



Agenda Item 8a

October 14, 2014

ITEM NAME: Treasury Management (Liquidity) Update

PROGRAM: Financial Office

ITEM TYPE: Information

EXECUTIVE SUMMARY

The project to design and implement the Treasury Management Program commenced in June 2014 and the first phase of the project was successfully completed in August. The execution of the next project phase began in September 2014 and will be implemented in early 2015. The project remains on schedule to achieve the agreed upon milestones.

During the first project phase, key performance indicators were developed for the CalPERS' Treasury Management program based on best practices of pension, insurance, and investment management firms. A primary goal of the Treasury Management Program is the accurate and timely reporting of short term assets and liabilities in the form of key performance indicators. These key performance indicators will align with treasury management policies and allow the Board to assess the organization's success in managing enterprise liquidity by maintaining adequate liquidity to meet cash needs.

STRATEGIC PLAN

This agenda item supports Goal B of the CalPERS 2012-2017 Strategic Plan, which is to cultivate a high-performing, risk-intelligent and innovative organization.

BACKGROUND

At the November 2013 Asset Allocation Workshop, ACTO, FINO, and INVO jointly identified to the Board the importance of establishing a Treasury Management function at CalPERS in response to the lessons learned from the 2008 liquidity crisis and the increasing cash-flow shortfall. In February, the Finance & Administration Committee tasked the Chief Financial Officer to identify a process for monitoring and managing the liquidity needs of the organization (i.e. Treasury Management Program).

In June 2014, the project to establish the Treasury Management Program was commenced and the first phase was completed in August 2014. During the first phase of this project, an assessment of the future program components was completed along with the development of a strategic operating model for the program.

At the September 2014 Board meeting, the Finance and Administration committee directed the CFO to provide the committee with a monthly progress report on the Treasury Management Program project to ensure timelines and objectives continue to be met.

ANALYSIS

The goal of the Treasury Management Program is to ensure the payment of member benefits and organizational expense without interruption regardless of market conditions and without the forced sale of assets. A cornerstone of the Treasury Management Program is the reporting of key performance indicators which align with treasury management policies and provide a quantitative view of enterprise liquidity.

The project was launched in early June to document current state and define a strategic operating model for the Treasury Management Program. The strategic operating model is complete and the development of the detailed operating model is on schedule to achieve the agreed upon milestones.

BENEFITS/RISKS

An Enterprise Treasury Management Program is important to identify and mitigate risks early, avoid future liquidity problems, strengthen internal controls and facilitate better decision-making. The implementation of this Program would help safeguard CalPERS against future market events or contribution interruptions which could require the forced sale of long term valued assets to meet near term cash demands.

ATTACHMENTS

Attachment 1 – October Update: TMP Reporting

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Controller

CHERYL EASON
Chief Financial Officer