



Finance and Administration Committee

Agenda Item 6c

February 17, 2021

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

The Enterprise Treasury Team (“ETT”) conducted an annual review of the Funding Contingency Plan (“Plan”) and minor changes were made. During the reporting period, no events occurred that would have required use of the plan. The review was conducted in January 2021.

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 2020.

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 would have maintained adequate Level I liquidity had a stressed or crisis event occurred during this reporting period.

Cash Flow Forecasting Accuracy Analysis

Overall cash flow forecasting accuracy for PERF, LRF, JRF I, and LTCF was in the 90th percentile. Both JRF II and HCF's cash flow accuracy for contributions was in the 90th percentile. JRF II's distribution accuracy was in the 80th percentile and was impacted by the timing of monetary credit payments. HCF's distribution accuracy was in the 90th percentile except for August and December. In those months, accuracy was in the 80th percentile and was impacted by medical pharmacy claims and administrative fees.

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.

Status of the Funding Contingency Plan

During the reporting period, no events occurred that would have required use of the plan. The review was conducted in January 2021 and minor changes were made. The team 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

Michele Nix
Controller
Financial Office

Michael Cohen
Chief Financial Officer