



## Finance and Administration Committee

# Agenda Item 5c

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**September 25, 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 June 30, 2018. The report shows CalPERS maintained adequate liquidity coverage levels for all funds in normal and stressed environments.

The Enterprise Treasury Team (“ETT”) conducts an annual review of the Funding Contingency Plan (“Plan”). Although the Plan was not used during this reporting period, it was updated to include target liquidity asset allocation and changes to reserve levels.

### **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 Public Employees’ Retirement Fund (“PERF”), Legislators’ Retirement Fund (“LRF”), Judges’ Retirement Fund I (“JRF I”), Judges’ Retirement Fund II (“JRF II”), Health Care Fund (“HCF”), and the Long Term Care Fund (“LTCF”) to be known as (“All Funds”). The last report was presented to the Committee in February 2018.

### **Analysis**

#### **Liquidity Coverage Analysis**

The report confirms the liquidity coverage for all funds remained above the threshold in the normal environment. In addition, all funds maintained adequate Level I liquidity had a stressed or crisis event occurred.

## **Cash Flow Forecasting Accuracy Analysis**

In January and June, the PERF's inflows were higher due to quarterly State contributions. June's inflow also included the third and final contribution from the State to comply with SB 84. 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 I, and LTCF was in the 90<sup>th</sup> percentile. HCF's accuracy was impacted by increases in claim payments and risk adjustments. JRF II's forecasting accuracy for contributions was in the 90<sup>th</sup> percentile. JRF II's distribution variances were due to the timing of monetary credit payments.

## **Status of the Funding Contingency Plan**

Although the Plan was not used in this reporting period, updates were made to reflect the target asset allocation and reserve levels. 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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