



# OFFICE OF THE STATE AUDITOR

## *E-Update*

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**State Auditor  
Rebecca Otto**

**October 24, 2008**

1. Pension Updates: Relief Association Investments & Working Group
2. Revised: Statements of Position
3. Avoiding Pitfalls: Broker Certifications

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### **1. Pension Updates: Relief Association Investments & Working Group**

#### **Relief Association Investments**

When presented with investment proposals, keep in mind the old adage: "If it sounds too good to be true, it probably is". Relief association trustees should use caution when making investment decisions, especially during times of extreme market volatility.

State law places restrictions on the types of investments that relief associations may invest in and sets limitations on exposure to higher-risk investments. During the past few weeks we have received inquiries about investing in certain types of hedge funds, managed futures, and investments with short sales. Some of these types of investments are not authorized under state law. The list of authorized investment securities can be viewed at:

[https://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=STAT\\_CHAP\\_SEC&year=current&section=356A.06](https://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=STAT_CHAP_SEC&year=current&section=356A.06).

#### **Working Group**

The Office of the State Auditor will be reconvening the Fire Relief Association Working Group again this fall. The Working Group was created to bring together the major volunteer fire relief association stakeholders to discuss association issues, facilitate communication, develop relationships, and make the pension process easier and more effective.

The Working Group is scheduled to meet on October 28, November 6, November 18, December 4 and December 16. All meetings will be held from 11:00 AM to 1:00 PM at

the Office of the State Auditor in Saint Paul and are open to the public. Meeting agendas and materials will be available on our website at:

<http://www.auditor.state.mn.us/default.aspx?page=reliefworkinggroup>.

We're interested in identifying and addressing current and pressing relief association issues for the Working Group to consider. In the past, trustees throughout Minnesota have suggested topics for the group: if members in your community would like to suggest topics, please forward them to Rose Hennessy Allen at [Rose.Hennessy-Allen@state.mn.us](mailto:Rose.Hennessy-Allen@state.mn.us) or (651) 296-5985.

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## **2. Revised: Statements of Position**

The Statement of Position on Deposits of Public Funds has been revised in light of recent Congressional action which temporarily raised the limit on deposit insurance for all accounts held by a single depositor. Beginning October 3, 2008, the FDIC raised the limit on deposit insurance available to protect the amount on deposit to \$250,000 from \$100,000. This is scheduled to remain in effect until December 31, 2009. To view the revised Statement, go to:

[http://www.auditor.state.mn.us/other/Statements/depositpublicfunds\\_0808\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/depositpublicfunds_0808_statement.pdf).

The Statement of Position on County Commissioner Per Diem Payments has been revised to include a link to the Minnesota Attorney General's Opinion referenced in the Statement. To view the revised Statement, go to:

[http://www.auditor.state.mn.us/other/Statements/commissionerPerDiem\\_0707\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/commissionerPerDiem_0707_statement.pdf).

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## **3. Avoiding Pitfalls: Broker Certifications**

Minnesota law requires local units of government to obtain a broker's certification before transacting business with the broker. Each year, the broker must acknowledge in writing the receipt of a statement of investment restrictions and agree to handle the government entity's account in accordance with those restrictions. The law prohibits a government entity from entering into a transaction with a broker until the broker provides the entity with the required certification.

For more information and a broker certification form, go to:

<http://www.auditor.state.mn.us/forms/aud/brokerAud.pdf>.

Broker certification forms for relief associations can be found at:

[http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf\\_brokercert\\_form.pdf](http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf_brokercert_form.pdf).

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