



Finance and Administration Committee Agenda Item 5d

February 13, 2018

Item Name: Treasury Analysis and Liquidity Status 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 December 31, 2017. The report shows CalPERS maintained adequate liquidity coverage levels for all funds in normal environments. The liquidity coverage ratios (LCRs) for the Public Employee's Retirement Fund ("PERF") fluctuated due to the approved asset allocation shift from Liquidity to both Global Equity and Global Fixed Income in August. The additional \$2B contribution from the State resulted in an increase to October's LCR.

All reported funds maintained adequate LCRs in stressed and crisis environments. During this period, reserves were established for the Legislators' Retirement Fund ("LRF") and Long Term Care Fund ("LTCF") to manage potential funding risks.

The Health Care Fund (HCF) has been separated from the Contingency Reserve Fund (CRF) for reporting purposes to increase transparency for the individual funds. The CRF fund balance is held at the State Treasury and only invests in the Short Term Investment Fund (SMIF) so it will not be reported.

Strategic Plan

This agenda item supports the CalPERS 2017-22 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"), HCF, and the LTCF, to be known as ("All Funds"). The last report was presented to the Committee in September 2017.

Analysis

Liquidity Coverage Analysis

The report confirms the liquidity coverage for All Funds remained above the threshold in the normal environment.

All Funds maintained adequate Level I liquidity even if a stressed or crisis event occurred. Since the establishment of the reserves for the LRF and LTCF, Level I LCRs have consistently remained above the threshold.

Cash Flow Forecasting Accuracy Analysis

In July and August, the PERF's inflows were higher than normal due to employers' participation in the unfunded accrued liability prepayment option. In October, the PERF's inflows were higher due to quarterly State employer contributions plus the additional State transfer of \$2B. Investment cash flow estimates for the PERF continue to improve, but the asset allocation changes and unexpected inflows from real estate and private asset classes continue to cause forecast volatility.

LRF, JRF I and LTCF total cash flow forecasting were in the 90th percentile. JRF II cash flow accuracy was impacted by the timing of monetary credit payments. The HCF had forecast volatility due to timing of premium payments and increased medical and pharmacy claim payments.

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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