Fund liquidity as of December 31, 2023

Maintaining liquidity to pay benefits, rebalance the portfolio, avoid forced selling, and take advantage of market opportunities are key liquidity oversight objectives. Grouping portfolio assets into “liquidity tiers” is a convenient framework for measuring available liquidity. As described below, the portfolio maintains an allocation to cash and a large allocation to assets that can be readily converted to cash:

- 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.
- Illiquid 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 3 shows the liquidity profile of the total portfolio by liquidity tier. The combination of cash and Tier 1 assets provides a substantial cushion, even in periods of extended market stress.

Table 3. Fund liquidity

Asset	Total Fund %	Months of benefit payments
Cash	2.8%	5.9
Tier 1 assets	56.7%	119.9
Tier 2 assets	2.9%	6.2
Illiquid assets	37.5%	79.4

Another way to monitor the liquidity of the CalSTRS portfolio is through the Liquidity Coverage Ratio [LCR]. The LCR is a commonly used liquidity risk metric in the financial services industry and is helpful for monitoring the liquidity of the portfolio in a stressed environment. The LCR shown below refers to the proportion of cash available to meet stressed liquidity needs over a 90-day period. Chart 40 shows the 90-day LCR is 2.7, or 270%, as of December 31, 2023. The portfolio holds substantial cash to meet potential needs in a stressed environment.

Chart 40. 90-day Liquidity Coverage Ratio (as of December 31, 2023)