

**RELIEF ASSOCIATION  
SANDSTONE FIRE AND RESCUE  
INVESTMENT POLICY**

**I. PURPOSE**

It is the policy of the Sandstone Fire Relief Association (Relief) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the retirements needs and goals of the Relief while conforming to all state and local statutes governing the investment of public funds. The purpose of this Policy is to develop an overall program for cash investments, designed and managed with a high degree of professionalism, worthy of the public trust; to establish that elected and appointed officials and employees are custodians of a portfolio which shall be subject to public review; to establish cash investment objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments, selection process for investments, and safekeeping requirements.

**II. SCOPE**

This Policy applies to the financial assets of the Relief including its General Fund, and Special Fund.

**III. OBJECTIVE**

At all times investments of the Relief shall be in accordance with Minnesota Statutes 356A.06 subdivision 6. The primary objectives of the Relief's investment activities shall be in the following order of priority:

**A. SAFETY**

Safety of principal is the foremost objective of the investment portfolio. Preserving capital and protecting investment principal shall be the primary objective of each investment transaction.

**B. LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet projected disbursement requirements.

**C. RETURN ON INVESTMENT**

The investment portfolio shall be designed to manage the funds to maximize returns consistent with items A and B above and within the requirements set forth in this Policy.

#### D. LOCAL INVESTMENT

The investment portfolio shall include investments in local financial institutions while staying consistent with items A, B and C above.

#### IV. DELEGATION OF AUTHORITY

***The Fire Relief Association Board is ultimately responsible for the investment of funds.***

The Relief Association Treasurer is appointed as the Investments Officer and is authorized to invest public funds within the confines of this Policy for the Sandstone Fire Relief Association and with the advice of an investment advisor hired by the Relief Board.

The Investments Officer, acting in accordance with this Policy and exercising due diligence, shall not be held responsible for losses, provided that the losses are reported immediately and that appropriate action is taken to control further losses.

The Relief Association Board may hire an investment advisor who is either registered with the Securities and Exchange Commission in accordance with the Investment Advisors Act of 1940 or registered as an investment advisor in accordance with sections 80A.58 and 80A.60 of Minnesota Statutes. Said advisor shall invest such funds as are provided and in a manner as directed by the Relief Association Board and this policy.

#### V. PRUDENCE

The "Prudent Person Rule" shall be applied in managing the investments. All investment transactions shall be made in good faith with the degree of judgment and care, under the circumstances, that a person of prudence, discretion and intelligence would exercise in the management of their own affairs. This standard of prudence shall mean not for speculation, and with consideration of the probable safety of the capital as well as the probable investment return derived from assets, and will be applied in all investment transactions.

#### VI. REPORTING REQUIREMENTS

The Treasurer shall provide an investments report to the Relief Association Board at least once every quarter.

#### VII. INTERNAL CONTROLS

Internal controls are designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. Before the Relief invests any surplus funds, competitive quotations shall be obtained. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, quotations will be requested for instruments, which meet the

maturity requirement. If no specific maturity is required quotations will be requested from financial institutions for various options with regard to term and instrument. The City will accept the quotation, which provides the highest rate of return within the maturity required and within the limits of this Policy. Records will be kept of the quotes offered, the quotes accepted, and a brief explanation of the decision, which was made regarding the investment.

The Investments Officer shall be limited to investing funds for up to a maximum term of seven years. The Relief Association Board shall have the authority to authorize investment of funds for terms exceeding seven years.

## **VIII. ELIGIBLE INVESTMENTS**

All Relief investments shall be in accordance with Minnesota Statutes 356.06 subd 6 and subd 7, amendments and shall favor the following instruments:

1. Cash deposited in any savings association, commercial bank, trust company, credit union, or industrial loan and thrift institution whose funds are fully insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or National Credit Union Administration (NCUA) or collateralized with obligations described in Section IX of this Policy;
2. Operating Bank Account - Deposits shall be limited to the amounts guaranteed by FDIC, FSLIC or NCUA unless overnight funds in excess are fully collateralized under the specific requirements of Section IX of this Policy;
3. Certificates of Deposit, Time Deposits and other evidences of deposits from thrift institutions, banks, savings banks, trust companies, or savings and loan associations which are authorized to transact business in the State of Minnesota (State). Deposits of public funds which exceed FDIC, FSLIC or NCUA insurance are to be fully collateralized under Section IX of this Policy;
4. Minnesota Supplemental Fund investments by the State Board of Investment (SBI).
5. Other authorized investment securities include those listed in the limited list and expanded list of authorized investment securities as issued by the Office of the State Auditor.

