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# **Governmental Affairs Policy Committee**

**Wednesday, November 4, 2009  
8:30 AM - 9:45 AM  
306 HOB**

**Larry Cretul  
Speaker**

**Robert C. "Rob" Schenck  
Chair**

# Committee Meeting Notice

## HOUSE OF REPRESENTATIVES

### Governmental Affairs Policy Committee

**Start Date and Time:** Wednesday, November 04, 2009 08:30 am  
**End Date and Time:** Wednesday, November 04, 2009 09:45 am  
**Location:** 306 HOB  
**Duration:** 1.25 hrs

Presentation by the Florida Sports Foundation regarding its Spring Training Study

Presentation by the State Board of Administration:

1. Status of the Florida Retirement System Trust Fund
2. Florida Growth Fund Initiative
3. Protecting Florida's Investments Act – Divestment update

Presentation by the Department of the Lottery:

1. Operations for online games
2. Follow-up from the October 6, 2009 Committee meeting

**NOTICE FINALIZED on 10/28/2009 14:43 by Ellinor.Martha**



2009 MLB Florida Spring Training

2009 Major League Baseball  
Florida Spring Training  
Economic Impact Study



JUNE 2009

Florida Sports Foundation

&

The Bonn Marketing Research Group, Inc.

3758 Piney Grove Drive

Tallahassee, FL 32311

(850) 567-1826

Bonn3049@comcast.net

**Executive Summary**

This study was conducted to assess the economic value the 2009 Major League Baseball (MLB) Florida spring training season had upon the State of Florida. The study documents demographic and behavioral characteristics of those attendees whose expenditures contributed to the overall economic impact. Included in this economic impact analysis were operating expenditures for teams, stadiums, concessionaires and game attendees expenditures.

Total economic impacts, including direct, indirect, and induced effects were measured for output (referred to from this point on as **spending**), labor, and employment. IMPLAN, a widely accepted economic model, was used to estimate economic impact.

**During 2009, the total value of MLB Florida spring training upon the Florida economy represented \$752.3 million in total spending, which generated \$284.2 million in total labor income and supported or created 9,205 part-time and full-time jobs.**

The following analysis groups 2009 MLB Florida spring training expenditures and their economic impacts into eight segments:

**Segment 1: 2009 MLB Florida Spring Training Operating Expenditures and Economic Impacts of MLB Teams**

- MLB spring training team operating expenditures contributed \$39.21 million in total spending, which generated \$14.5 million in total labor income and supported or created 431 total part-time and full-time jobs for the State of Florida.
- The total spending of 2009 MLB spring training team operating expenditures represented 5.2% of the total spending 2009 MLB Florida spring training contributed to the State of Florida.

**Segment 2: 2009 MLB Florida Spring Training Stadium Operating Expenditures and Economic Impacts**

- 2009 spring training stadium operating expenditures for facilities housing MLB spring training operations contributed \$14.9 million in total spending, which generated \$6.1 million in total labor income and supported or created 149 part-time and full-time jobs for the State of Florida.
- The total spending of 2009 MLB spring training stadium operating expenditures represented 2.0% of the total spending 2009 MLB Florida spring training contributed to the State of Florida.

2009 MLB Florida Spring Training

**Segment 3: 2009 MLB Florida Spring Training Concessionaire  
Operating Expenditures and Economic Impacts**

- 2009 spring training stadium concessionaire facility operating expenditures contributed \$14.7 million in total spending, which generated \$6.0 million in total labor income and supported or created 212 part-time and full-time jobs for the State of Florida.
- The total spending of 2009 MLB spring training stadium concessionaire facility operations represented 2.0% of the total spending 2009 MLB Florida spring training contributed to the State of Florida.

**Segment 4: 2009 MLB Florida Spring Training Expenditures and Economic Impacts of Out of State Attendees who Indicated “Attending Spring Training” was their Primary Trip purpose.**

- During the 2009 MLB Florida spring training season, **Out of State Attendees** who indicated “attending spring training” was their primary trip purpose, contributed \$571.7 million in total spending, which generated \$241.9 million in total labor income and supported or created 7,007 part-time and full-time jobs for the State of Florida.
- The total spending by **Out of State Attendees** who indicated “attending spring training” was their primary trip purpose represented 76.0% of the total spending (\$752.3 million) for the 2009 MLB Florida spring training season.
- **Out of State Attendees** who indicated “attending spring training” was their primary trip purpose represented 361,032 attendees or 23.12% of all 2009 MLB Florida spring training attendees.
- **Out of State Attendees** who indicated “attending spring training” was their primary trip purpose stayed an average of 7.53 nights and had an average party size of 3.0.
- **Out of State Attendees** who indicated “attending spring training” was their primary trip purpose spent an average of \$371.28 per party per day.



