



## Finance and Administration Committee

# Agenda Item 5e

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**April 21, 2020**

**Item Name:** Treasury Management Reserve Policy

**Program:** Financial Office

**Item Type:** Action Consent

### **Executive Summary**

The Treasury Management Reserve Policy (“Policy”) was last reviewed and approved by the Finance and Administrative Committee (“Committee”) in May 2019. Staff conducted an annual review of the Policy and recommend reducing the five-business day prefunding of monthly benefits for the PERF to three days.

### **Strategic Plan**

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

### **Background**

The Policy was last reviewed and approved by the Committee in May 2019. The Policy was developed by Staff to govern the practices related to the establishment and oversight of such reserves set forth in the Treasury Management Policy. According to the Policy, reserves are “liquid assets dedicated to the payment of member benefits and other obligations during a stressed or crisis event”. The Policy also identifies which programs require a reserve based on Staff’s assessment of the relevant characteristics of each fund.

### **Analysis**

Staff conducted an annual review of the Policy and recommend reducing the five-business day prefunding of monthly benefits for the PERF to three-business days. This change will allow funds to remain available for investment use for two additional days to help meet targeted returns. The reduction of two business days is a result of improved daily and weekly liquid asset reporting processes between the Financial Office and Investment Office. This change is recommended to streamline internal processes as a result of improved liquidity management.

## **Budget and Fiscal Impacts**

Not Applicable

## **Benefits and Risks**

The Policy provides a framework to identify and to mitigate risks early, to avoid future liquidity problems, to strengthen internal controls and to facilitate better decision-making. In addition, the Policy helps safeguard CalPERS against future market events and cash flow stresses that could jeopardize its ability to meet its obligations without interruption.

## **Attachments**

Attachment 1 – Treasury Management Reserve Policy – Current

Attachment 2 – Treasury Management Reserve Policy – Current with Proposed Changes

Attachment 3 – Treasury Management Reserve Policy – Proposed New

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Financial Office

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Michael Cohen  
Chief Financial Officer