



STATE BOARD OF ADMINISTRATION
OF FLORIDA

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February 27, 2006

Mr. Christopher Cox
Chairman, U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

Re: Section 404 Internal Control Application to Small Companies

Dear Chairman Cox:

The State Board of Administration (SBA) of Florida is writing to express our views on the recommendations of the Small Business Advisory Committee. Managed by the SBA, the Florida Retirement System (FRS) is the fourth largest public pension plan in the United States with approximately 920,000 beneficiaries and retirees, and assets totaling approximately \$121 billion.

As you know, a subcommittee of the SEC Small Company Committee has recommended that the SEC and the Public Company Accounting Oversight Board ("PCAOB") either eliminate or significantly weaken the internal control requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"). We urge the SEC *not* to accept the recommendation of the SEC Small Company Committee, which would effectively eliminate an important investor protection provision of the Sarbanes-Oxley Act. **As a large passive investor in the U.S. equity markets, we hold ownership stakes in almost every company within the Russell 3000 stock index. The Committee's proposal would exempt almost 1,300—or over 42 percent—of all public companies within this index.** Such a large-scale exemption would have the effect of increasing the cost of capital for those companies the SEC Small Company Committee's recommendation is intended to benefit.

We believe Sarbanes-Oxley is working as evidenced by the high rate of errors detected in financial statements and corrected during 2004 and 2005 as companies implemented Section 404. We respectfully request that you do not adopt the recommendation of the SEC Small Company Committee. If you have any questions, please contact Michael McCauley, Director of Investment Services & Communications, at (850) 413-1252 or me at (850) 413-1250.

Sincerely,

Coleman Stipanovich
Executive Director

cc: Commissioner Paul Atkins
Commissioner Roel Campos
Commissioner Cynthia Glassman
Commissioner Annette Nazareth
Ms. Ann Yerger, Executive Director, Council of Institutional Investors
Ms. Anne Simpson, Executive Director, International Corporate Governance Network
Mr. Kurt Schacht, Executive Director, CFA Centre for Financial Market Integrity