



Finance and Administration Committee Agenda Item 8a

March 15, 2016

Item Name: Treasury Management Policy Review (First Reading)

Program: Financial Office

Item Type: Information

Executive Summary

The Treasury Management Policy ("Policy") was approved by the Finance and Administrative Committee ("Committee") in March 2015. The Committee is responsible to review the Policy annually and approve staff recommendations for changes to the Policy. Staff recommends suggested changes to the current Policy based on this year's review (Attachment 1).

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

This agenda item is the first reading of the Policy which was first reviewed by the Committee in February 2015 then approved in March 2015. The Policy established the purpose, objectives, responsibilities and approach for the Treasury Management Program ("TMP"), which was developed to ensure member benefits and organizational obligation payments are fulfilled without interruption. The Policy indicates that the Committee will annually review and approve staff recommendations for changes to the Policy to reflect the changing nature of CalPERS' assets and investment programs, benefit and structural changes and economic conditions.

There have been changes to liquidity operations since the Policy's inception. In June 2015, the Investment Committee approved changing the strategic asset allocation target from 2% to 1% (+/- 3%) for the Liquidity Program. Also, in February 2016, the Investment Office/Asset Allocation presented Operating Guidelines for Implementing Borrowed Liquidity to the Investment Committee. These changes in strategic target asset allocation for liquidity and potential source of borrowed liquidity to meet funding needs are changes that impact the Policy.

Analysis

The Policy reflects updates to include the option to utilize borrowed liquidity as an available option to pay member benefits and other CalPERS' obligations. The Policy was also updated to describe the need for communication to the Enterprise Treasury Team (ETT).

Budget and Fiscal Impacts

Not applicable

Benefits and Risks

The Policy provides guidelines to ensure that the treasury management practices of the enterprise recognize the fiduciary duty owed to members as stated in the CalPERS' Pension Beliefs. The Enterprise Treasury Management Program is important to identify and mitigate risks early, avoiding future liquidity problems, strengthen internal controls and facilitate better decision-making. The Policy sets forth the responsibilities, structure, and approach to ensure the payment of member benefits and organizational obligations are provided without interruption. The Policy provides an integrated oversight structure in maintaining appropriate liquidity coverage, reserve levels for programs and the enterprise, and manage enterprise liquidity risk.

Attachments

Attachment 1 – Statement of Financial Policy for Treasury Management Redlined Version

Attachment 2 – Statement of Financial Policy for Treasury Management Original

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