



Finance and Administration Committee Agenda Item 4g

September 19, 2017

Item Name: Treasury Analysis and Liquidity Report

Program: Financial Office

Item Type: Information Consent

Executive Summary

This is the Semi-Annual Treasury Analysis and Liquidity Status Report for the period ending June 30, 2017. The report shows CalPERS maintained adequate liquidity coverage levels for all funds in normal environments. The liquidity coverage ratios (LCRs) for the Public Employees' Retirement Fund ("PERF") remained high due to the interim 4% liquidity target asset allocation.

The Finance and Administration Committee (FAC) approved changes to the Treasury Management Reserves policy in April 2017 which established reserve accounts for the Long Term Care Fund ("LTCF") and Legislators' Retirement Fund ("LRF"). Staff successfully implemented a reserve in June for the LTCF and a reserve in July for the LRF to manage potential funding risks.

The Enterprise Treasury Team ("ETT") conducted an annual review of the Funding Contingency Plan ("Plan") in January. Although the Plan was not used during this reporting period, it was updated to reflect changes in the liquidity interim target asset allocation.

Strategic Plan

This agenda item supports the CalPERS 2017-2022 Strategic Plan, which is to cultivate a risk-intelligent organization.

Background

The Treasury Management Policy ("Policy") requires the Treasury Management Program ("Program") to provide the Finance and Administration Committee ("Committee") with an update on fund liquidity status. The Semi-Annual Treasury Analysis and Liquidity Status Report (Attachment 1) fulfills this obligation by providing liquidity coverage ratio analysis and cash flow forecasting analysis for the PERF, LRF, Judges' Retirement Fund I ("JRF I"), Judges' Retirement Fund II ("JRF II"), Health Care Fund / Contingency Reserve Fund ("HCF/CRF"), and the LTCF to be known as ("All Funds"). The last report was presented to the Committee in February 2017.

Analysis

Liquidity Coverage Analysis

The report confirms the liquidity coverage for All Funds remained above the threshold in the normal environment. With the exception of the LRF and LTCF, All Funds maintained adequate

Level I liquidity had a stressed or crisis event occurred. The LRF and LTCF Level I LCR fell below the threshold and would have used Level III assets had a stressed event had occurred.

Cash Flow Forecasting Accuracy Analysis

In January, April and June, the PERF's inflows were higher than expected due to contributions from public agencies and schools. Investment cash flow estimates for the PERF continue to be improving, but the asset allocation changes and unexpected inflows from real estate and private asset classes caused forecast volatility.

Cash flow forecasting accuracy for LRF, JRF II, and HCF/CRF were impacted by the timing of monthly inflows and outflows. In addition, the HCF/CRF and LTCF both experienced increases to claim payments. JRF I's volatility was due to increases in employer contributions and benefit payments.

Status of the Funding Contingency Plan

Although the Plan was not used in this reporting period, updates were made to reflect the increase of the liquidity asset allocation. Staff continues to utilize the Plan to manage, measure, monitor and control funding coverage with respect to the payment of member benefits and all other CalPERS' obligations.

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

Not Applicable

Attachments

Attachment 1 – Semi-Annual Treasury Analysis and Liquidity Status Report

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