



Finance and Administration Committee

Agenda Item 6c

February 21, 2019

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, 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”). The Plan was not used during this reporting period; however, an annual review was conducted by ETT in January 2019.

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 September 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

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 JRF I, JRF II, and LTCF was in the 90th percentile. HCF's accuracy was impacted by increases in claim payments and interest earnings. Cash flow forecasting for the LRF was in the 90th percentile except for the month of December. This was due to the timing of a transfer out of the fund.

Status of the Funding Contingency Plan

The Plan was not used in this reporting period; however, an annual review was conducted by the ETT in January 2019. 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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