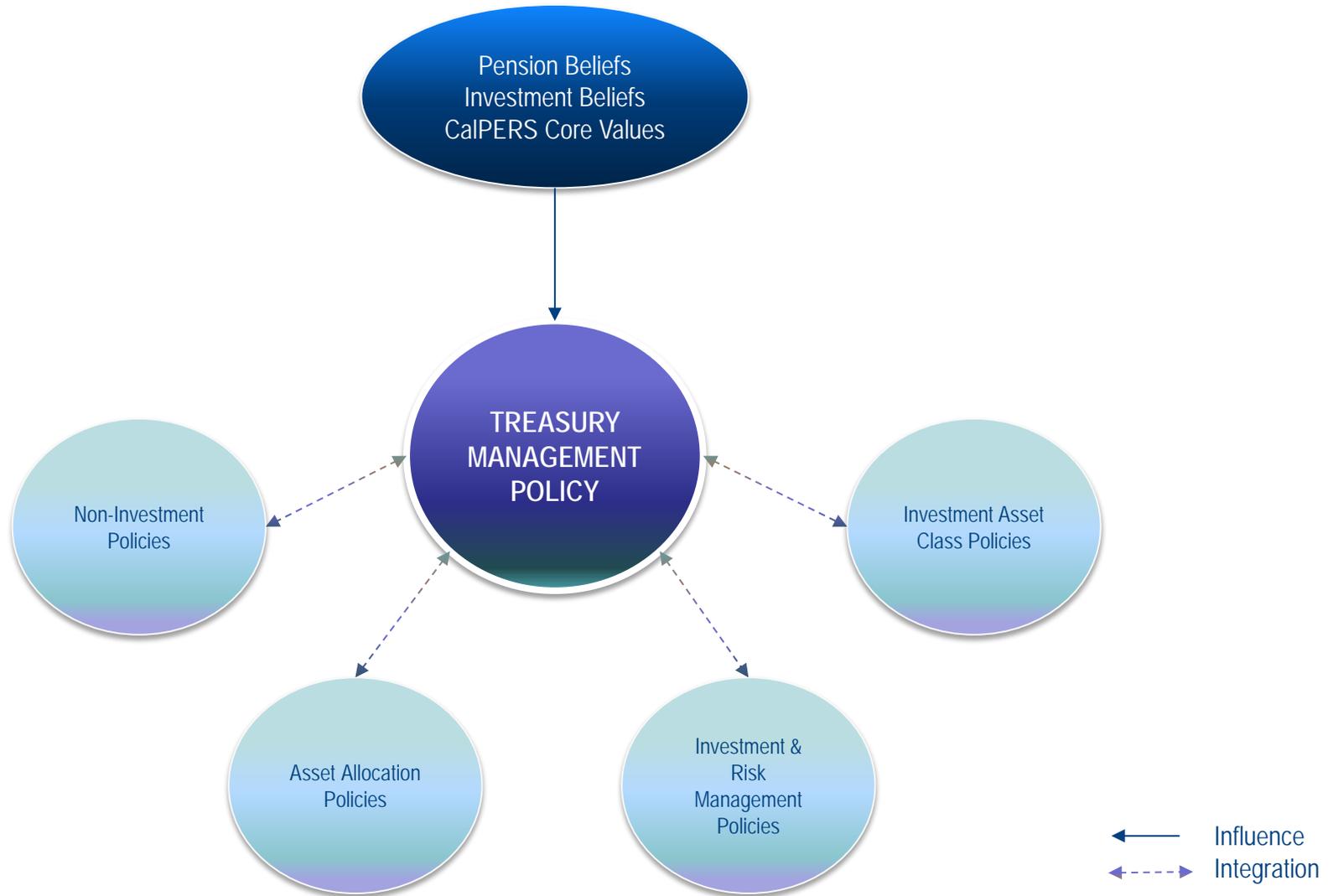


Treasury Management (Liquidity) Update

Finance & Administration Committee Update

November 18, 2014



Treasury Management Policy Framework

Policy Section	Policy Detail
Purpose	Ensure the payment of member benefits and organizational obligations without interruption regardless of market conditions and without the forced sale of assets
Strategic Objective	<ul style="list-style-type: none"> • Ensure appropriate liquidity levels are maintained for funds and the enterprise • Comprehensive process for the oversight of enterprise cash management and liquidity
Responsibilities	<ul style="list-style-type: none"> • Specify enterprise liquidity needs required to pay member benefits and organizational obligations • Measure and monitor current and projected enterprise liquidity • Identify, monitor, and communicate enterprise liquidity risks • Report to the Committee monthly on any key performance indicators and activity
Performance Objectives & Benchmarks	<ul style="list-style-type: none"> • Key performance indicators will measure the fund's liquidity in relation to its near term obligations • Targets and acceptable ranges for each Key Performance Indicator (KPI) will be defined based on a periodic review of forecasts and risks
Approach & Parameters	<ul style="list-style-type: none"> • Categorize and report on all CalPERS cash, cash equivalents, and investments based on level of liquidity • Establish and maintain a schedule of options available to fund CalPERS' obligations and their planned utilization during a liquidity event

