CalPERS

Finance and Administration Committee
Agenda Item 5c

September 15, 2020

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, 2020. The report shows CalPERS maintained adequate liquidity coverage levels for all funds in normal and stressed environments.

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).

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 if a stressed or crisis event had occurred.

Cash Flow Forecasting Accuracy Analysis

Cash flow forecasting accuracy for the PERF was in the 90th percentile for January through May. In April 2020, the PERF's inflows were higher due to quarterly State contributions. The increase in June's contribution was due to additional employer discretionary unfunded accrued liability payments. 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 the LRF was in the 90th percentile, except for January, which was due to the timing of member benefit payments. Cash flow forecasting accuracy for JRF I and LTCF was in the 90th percentile. JRF II's forecasting accuracy for contributions was in the 90th percentile, except for March, which was impacted by retroactive benefit adjustments. JRF II's forecasting accuracy for distributions was in the 80th percentile, except for February, which was due to the timing of monetary credit payments and transfer from investments. Cash flow forecasting accuracy for the HCF was in the 80th percentile. HCF's accuracy was impacted by increased administrative fees, pharmacy and medical reimbursements.

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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