



LEWIS, LONGMAN & WALKER, P.A. Reply to: Tallahassee
ATTORNEYS AT LAW

July 7, 2009

Thomas A. Beenck, Esquire
Acting General Counsel
State Board of Administration
1801 Hermitage Boulevard
Tallahassee, Florida 32308

Re: Local Government Surplus Funds Trust Fund – Statutory Compliance Review

Dear Mr. Beenck:

As you know, the LLW statutory compliance review of the Local Government Surplus Funds Trust Fund was presented to the joint Investment Advisory Council/Participant Local Government Advisory Council on June 18, 2009, and no additional questions or concerns were raised at that meeting by members of either council.

Our review of the Trust Fund, as described in detail in our document of June 10, 2009, found that the Trust Fund is in compliance with all requirements of section 218.405(3), Florida Statutes, with explanation of the following items:

- A total of 19 of the over 2000 accounts in existence at the time of the review did not have resolutions on file. These now have been requested from the participants.
- Two accounts were opened during the relevant time period by entities not already participating in the Trust Fund, after the date the new legislation took effect, and did not have disclosure acceptance statements on file. These now have been received.
- Section 218.407(2), Florida Statutes, states that a copy of the signed acceptance of disclosure statement shall, “if appropriate,” be provided to a professional money management firm. Copies of these statements have not been provided to Federated Investors, Inc., the firm which invests the Trust Fund funds in accordance with the Investment Policy Guidelines. Staff has determined that providing such copies is not appropriate under the present circumstances, as Federated is managing a pooled fund, rather than individual accounts of Fund participants.

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July 7, 2009

Page -2-

- The present safeguards assure that the administration of the Trust Fund is in accordance with stringent standards of disclosure designed to prevent the loss of funds from fraud, error, misrepresentation, market changes or imprudent actions by the Board or a money manager, and in some aspects exceed what is required by statute, but the statute requires a written reporting guideline directing all employees how to formally escalate such matters. The present Controls and Escalation Procedures of the Investment Policy Guidelines appear to apply expressly only to the Investment Oversight Group. Staff is in the process of clarifying Board policy 10-042, Internal Controls and Fraud, to address the escalation procedure for all employees.
- Up to December, 2008 participant requests for withdrawal of funds from their accounts were restricted to certain varying percentages based upon the amount in their account and were subject to redemption fees. The percentage restriction and the redemption fees were eliminated as of December, 2008 and no longer exist. In the balance of the time period covered by our review, the principal of all accounts in the Trust Fund has been paid at any time requested by a participant and there have been no events causing the Executive Director to limit contributions or withdrawals.

In summary, our review indicates that the Local Government Surplus Funds Trust Fund has been managed and operated in accordance with the statutory requirements of Part IV of Chapter 218, Florida Statutes for the period from the effective date of the amendments enacted in Chapter 2008-59, Laws of Florida, May 28, 2008, through the end of May, 2009. The items noted above appear to be details, matters of interpretation or have now been corrected.

Sincerely,


Anne Longman

AL/cat