**Segment 5: 2009 MLB Florida Spring Training Expenditures and Economic Impacts of Out of State Attendees who Indicated “Other” was their Primary Trip Purpose.** (“Other” refers to attendees who chose to participate in 2009 MLB spring training as an activity but did not indicate “attending MLB spring training” was their primary trip purpose.)

- During the 2009 MLB Florida spring training season, **Out of State Attendees** who indicated reasons “other than attending MLB spring training” (referred to from this point forward as “other”) was their primary trip purpose contributed \$85.2 million in total spending, which generated \$32.5 million in total labor income and supported or created 1,070 part-time and full-time jobs for the State of Florida.
- The total spending by **Out of State Attendees** who indicated “other” was their primary trip purpose represented 2.1% of the total spending MLB Florida spring training contributed to the State of Florida.
- **Out of State Attendees** who indicated “other” was their primary trip purpose represented 389,555 attendees or 24.94% of all 2009 MLB Florida spring training attendees.
- **Out of State Attendees** who indicated “other” was their primary trip purpose stayed an average of 9.66 nights and had an average party size of 3.08.
- **Out of State Attendees** who indicated “other” was their primary trip purpose spent an average of \$395.43 per party per day.

**Segment 6: 2009 MLB Florida Spring Training Expenditures and Economic Impacts of Florida, Non-County Attendees who Stated “attending spring training” was their Primary Trip Purpose. (Florida, Non-County Attendees refers to attendees living in Florida but traveling outside the county in which they reside to attend MLB spring training games.)**

- During the 2009 MLB Florida spring training season **Florida, Non-County Attendees** who stated “attending spring training” was their primary trip purpose contributed \$15.5 million in total spending, which generated \$5.9 million in total labor income and supported or created 200 part-time and full-time jobs for the State of Florida.
- The total spending by **Florida, Non-County Attendees** who stated “attending spring training” was their primary trip purpose represented 11.3% of the total spending 2009 MLB Florida spring training contributed to the State of Florida.
- **Florida, Non-County Attendees** who stated “attending spring training” was their primary trip purpose represented 378,249 attendees or 24.22% of all 2009 MLB spring training attendees
- **Florida, Non-County Attendees** who stated “attending spring training” was their primary trip purpose stayed an average of 0.39 nights and had an average party size of 2.81.
- **Florida, Non-County Attendees** who stated “attending spring training” was their primary trip purpose spent an average of \$171.73 per party per day.

**Segment 7: 2009 MLB Florida Spring Training Expenditures and Economic Impacts of Florida, Non-County Attendees who stated "Other" was their Primary Trip Purpose.**

- During the 2009 MLB Florida spring training season, **Florida, Non-County Attendees** who stated reasons "other than attending 2009 MLB spring training" was their primary trip purpose contributed \$10.9 million in total spending, which generated \$4.1 million in total labor income and supported or created 136 part-time and full-time jobs for the State of Florida.
- The total spending of **Florida, Non-County Attendees** who stated "other" was their primary trip purpose represented 1.5% of the total spending 2009 MLB Florida spring training contributed to the State of Florida.
- **Florida, Non-County Attendees** who stated "other" was their primary trip purpose represented 55,523 attendees or 3.55% of all 2009 MLB spring training attendees.
- **Florida, Non-County Attendees** who stated "other" was their primary trip purpose stayed an average of 3.36 nights and had an average party size of 2.68.
- **Florida, Non-County Attendees** who stated "other" was their primary trip purpose spent an average of \$314.00 per party per day.

**Segment 8: 2009 MLB Florida Spring Training Expenditures and Economic Impacts of Overall Attendees.** (“Overall” refers to the summation of the attendee segments whose expenditures have an impact upon the State of Florida (Segments 4-7). This does not include expenditures from **Florida, In-County Attendees.** **Florida, In-County Attendees** refers to attendees that reside in the same county as the stadium hosting the 2009 MLB spring training game they attended.)

