



Cash Management and Liquidity Policy

I. Purpose

- A. To establish general guidelines for cash management and liquidity.

II. Objective

- A. To ensure cash balances are managed to maintain adequate liquidity and preserve principal, with excess funds invested in accordance with applicable investment policies to optimize returns consistent with the organization's risk tolerance and asset allocation.

III. Background

- A. San Joaquin County Employees' Retirement Association's ("SJCERA") cash and short-term investments are held by our Custodian Bank and the San Joaquin County Treasurer.
- B. SJCERA has two primary cash management accounts with our Custodian Bank: the Liquidity Pool Account and the Treasury Account.
 - 1. Custodian Bank Liquidity Pool Account
 - a. SJCERA uses this account, which leverages the Custodian Bank's Short-Term Investment Fund ("STIF") to invest in high-grade money market instruments with very short maturities to:
 - (1) Receive distributions from fund managers, receive bi-weekly Employer and Employee contributions, and to provide available cash for capital calls and SJCERA administrative expenses.
 - (2) Provide the margin and liquidity necessary for the Cash Overlay program that is maintained by the Custodian Bank.
 - 2. Custodian Bank Treasury Account
 - a. SJCERA uses the Custodian Bank's Treasury Account for all SJCERA's benefit payments to members and beneficiaries, paying vendors, and for Trustee and staff travel expense reimbursement.
 - 3. County Treasurer Administrative Account
 - a. SJCERA uses the County Treasurer Administrative Account to pay SJCERA staff payroll and County Shared Services Fees.

- b. The County is responsible for the control and safekeeping of all instruments of title and for investment of this account. This account is monitored monthly by SJCERA's Finance staff. If cash is needed, the Retirement Financial Officer, with approval from SJCERA's Executive Management, will transfer funds from the Custodian Bank Liquidity Pool Account.

IV. Liquidity Management

- A. The Custodian Bank Liquidity Pool will be funded to contain a sufficient reserve and will be monitored monthly. The minimum liquidity reserve shall equal two (2) months of projected net benefit payments, operating expenses, and reasonably anticipated capital calls under normal operating conditions. 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 Custodian Bank's STIF. In addition, the Custodian Bank is authorized to transfer, on a daily basis, all available U.S. dollar cash balances of each account to the Liquidity Pool Account. The Custodian Bank 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 Liquidity Pool Account.
- B. 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 ("CEO").
 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 CEO, 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 CEO, 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 CEO may direct one or more Fixed Income asset managers to reinvest fixed income interest again.

V. Communications

- A. Staff will report to CEO 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.

VI. Emergency Cash Management

- A. SJCERA shall maintain an agreement with the County to send and receive funds through the Administrative Account held at the County Treasurer, to preserve operations in case of an emergency which renders SJCERA unable to receive or distribute funds through the Custodian Bank Liquidity Pool.
- B. The County Treasurer has established separate emergency banking relationships and accounts in the event the primary County Administrative Account also becomes inaccessible and will provide SJCERA use of this emergency account as needed.

VII. Law Prevails

- A. In the event a conflict between this Policy and any applicable law, including the California Government Code; the Internal Revenue Code; or other local, state, or federal statutes, the law shall prevail. If any provision of this Policy shall be held or made invalid by a court decision, statute, or rule, or shall be otherwise rendered invalid, the remainder of this Policy shall survive.

VIII. Policy Review

- A. Staff shall review this Policy at least once every three (3) years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board in accordance with the bylaws.

VII. 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
07/14/2023	Revised to reflect current procedure, clarify the purpose of each cash account, added the Emergency Cash Management section, and other non-substantive changes

07/10/2026 Added Law Prevails section, clarification of minimum liquidity reserve, change in bank account utilization and non-substantive formatting changes

Certification of Board Adoption:



Clerk of the Board

07/10/2026

Date