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GFOA New Best Practices Address Cash Flow Analysis, Investment Policy.

The GFOA Executive Board approved two new best practices in addition to updates to four other existing best practices at the September 2016 meeting. These documents provide recommendations to government finance officers in the areas of treasury and investment management, and retirement administration and benefits administration.

Cash-Flow Analysis. This new best practice recommends six essential elements of a cash flow analysis, an important tool to inform management decision making. GFOA recommends that state and local governments perform ongoing cash-flow analysis to ensure sufficient cash liquidity to meet disbursement requirements while also limiting idle cash.

Investment Policy. This new best practice recommends reviewing and, if necessary, updating the investment policy annually. The document includes statements on eight key points, including the fact that an investment policy enhances the quality of decision making and demonstrates a commitment to the fiduciary care of public funds. As a result, a public fund's investment policy is the most important element in a public funds investment program. GFOA recommends that all public entities establish a comprehensive written investment policy, adopted by the governing body.

Hybrid Retirement Plan Design. This best practice was revised to reflect the continuing evolution of hybrid plan designs. GFOA recommends design elements for hybrid plans or plans that combine hybrid features with defined benefit or defined contribution plans.

Establishing and Administering an OPEB Trust. This best practice was revised to align with language related to the January 2016 best practice, Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits. It includes a new recommendation that governments commit to funding promised benefits based on regular actuarial valuations, with a target funded ratio of 100 percent or more. GFOA also recommends creating a qualified trust fund to prefund OPEB obligations.

OPEB Governance and Administration. This revision aligns the best practice with the Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits. That best practice, from January 2016, recommends conducting an audit of actuarial valuations to review the appropriateness of the actuarial methods, assumptions, and their application. The updated language addresses employers that issue periodic studies, experience studies, and periodic actuarial audits. GFOA recommends that sponsoring entities provide a clear, well-documented governance structure to guide governing bodies and plan administrators.

Educating Employees About the Adequacy of Retirement Benefits. As part of GFOA's effort to consolidate and develop more comprehensive best practices, this updated document addresses elements of a sound educational program as well as guidance for employers and retirement systems that procure external providers of financial education and advice. GFOA recommends that public-sector employers and plan administrators inform and educate employees about future retirement

income and the variables that may affect future retirement income, depending on the income source.

Government Finance Officers of America

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