- During the 2009 MLB Florida spring training season, the economic impact of **Overall Attendees** (ALL non-local attendees) spending represented \$683.5 million in total spending, which generated \$257.5 million in total labor income and supported or created 8,413 part-time and full-time jobs for the State of Florida.
- The total spending of **Overall Attendees** represented 90.8% of the total spending 2009 MLB Florida spring training contributed to the State of Florida.
- **Overall Attendees** represented 1,184,359 or 76% of all 2009 MLB spring training attendees.
- Of the total 1,561,873 fans attending MLB Florida spring training in 2009, 377,154 or 24% of all attendees were **Florida, In-County Attendees.** **Florida, In-County Attendees** were not relevant to the impact 2009 MLB spring training has upon the State of Florida. Therefore, **Overall Attendee** data does not represent ALL 1,561,873 attendees from the 2009 MLB Florida spring training season.
- **Overall Attendees** average length of stay was 5.82 nights with an average party size of 2.95.
- **Overall Attendees** spent an average of \$313.65 per party per day.

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INTRODUCTION TO THE SBA  
NOVEMBER 2009

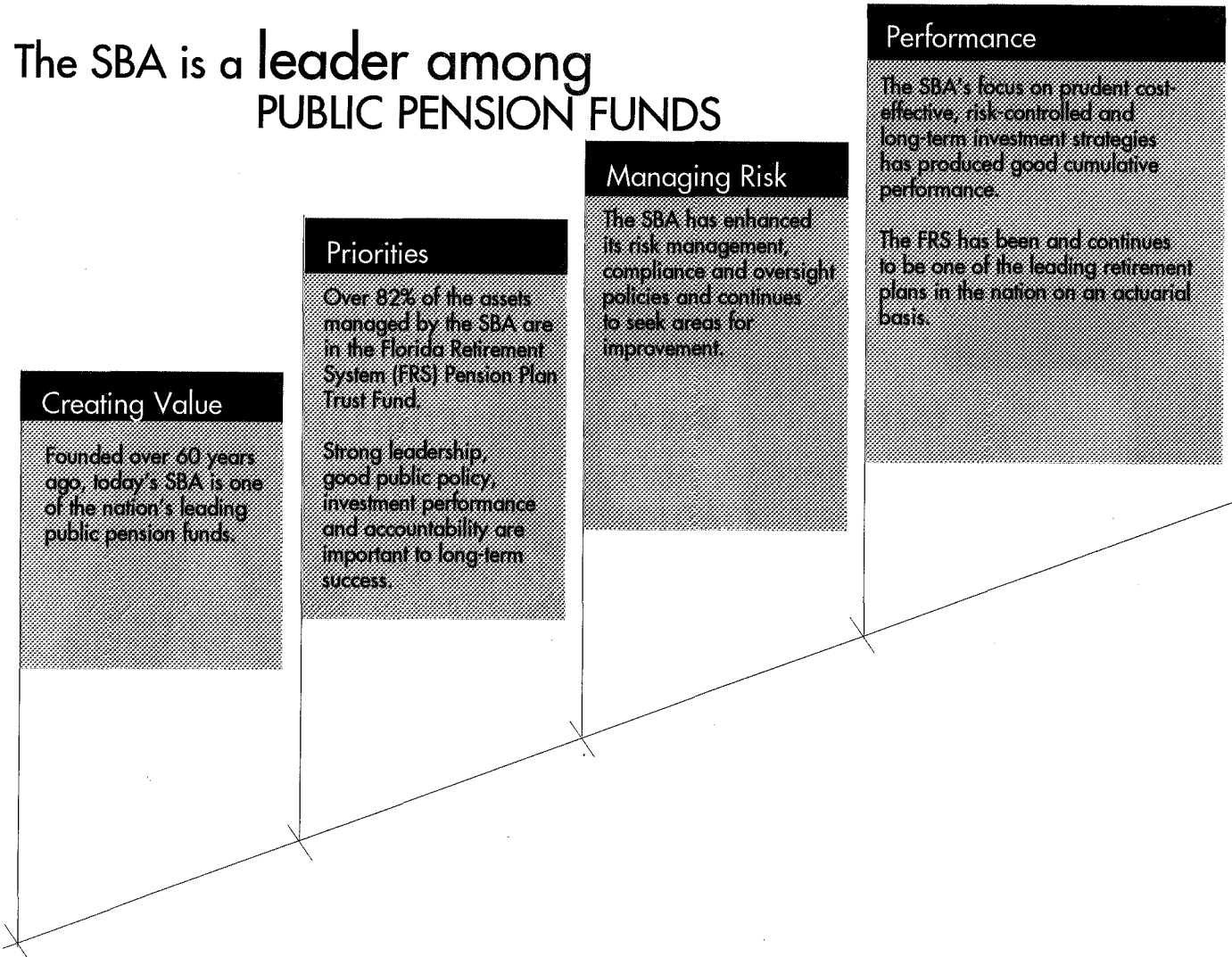
*investing for*  
**FLORIDA'S**  
*future*

