January 18, 2008

Secretary Nancy M. Morris
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-27-07—Comments on Concept Release

Dear Ms. Morris:

The State Board of Administration (SBA) of Florida is writing to comment on how the Commission could help investors to more easily access information from companies with business links to state sponsors of terrorism. The SBA manages the Florida Retirement System (FRS), the fourth largest public pension plan in the United States, with approximately $145 billion in assets, on behalf of more than one million beneficiaries.

With respect to the issues outlined by the Commission in the Concept Release, we do not believe the Commission should undertake the responsibility of maintaining a Web-based screening tool. Screening for such companies is a delicate matter and if the information becomes easier to search, the act of screening seems best left to individual investors. We are sensitive as well to the time and effort required of the Commission to manually screen for and update such a dataset. There is a legitimate concern that the data behind such a Web-based screening tool would often be stale, which places the Commission in a difficult position with responsibility for timely, continuous updates. We believe it to be more effective for the Commission to use such time and resources to ensure compliance with regulations and leave such screening decisions and activities to shareowners.

We support the concept of making all information contained in filings more user-friendly for investors, and the Commission’s stated goals of making such statements interactive is welcomed. Therefore, we favor the requirement of data tagging using the extensible business reporting language (“XBRL”) format. The full text search is an important tool; however, the XBRL format would be more powerful if carefully constructed for the identification of very detailed aspects of disclosures—such as the level of revenue or investment a company has in a particular country. A positive feature is the immediate ability to quickly screen for information in any filing from the moment it is filed.
These tools would make it easier for investors to access such information as disclosed by companies, but the larger problem for investors is not the difficulty of finding disclosed information in voluminous filings, but the fact that even moderate details on such business are not generally available in the filings at all. Information on the business links to such countries is typically so scant that it cannot be relied upon to make proper decisions based upon the extent or risk of operations or links to state sponsors of terrorism. Shareowners need and deserve to have more and better information in this regard.

Given the ongoing humanitarian crisis in the region of Darfur, as well as other geopolitical concerns around the world, the State of Florida recently enacted legislation that requires identification and potential divestment by the SBA of companies with certain types of business in Sudan and Iran. This legislation has very specific qualifications for the types of activities that make a company a “prohibited investment.” From our own research required for compliance with this new law, we are acutely aware of the problems in obtaining the necessary information for determining the status and extent of a company’s operations in countries designated as state sponsors of terrorism. We have employed the use of several outside consultants, and we have contacted potential companies directly to request more detailed information. Some have been responsive to our requests for information, but many have not. Another factor making such analysis difficult is that a number of these international companies are not traded on any U.S.-domiciled stock exchange and, therefore, are not required to file with the SEC. But even for those that are, our main concern is that the information currently contained in filings is generally insufficient to make investment decisions on matters related to investments in state sponsors of terrorism.

For companies covered by SEC filing requirements, our analysis is made difficult by the fact that information required under our law for the determination of a prohibited investment is not specifically required for disclosure under the currently used but vaguely defined materiality standard. We find it of material use to know what percent of assets and sales come from business in these countries, as well as a general description of the business activities. We also find it of material use to know the dollar value of investments made in these countries. While our fiduciary responsibility requires that material geo-political and business risks—such as operations in countries classified as state sponsors of terrorism or subject to various federal sanctions—be taken into consideration, we are concerned that the existing disclosure framework is inadequate for shareowners to determine material risk factors represented by global business activities. In short, risks to corporate share value and reputation stemming from business interests in state sponsors of terrorism cannot be properly assessed unless the information is credible, transparent and readily-available.

We seem to be joined with other institutions in the desire for this information, and we would like to respectfully request a more robust standard of materiality for disclosure by companies with operations in state sponsors of terrorism. In our view, the SEC should mandate the disclosure of

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1 For instance, companies often report on their business by geographic region—such as the “Middle East”—without including information that is specific to any one country, such as countries on the state sponsors of terrorism list.

2 “Material” is not defined in federal securities laws. The Supreme Court has determined information to be material if there is a substantial likelihood that a reasonable investor would consider the information important in making investment decisions. Companies interpret and apply this standard at will. We believe investors do find detailed information in this instance to be necessary.

3 Annual reports on Form 10-K must disclose, "where appropriate," material risks associated with investing in the issuer's securities described in Item 503(c) of Regulation S-K. [Form 10-K, Part I, Item 1A, "Risk Factors"] Quarterly reports on Form 10-Q must disclose material changes from previously disclosed risk factors. [Form 10-Q, Part I, Item 1A, "Risk Factors"]
information relating to activities or investments in such countries. We would like a brief description of the nature of the investments or activities by country, yearly dollar investment amounts, and an accounting of the firm’s assets and revenues from such investments or activities. If the Commission were to endorse the disclosure of such information, it would be of great assistance to institutions or persons seeking to screen investments in light of these concerns. We feel that each company’s present discretion to determine what information is material to investors is an inappropriate mechanism and has led to under-reporting of activities in state sponsors of terrorism. Because of the potentially negative impact of the release of this information, companies have the incentive to remain guarded in their discussion of these activities.

We appreciate the opportunity to comment on these important issues and thank you for your consideration of our recommendations. If you have any questions, please contact Michael McCauley, Senior Corporate Governance Officer, who directs our daily oversight and identification efforts at (850) 413-1252, e-mail: mike.mccauley@sbafla.com, or me.

Sincerely,

Robert F. Milligan
Interim Executive Director

cc: Governor Charlie Crist
    Chief Financial Officer Alex Sink
    Attorney General Bill McCollum