



BEST PRACTICE

Endorsing A Framework for Understanding Pension Fund Risk (2001)

Background: One of the foremost challenges for fiduciaries who govern or manage public pension funds is to understand in a comprehensive manner the great variety of risks facing a pension fund in delivering its ultimate objective: the provision of retirement benefits to future and current beneficiaries. A clear framework for understanding and categorizing risk is a fundamental step in treating it effectively.

Recommendation: GFOA endorses the report developed jointly by the Association of Public Pension Fund Auditors and selected chief investment officers of public pension funds, entitled "Public Pension Systems: Statements of Key Investment Risks and Common Methods to Address those Risks." By reviewing this report, governing and managing fiduciaries responsible for the investments of public pension fund assets will be better able to understand, categorize and manage the myriad investment risks. GFOA encourages its members to obtain and review this report.

References

- *Public Pension Systems: Statements of Key Investment Risks and Common Practices to Address Those Risks*, Association of Public Pension Fund Auditors, July 2000, http://www.nctr.org/content/pdf/addres_risk.pdf, Endorsed by GFOA, National Council on Teacher Retirement (NCTR.org), National Association of State Retirement Administrators (NASRA.org), and the Association of Public Pension Fund Auditors (APPFA.org).
- *Pension Fund Investing: Guides for Trustees and Administrators*, by Girard Miller, GFOA.

Approved by the GFOA's Executive Board, 2001.