## **IX. SAFEKEEPING**

Before accepting any investment of Relief funds, the supervising officer of the financial institution shall submit a certification stating that the officer has reviewed applicable state law, and agrees to act in a manner consistent with those policies and objectives. The certification shall also require the supervising officer to disclose potential conflicts of interest or risk to public funds that might arise out of business transactions between the firm and the Relief. All financial institutions shall agree to

undertake reasonable efforts to preclude imprudent transactions involving the Relief funds.

Amounts in excess of FDIC, FSLIC or NCUA amounts must be fully collateralized by securities that are full faith and credit obligations of the U.S. Government in a value of 10% more than the amount of deposit. Acceptable collateral includes the following:

1. Securities of the U.S. Treasury or U.S. Governmental Agency as defined by the Federal Reserve; and
2. U.S. Government guaranteed securities, such as those issued through the Small Business Administration, are acceptable as long as they are full faith and credit obligations of the U.S. Government.
3. General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service.
4. Irrevocable standby letters of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's.

The City will not accept notes secured by first mortgages as permitted collateral unless they are full faith and credit obligations of the U.S. Government.

An itemized listing of securities pledged and held in safekeeping assigned to the City at the time funds are invested must be provided to the City Administrator on the same business day the investment is purchased. Changes in the values of the securities pledged shall be delivered to the City Administrator immediately by the financial institution.

This Investment Policy shall be reviewed annually by the Relief Association Board at the annual Relief Association meeting.

Adopted by Relief Association Board: 1/xx/2012

### Limited List of Authorized Investment Securities

Investment Type	Allowable % of Assets	Notes
U.S. Government Obligations	• Up to 100%	Bonds, notes, bills or other fixed obligations.
Corporate Obligations	• Up to 100%	Must be issued by a U.S. Corporation, with obligations rated in the top three quality categories.
CDs & Savings Accounts	• Up to 100%	Fully-insured, or have sufficient collateral pledged.
SBI Supplemental Fund	• Up to 100%	
Mutual Funds	• Up to 100%	Underlying assets must consist of investment grade bonds, government debt, or insured savings/CDs.
	• Up to 75%	Underlying assets must consist of investment grade bonds, government debt, domestic or developed market corporate stock, and real estate investment trusts or any other investment as authorized and restricted by Minn. Stat. § 356A.06 Subd. 7 (c-k).
Exchange Traded Funds	• Not Authorized	
Corporate Stock	• Not Authorized	
Other Investments	• Not Authorized	

## Expanded List of Authorized Investment Securities

Investment Type	Allowable % of Assets	Notes
Government Obligations	• Up to 100%	Bonds, notes, bills or other fixed obligations issued by U.S. governments, backed by the full faith and credit of the issuer or rated in the top four quality categories.
Corporate Obligations	• Up to 100%	Must be issued by a U.S. or Canadian Corporation, with obligations rated in the top four quality categories.
Certificates of Deposit	• Up to 100%	Issued by U.S. bank or savings institution in the top four rating categories or a credit union (fully insured). Bank deposits and non transferable CDs must be fully insured or collateralized.
<i>structured funds</i>		
SBI Supplemental Fund	• Up to 100%	
Mutual Funds	• Up to 100%	Underlying assets must consist of investment grade bonds, government debt, domestic or developed market corporate stock, real estate investment trusts or any other investment authorized by Minn. Stat. § 356A.06 Subd. 7 (c-j).
Exchange Traded Funds	• Up to 100%	Underlying assets must consist of investment grade bonds, government debt, domestic or foreign developed market corporate stock, real estate investment trusts or any other investment authorized by Minn. Stat. § 356A.06 Subd. 7 (c-i).
Corporate Stock	• Up to 85%, Including All "Other Investments"	This limit applies to all stock investments, including those through mutual funds, exchange traded funds and real estate investment trusts. Must be organized in the U.S. or Canada, or listed on an exchange regulated by an agency of the U.S. or Canadian government. Foreign stock must be sold on an exchange in a country in the EAFE index (developed markets).

Investment Type	Allowable % of Assets	Notes
Other Investments	• * Up to 20%	• Any international debt.
International Debt		• Any foreign stock from countries not included in the EAFE index.
Emerging Market Equity		• That portion of any mutual fund that does not qualify under the mutual fund authority shown above, including mutual funds holding below investment grade bonds.
Mutual Funds		• Through limited partnerships, private placements, and corporations.
Resource Investments		• Through limited partnerships and corporations.
Venture Capital		• Ownership interests or loans secured by mortgages or deeds of trust through limited partnerships and bank sponsored collective funds.
Real Estate & Loans		<i>REITS?</i>

\* "Other Investments" are also subject to the following limitations: (a) Must be at least four unrelated owners, (b) relief association cannot own more than 20% of the investment and (c) relief association cannot be a general partner.