



## Finance and Administration Committee

# Agenda Item 6c

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**February 14, 2022**

**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, 2021. 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 and no changes were made. During the reporting period, no events occurred that would have required use of the plan. The review was conducted in January 2022.

### **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 requires the Treasury Management Program to provide the Finance and Administration 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 (JRFII), 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 2021.

### **Analysis**

#### **Liquidity Coverage Analysis**

The report confirms the liquidity coverage for all funds remained above the threshold in normal environments. 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 the PERF, LRF, JRF I, and LTCF was in the 90<sup>th</sup> percentile. JRF II’s cash flow accuracy for contributions was in the 90<sup>th</sup> percentile. JRF II’s distribution accuracy was in the 70<sup>th</sup> percentile and was impacted by the timing of Monetary Credit Payments. Monetary Credit Payment discrepancies can occur when the actual retirement date differs from the initial planned retirement date. Monetary Credits provide a lump sum payment to those judges who leave the bench before reaching eligibility for the defined benefit plan. HCF’s contribution accuracy was in the 70<sup>th</sup> percentile in July through September due to the timing of the CRF transfer. Accuracy was in the 90<sup>th</sup> percentile in October through December. HCF’s distribution accuracy was in the 90<sup>th</sup> percentile except for August and December. In those months, accuracy was in the 80<sup>th</sup> 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 plan review was conducted in January 2022 and no changes were recommended. The team continues to use 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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Michele Nix  
Controller  
Financial Office

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Michael Cohen  
Chief Financial Officer