A risk level has been identified.

The term "risk" has different connotations depending on the Investment Steward's frame of reference, circumstances, and objectives. Typically, the investment industry defines risk in terms of statistical measures such as standard deviation. However, these statistical measures may fail to adequately communicate the potential negative consequences an investment strategy can have on the Steward's ability to meet investment objectives.

An investment strategy can fail by being too conservative as well as too aggressive. A Steward could adopt a very safe investment strategy by keeping a portfolio in cash, but then see the portfolio's purchasing power whither under inflation. Or a Steward could implement a long-term growth strategy that overexposes a portfolio to equities, when a more conservative fixed-income strategy would have been sufficient to cover the identified goals and objectives.

Substantiation

Employee Retirement Income Security Act of 1974 [ERISA]

§404(a)(1)(B)

Regulations
29 C.F.R. §2550.404a-1(b)(1)(A); 29 C.F.R. §2550.404a-1(b)(2)(B)(i-iii)

Case Law
Laborers National Pension Fund v. Northern Trust Quantitative Advisors, Inc., 173 F.3d 313, 23 E.B.C. 1001 (5th Cir.), *reh'g and reh'g en banc denied,* 184 F.3d 820 (5th Cir.), *cert. denied,* 528 U.S. 967, 120 S.Ct. 406, 145 L.Ed.2d 316 (1999); *Chase v. Pevear,* 383 Mass. 350, 419 N.E.2d 1358 (1981)

Uniform Prudent Investor Act [UPIA]

§2(b) and (c); §2 Comments

Uniform Prudent Management of Institutional Funds Act [UPMIFA]

§3(e)

Management of Public Employee Retirement Systems Act [MPERS]

§8(b); §8 Comments

CRITERIA

2.2.1 The level of risk the portfolio is exposed to is understood, and the quantitative and qualitative factors that were considered are documented.

2.2.2 A "worst case" scenario has been considered, and it has been determined that the portfolio has sufficient liquidity to meet short-term (less than five years) obligations.