Key Performance Indicators: Trial Analysis

As part of the continued development of the TMP, a trial analysis of the Key Performance Indicators using recent data was conducted. The table below provides insight into three of the KPI results for the PERF as of September 30, 2014.

KPI	Description	Level 1	Level 2	Total
30 Day Coverage Ratios	The ability to meet outgoing cash obligations over the next 30 days utilizing "available cash", forecasted incoming cash, and liquidity program assets.	1.5	2.2	3.7
Days of Coverage - Normal	The number of days CalPERS can meet its known and forecasted outgoing cash obligations utilizing "available cash", cash equivalents, liquidity program assets, and forecasted incoming cash flows.	309	335	644
Capital Call Coverage Ratio	The ability to meet the maximum exposure to capital commitments at that point in time for illiquid investments (private equity, infrastructure, real estate) investments utilizing "available cash", cash equivalent, and liquidity program assets.	0.07	0.17	.24

Level 1 Assets = Available Cash + ST component of Liquidity Program

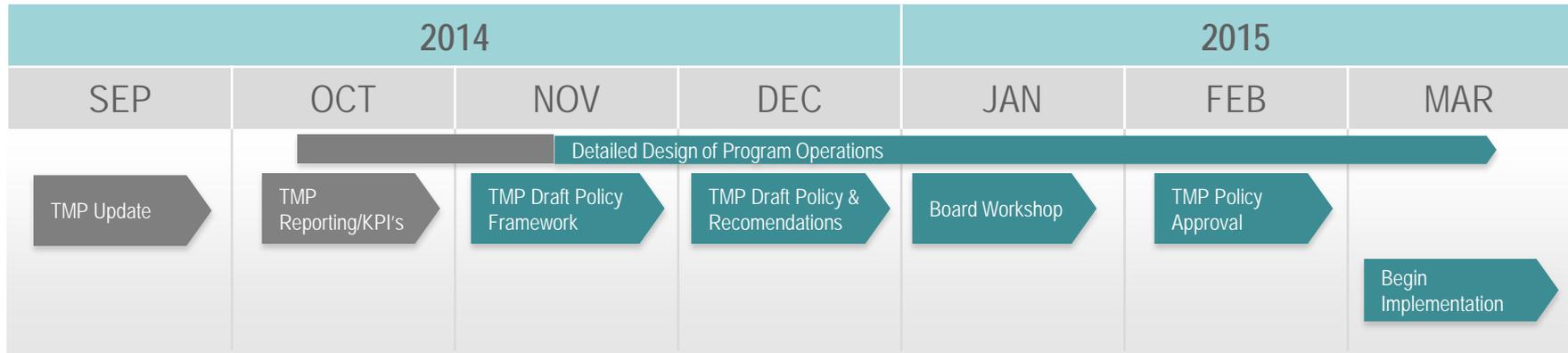
Level 2 Assets = UST component of Liquidity Program

What these KPIs tell us:

- PERF has 3.7x coverage of liabilities over the next 30 days
- PERF has 644 days of coverage to meet its known and forecasted outgoing cash obligations
- PERF has 0.24x coverage of liabilities to meet maximum exposure to capital commitment for illiquid investments

Note: Values presented are the result of a trial exercise to validate and refine approach based on work to date.

Treasury Management Program: Project Status



Activity	Accomplishments and Next Steps
Treasury Management Program (TMP) Policy Framework	<ul style="list-style-type: none"> • Comprehensive inventory of in scope policies • Policy workshop with policy owners • Development of underlying practices that support the TMP policy
Interview Peer Pensions	<ul style="list-style-type: none"> • Gained peer perspectives on treasury and liquidity management practices
Treasury Management Key Performance Indicator (KPI) Development	<ul style="list-style-type: none"> • Trial KPI analysis and refinement • Determine proposed KPI targets and ranges