

Fund liquidity

Paying timely benefit payments is a key objective that requires an appropriate level of cash or liquid assets that can be readily converted to cash. To ensure the fund has an appropriate level of liquidity, the Investment Policy specifies minimum levels of cash and other liquid assets. In addition to required policies, the Risk Allocation Committee manages portfolio rebalancing and timing in order to ensure cash is available when needed. A convenient framework for measuring how much liquidity is available is to break down the assets into multiple tiers:

- Cash.
- Tier 1 assets: Securities that trade frequently and can be readily converted to cash.
- Tier 2 assets: Generally liquid securities that can still trade at prevailing price levels even in periods of modest market stress.
- Less liquid assets: Securities that are by their nature illiquid, such as Private Equity Portfolio partnerships and otherwise liquid assets that become illiquid in periods of stress.

Table 2 shows the liquidity profile of the total portfolio. The combination of cash and Tier 1 assets provide a substantial cushion to ensure timely benefit payments, even in periods of extended market stress.

Table 2. Fund liquidity

Asset	Portfolio value (billions)	Months of benefit payments
Cash	\$4.9	3.3
Tier 1 assets	\$178.5	120.3
Tier 2 assets	\$8.4	5.7
Less liquid assets	\$114.2	77.0