024	1.2 %
For the year to date ended 6/30/2024	4.8 %
For the 1 year period ended 6/30/2024 (annualized)	8.7 %
For the 3 year period ended 6/30/2024 (annualized)	4.0 %
For the 5 year period ended 6/30/2024 (annualized)	6.6 %
For the 10 year period ended 6/30/2024 (annualized)	5.8 %
For the 25 year period ended 6/30/2024 (annualized)	5.9 %
For the period beginning 1/1/1986 (annualized)	8.3 %

Market Value of Net Position



Analysis of Recent Investment Returns

Second Quarter 2024

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 generated a return of 1.2% in the second quarter. Equities generally speaking were the largest drivers of returns, but with some notable exceptions. Evidence of cooling inflation accumulated at last, increasing the likelihood of a 3Q cut by the Federal Reserve. Economic fundamentals remain mostly benign.

For the trailing 12 months the portfolio return was 8.7%, exceeding the 7.0% assumed rate of return, but as a consequence of our lower exposure to public equities, lower than the 9.5% reported by our peers. For the trailing 5-Year period the fund has averaged an annual 6.6% return, behind the blended fund policy index and the median large plan return, both of which returned 7.1%. For the 10-year trailing period, the average annual return was 5.8%, lagging the benchmark and peer group returns of 6.3%.

Quarterly Portfolio Analysis

For the quarter, our portfolio of US equities gained 2.5%. Once again, large beat small, and growth beat value. Large cap value and small cap stocks lost value in the quarter, and it was only big gains in large growth tech stocks that offset an otherwise broad decline. An interesting observation, however, is that many of the companies with stock price declines actually reported earnings and revenues higher than expectations.

International equities advanced 1.6% for the quarter. Within the asset class, our emerging markets equity positions gained 6.3%. This was sufficient to overcome losses in the developed markets, which declined slightly despite some favorable currency effects.

Fixed income produced a 1.4% return. Our defensive core and private debt investments advanced, but were weighed down by losses in emerging markets debt positions. The emerging markets debt allocation is being phased out after disappointing long-term results and compelling opportunities elsewhere.

Real estate continues to be the most troublesome allocation within the portfolio, as we experienced another 1.9% decline in the quarter. However, valuations appear to have reached an attractive entry point and we contemplate making new investments.

Natural resources rebounded, advancing 2.3% for the period.

Private equity declined 0.4% in the quarter. Portfolio companies are performing well, but exits through public equity markets or being acquired by another company remain stalled.

Infrastructure gained 1.7% on continued solid performance from underlying companies.

Hedge funds lost 1.1%, giving up some prior gains as investments in currencies and interest rates lost value.

Halfway through the year, the portfolio has earned 4.8% and is on track to post a solid 2024.

Investment Returns (Net of Fees)

for Periods Ended June 30, 2023

	Quarter	1 Year	5 Years ¹	10 Years ¹
Total Fund	1.2 %	8.7 %	6.6 %	5.8 %
Fund Policy Index	1.5 %	9.4 %	7.1 %	6.3 %
InvMetrics Median Public Fund ²	1.0 %	9.5 %	7.1 %	6.3 %
Domestic Equity	2.5 %	23.1 %	13.7 %	12.2 %
Russell 3000 Index	3.2 %	23.1 %	14.1 %	12.1 %
International Equity	1.6 %	16.4 %	7.1 %	4.1 %
64% MSCI EAFE Index / 36% MSCI EM Index	1.6 %	12.0 %	5.5 %	4.1 %
Fixed Income	1.4 %	5.2 %	1.5 %	2.5 %
67% Core FI Policy Index / 33% Non-Core FI Policy Index ³	0.9 %	5.4 %	1.4 %	2.3 %
Real Estate	(1.9)%	(15.7)%	0.1 %	4.1 %
NCREIF-ODCE + 0.2%	(0.4)%	(9.1)%	3.4 %	6.5 %
Natural Resources	2.3 %	10.5 %	1.8 %	1.8 %
CPI + 3% since October 2019, composite index prior	2.6 %	6.6 %	6.7 %	4.2 %
Private Equity	(0.4)%	(1.5)%	12.7 %	12.6 %
Burgiss Global Private Equity Index (since October 2019)	1.3 %	5.3 %	16.3 %	14.4 %
Infrastructure	1.7 %	8.6 %	N/A	N/A
CPI +3%	2.6 %	6.6 %	N/A	N/A
Absolute Return Hedge Funds	(1.1)%	4.2 %	6.3 %	3.9 %
HFRI FOF Conservative Index	0.5 %	6.7 %	4.9 %	3.5 %

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

