



Finance and Administration Committee

Agenda Item 5d

February 20, 2024

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, 2023. 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 recommended. During the reporting period, no events occurred that would have required use of the Funding Contingency Plan. The review was conducted in January 2024.

Strategic Plan

This agenda item aligns with the pension sustainability goal to strengthen the long-term sustainability of the pension fund.

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 (LCR) 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 2023.

The LCR analysis serves to identify whether the program was required to sell investments, beyond the normal operating requirements, to cover operational expenses. The LCR analysis provides a comprehensive view of a fund's liquidity by evaluating the equilibrium between cash inflows, such as contributions and investment returns, and cash outflows, including benefit disbursements and operational expenses. Maintaining LCR ratios within predetermined limits is one indicator of the funds' fiscal health. Any significant deviation from these thresholds may

signal a need for immediate, strategic intervention to sustain the pension and health fund's long-term stability and fiscal integrity.

Liquidity Coverage Analysis

The report confirms the liquidity coverage for all funds remained above the threshold in normal environments from July through December. In addition, all funds would have maintained adequate Level I liquidity had a stressed or crisis event occurred during this reporting period.

During this reporting period for the Health Care Fund (HCF), the amount disbursed for benefits exceeded the incoming premiums, resulting in a \$50 million withdrawal from the reserve account.

Cash Flow Forecasting Accuracy Analysis

Cash flow forecasting accuracy for all funds was in the 90th percentile for July through December. The increase in July contributions for PERF was attributed to timing of the receipts of both the quarterly State Employer contributions and Unfunded Accrued Liability contributions.

Status of the Funding Contingency Plan

During the reporting period, no events occurred that would have required use of the Funding Contingency Plan. The plan review was conducted in January 2024 and no changes are 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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