SBA

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## The SBA is a leader among PUBLIC PENSION FUNDS





# OVERVIEW

The State Board of Administration (SBA), an agency with roots that date to 1929 was originally created to manage debt service investments for bond revenues secured by gasoline tax proceeds. The SBA has evolved to become the fourth largest and one of the most respected pension funds in the nation. As of September 30, 2009 the SBA managed \$115 billion in qualified retirement funds and more than \$18 billion in non-qualified assets. In addition, we administer several major statewide programs, including the Florida Hurricane Catastrophe Fund and the Public Employees Optional Retirement Program (PEORP).<sup>1</sup>

## Our Mission

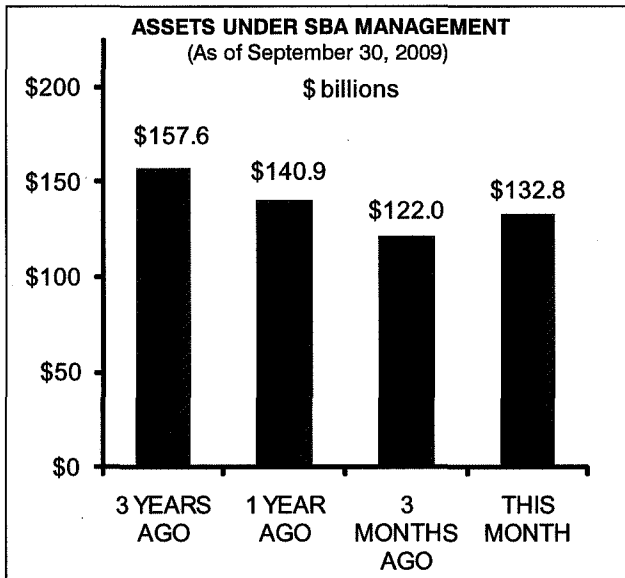
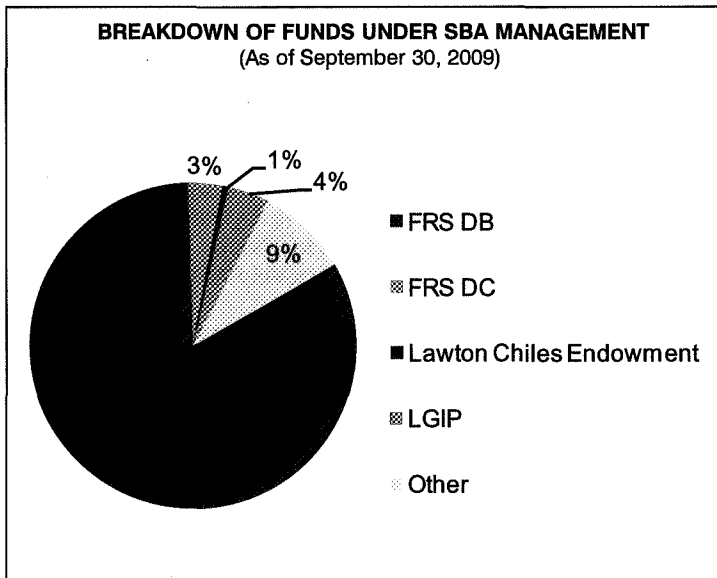
The SBA is committed to providing superior investment and trust services while adhering to the highest ethical, fiduciary and professional standards.

The Florida Constitution mandates that we operate as a constitutional public body corporate governed by our Board of Trustees. The SBA has a measurable bottom line and benchmarks, which means that success and accountability can be assessed.

With the strong leadership and support of the Trustees, the SBA has used its status within state government to provide effective investment management and administrative services to 980,000 members and retirees of the FRS as well as our other state and local government clients. In order to maintain our position as a recognized leader in the industry, we continue to strive to maximize the return on investments while prudently managing risk, controlling costs, and performing our duties ethically and with the highest professional standards.

