



Board Administration Policy

Cash Management and Liquidity Policy

I. Purpose

- A. The purpose of this policy is to establish general guidelines for cash flow management to ensure that sufficient cash is available for the day-to-day operational needs of the system in order to pay SJCERA retirement benefit expenses, operating expenses, and handle fund manager capital calls.

II. Background

A. Northern Trust Liquidity Pool Account

1. SJCERA's cash and short-term investments are managed by The Northern Trust (NT), SJCERA's master custodian bank, and the San Joaquin County Treasurer office. SJCERA uses NT's Short-Term Investment Fund (STIF) which is invested in high-grade money market instruments with very short maturities.

B. Cash Accounts in County Treasurer

1. Cash necessary for SJCERA's daily operations and administrative expenses is pooled with other County funds for short-term investment by the County Treasurer. There are two cash accounts held in the County Treasurer. The Operation fund is used for the receipt of contributions from employers and payment of contribution withdrawals to members. The Administration fund is used to pay SJCERA's administrative expenses.
2. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds. These two cash accounts are monitored daily by the Retirement Financial Officer. If cash is needed in these cash accounts, in consultation with SJCERA's Executive Management and investment consultant, the Retirement Financial Officer will initiate the funds transfer from the NT Liquidity Pool Account to replenish these two cash accounts to meet operations and administrative expenses.

III. Liquidity

- A. To facilitate liquidity requirements, SJCERA established and maintains a Liquidity Pool with the Master Custodian Bank to:
 1. Accept biweekly transfers of member and employer retirement contributions and monthly sick leave bank benefit payment reimbursements deposited by the

County (as paying agent for all participating employers) into SJCERA's Operation Fund

2. Pay benefits and expenses
 3. Facilitate funding of capital calls
 4. Provide the margin and liquidity necessary for the Cash Overlay program that is maintained by the Cash Overlay Manager
 5. Daily sweep of cash balance from Commingled Fund, Private Real Estate and Private Equity managers
- B. The Liquidity Pool will be funded to contain a sufficient reserve and will be monitored monthly. At a minimum, the Liquidity Pool will contain a one-month payment reserve and will be replenished by the end of any month in which the balance is less than a one-month payment reserve. The funding sources of the Liquidity Pool will be in accordance with the SJCERA's Strategic Asset Allocation Policy. The Liquidity Pool is invested in the Master Custodian Bank's Short Term Investment Fund. In addition, Northern Trust is authorized to transfer on a daily basis all available U.S. dollar cash balances of each account to NT Liquidity Pool Account. Northern Trust will monitor and identify cash balances that exist as of the close of each business day, and that such cash balance, if any, will then be transferred to the NT Liquidity Pool Account.
- C. When cash is needed in the Liquidity Pool, in consultation with SJCERA's investment consultant, staff will determine the appropriate funding sources. Funding sources may include accounts with greater liquidity, lower transaction costs, or accounts which are overweight compared to their target allocation.
1. Authority to move cash between manager accounts and SJCERA's Liquidity Pool, or to liquidate assets, up to a maximum of \$50,000,000 per transaction will be accomplished at the staff level at the authority of the Chief Executive Officer.
 2. Liquidation of assets to fund the Liquidity Pool in excess of \$50,000,000 per transaction will be submitted to the Board for approval. In the rare event that time does not permit action by the Board, the Chief Executive Officer, in consultation with SJCERA's investment consultant, will seek approval from the Board Chair. The Board Chair may grant such approval. Any asset liquidation in excess of \$50,000,000 approved by the Board Chair must be reported to the full Board at its next meeting. Funding of new managers or strategies from an existing manager's mandate will be submitted to the Board for approval.
 3. Generally, fixed income interest will be reinvested by SJCERA's Fixed Income asset managers. However, based on SJCERA's projected cash demands such as paying benefits and expenses, the Chief Executive Officer, in consultation

with SJCERA's investment consultants, may direct one or more of the Fixed Income asset managers to distribute, rather than reinvest, fixed income interest to SJCERA until further notice. Subsequently, based on SJCERA's projected cash demands and in consultation with SJCERA's investment consultants, the Chief Executive Officer may direct one or more Fixed Income asset managers to reinvest fixed income interest again.

IV. Communications

- A. The staff will report to Chief Executive Officer all cash management activity including:
1. Quarterly Cash Activities Report;
 2. Annual Cash Flow Statement with Fixed Income Interest, Contributions and Benefit Payment;
 3. Resolutions pertaining to Liquidation of Assets/Transfer of Funds in excess of \$50,000,000 per transaction.

V. Policy Review

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

VI. History

02/25/2011	Adopted by Board of Retirement as INV 0600
01/24/2014	Adopted by Board of Retirement as INV 0620
09/26/2014	Revised by the Board of Retirement as ADMIN 0108
06/26/2015	Revised by the Board of Retirement as ADMIN 0108
06/29/2018	Reviewed, no content changes, staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/10/2020	Revised to increase reporting threshold to \$50 million, update Liquidity Pool funding sources, and other non-substantive changes

Certification of Board Adoption:


Clerk of the Board

07/10/2020

Date