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February 3, 2011

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission (SEC)
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-40-10 Conflict Minerals

Dear Secretary Murphy:

The State Board of Administration of Florida (the SBA) welcomes the opportunity to provide comments on the Securities and Exchange Commission's (the Commission) proposed rules on the required reporting disclosure by companies of Conflict Minerals[1]. The SBA manages the assets of the Florida Retirement System (FRS), the fourth largest public pension plan in the United States with 1.1 million beneficiaries and retirees. SBA assets under management, including the FRS and other client mandates, total approximately $140 billion. The SBA's governance philosophy encourages companies to adhere to responsible, transparent practices that correspond with increasing shareowner value.

Conflict Minerals Originating in the Democratic Republic of the Congo (DRC)

Section 1502 (the "Conflict Minerals Provision") of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") amends the Exchange Act by adding new Section 13(p). The Commission is required pursuant to new Section 13(p) to issue final rules implementing disclosure and reporting regulations regarding the use of conflict minerals from the Democratic Republic of the Congo (DRC) and adjoining countries. Section 1502(a) of the Conflict Minerals Provision states "that the exploitation and trade of conflict minerals originating in the Democratic Republic of the Congo is helping to finance conflict characterized by extreme levels of violence in the eastern Democratic Republic of the Congo, particularly sexual- and gender-based violence, and contributing to an emergency humanitarian situation therein."

The SBA applauds the Commission for continuing to take steps towards a meaningful, timely and prudent implementation of the Dodd-Frank Act. The SBA has long been an advocate for full and transparent disclosures across a broad spectrum of corporate governance issues and offers the following commentary on the proposed rules and their possible mitigation of supply-chain disruption risks and feasible enforcement.

[1] Conflict minerals are defined in the Dodd-Frank Act to include columbite-tantalie (coltan), cassiterite, gold, wolframite, or their derivatives or any other mineral or its derivatives determined by the Secretary of State to be financing conflict in the Democratic Republic of the Congo.

Potential Mitigation of Supply Chain Disruption

SBA staff believes that by requiring enhanced disclosure of sourcing of conflict minerals, investors will have improved information on corporate supply chain risk. These include legislative, legal, and reputational risks which can affect a company's day-to-day business operations and strategic focus. Simply put, without the disclosures proposed by the SEC, long-term institutional investors may face significant hidden risk exposures at companies that fail to properly manage their global supply chain, especially in high-risk markets.

Narrow the Reporting Population

All companies that file reports under the Dodd-Frank Act for whom conflict minerals are "necessary to the functionality or production of a product manufactured, or contracted to be manufactured" would be required to disclose under the proposed rules. Therefore, entities must first determine whether or not they materially use these minerals spotlighted and then "determine the reasonable country of origin". However, the Commission has chosen not to define when a conflict mineral is "necessary to the functionality or production of a product." Based on this definition, it has been estimated that 6,000 companies would be affected by the proposed rules. It would seem that the same minerals could potentially be reported multiple times by multiple companies in the supply-chain where minerals routinely pass through several intermediaries on the way to a finished product. Additionally, the further removed the finished product is from the actual mine, the more difficult to obtain origin and the more unreliable the information will be. Clearly, the intent of the proposed rules is to balance the need for shareowners to obtain useful information with the costs to issuers of disclosing such information. By clarifying and narrowing the reporting population, the Commission could achieve its objective of tracing the source of the conflict minerals without overwhelming the system with duplicative and potentially inadequate data.

Expand the Reporting Time Table

Issuers must provide conflict mineral disclosures after their first fiscal year following the SEC's final rules, which is required under the Dodd-Frank Act to occur by April 15, 2011. In order to begin reporting by mid 2012, issuers must determine whether products made during the 2011 fiscal year contained conflict minerals. That would require some companies to begin identifying sourcing and due diligence as soon as the second quarter of 2010. Due to underlying uncertainty as to what will ultimately constitute adequate reporting and materiality of use, additional guidance from the SEC on standardized procedures is highly recommended. A test period for reporting could be allowed while companies continue to develop necessary requirements to report on mineral use within their supply chains. This slight modification could serve to greatly aid the transition process to new standards resulting from the proposed rules.

Thank you for your consideration and for the Commissions' efforts in crafting the proposed rules. If you have any questions, please contact Michael McCauley, Senior Officer—Investment Programs and Governance, at (850) 413-1252, or governance@sbafla.com.

Sincerely,

Ashbel C. Williams
Executive Director & CIO

cc: Governor Rick Scott, as Chairman of the SBA
Chief Financial Officer Jeff Atwater, as Treasurer of the SBA
Attorney General Pam Bondi, as Secretary of the SBA