

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (FCERA)
Cash Liquidity Policy

I. Overview

FCERA has three primary accounts in which to place cash: the Custodian Unallocated Cash Account, the County Treasury Pool, and the Overlay Margin Account. Each account earns different rates of return depending on the underlying agreements, interest rate environment, and the differences in the Treasurer's duration, as the Treasurer's cash is a blend of comparatively low risk fixed income instruments usually held to maturity.

The purpose of this policy is to attempt to ensure that FCERA's cash assets are liquid and secure, and to ensure a minimum of three month's operating cash is readily available, approximately \$100M, and three times the cash needed for FCERA's overlay program. (For example, a \$10M required margin will cause staff to maintain a balance of at least \$30M.)

II. Guidelines

Custodian Unallocated Cash Account:

- 1) The Custodian Unallocated Cash Account is a sweep account that funds all aspects of FCERA's investments, operations and retiree payroll, and is FCERA's primary cash account.
 - a) The normal minimum operating balance for the combined County Treasury and Custodian Unallocated Cash Account will be maintained at a combined \$100M to ensure approximately three month's operating cash and capital calls from private managers. Should the balance fall below a combined \$100M during extreme funding conditions, it will be restored to a combined \$100M within 90 calendar days.
 - b) The Custodian Unallocated Cash Account shall not exceed 10% of FCERA's total assets for longer than 30 calendar days, unless extended by a formal motion of FCERA's Board of Retirement during a properly noticed meeting.

County Treasury:

- 2) FCERA uses the County Treasury to hold contribution payments received from sponsors and members that are awaiting transfer to the Custodian Unallocated Cash Account, and to hold cash for operational expenditures that are paid through the County Treasurer.
 - a) The County Treasury Pool shall not exceed a balance of \$40M or fall less than \$5M as of any given month-end.
 - b) The County Treasury Pool shall not exceed \$50M, or fall below \$0, on any given day.

Overlay Margin Account:

- 3) Overlay Margin is the cash collateral required to obtain synthetic market exposure (“positions”) and can change significantly within short periods of time due to gains and losses in the value of the positions.
 - a) FCERA will maintain at least three times the required margin in the Overlay Margin Account or \$10M, whichever is greater, in order to absorb extreme market fluctuations affecting position valuations and to ensure that the amount so maintained shall not fall below that minimum for a period longer than 90 calendar days.
 - b) The Overlay Margin Account shall not exceed 10% of FCERA’s total assets for a period for longer than 30 calendar days, unless extended by a formal motion of FCERA’s Board of Retirement during a properly noticed meeting.

Overlay Provisions:

- 4) FCERA will overlay cash in accordance with FCERA’s Overlay Manager Guidelines,¹ unless directed by the Board of Retirement via formal motion during a properly noticed meeting to hold a source of cash as non-overlaid.
 - a) Under exceptional liquidity events, where cash is unavailable from other sources, the Retirement Administrator, in consultation with the General Investment Consultant and the Chair of the Board, will reduce overlay exposure, as needed, to fund benefit payments, capital calls, and other financial obligations.

Adjustment Authorization:

- 5) The Retirement Administrator is authorized to adjust the allocation thresholds and adjust overlay provisions contained in this policy, on a temporary basis not longer than 30 calendar days, upon the consultation of the General Investment Consultant and the Chair of the Board, as deemed prudent during abnormal market conditions and other exceptional events.
- 6) The Board retains the authority to adjust the allocation thresholds and overlay provisions contained herein, and may on a temporary basis, by formal motion at a properly noticed meeting, as the Board deems prudent for dealing with abnormal market conditions, policy implementation concerns, or other unanticipated events, adjust these allocation thresholds and/or overlay provisions without modifying the guidelines of this policy.

¹ Exhibit A to the Overlay Manager Investment Management Agreement, “Overlay Investment Guidelines.”

III. Policy Review

- 1) This policy will be reviewed at least every three years.

IV. Policy History

- 1) The Board first approved this policy on August 5, 2020.
- 2) The Board of Retirement reviewed and modified this policy on October 6, 2021

V. Secretary's Certificate

I, Donald Kendig, the duly appointed Secretary of the Fresno County Employees' Retirement Association, hereby certify the adoption of these procedures.

October 6, 2021

Date of Action:

Donald C. Kendig

By: Retirement Administrator