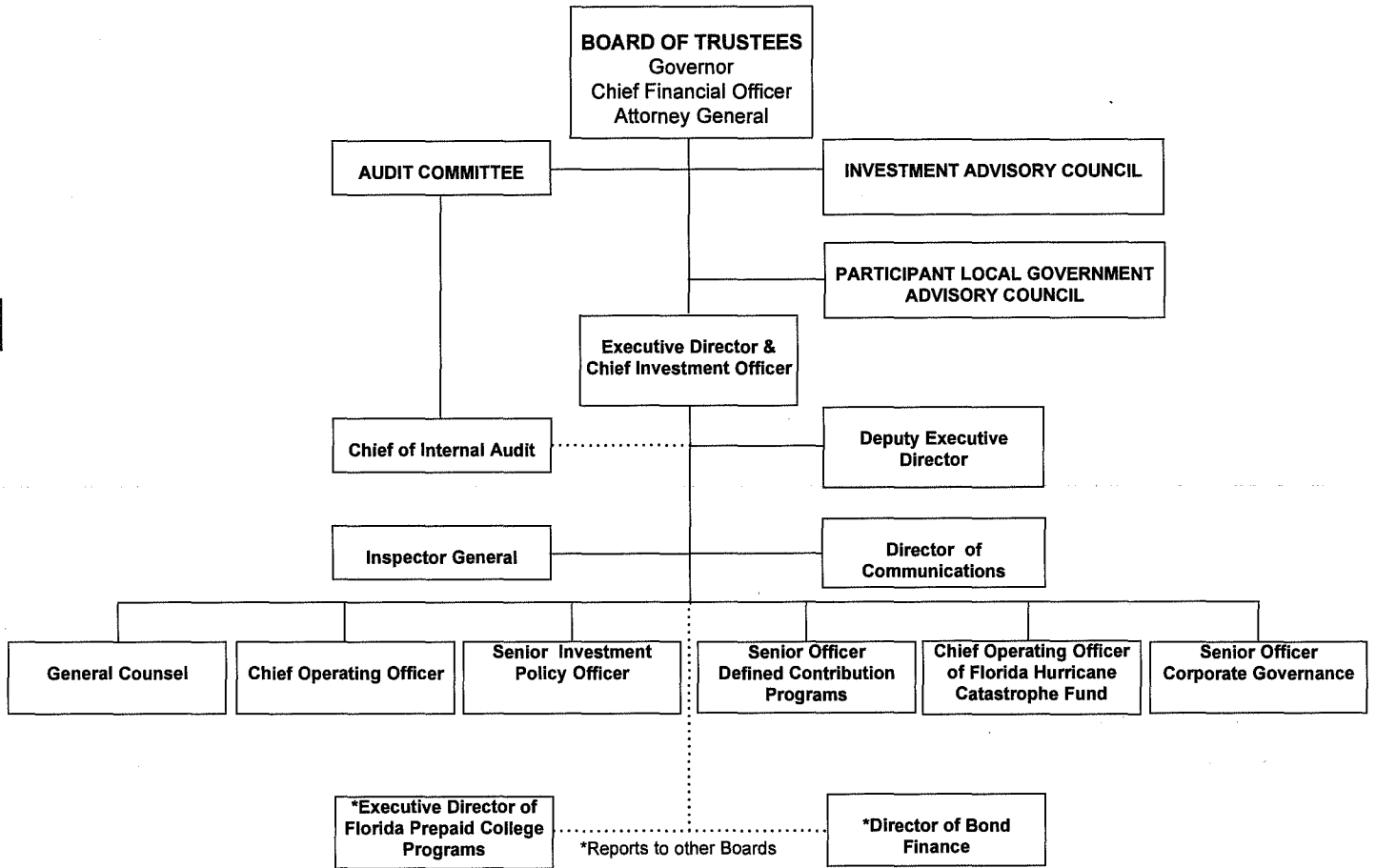
We hope that you will find this introductory book helps you become more familiar with the SBA and its activities. Please visit our website [www.sbsfla.com](http://www.sbsfla.com) for additional information about the SBA. For additional information on the FRS Investment Plan and Financial Guidance Program visit [www.myfrs.com](http://www.myfrs.com). For additional information about Florida PRIME and the Florida Hurricane Catastrophe Fund visit [www.sbafla.com/prime](http://www.sbafla.com/prime) and [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

<sup>1</sup> PEORP has the following components: (1) The FRS Investment Plan, an optional 401(a) defined contribution plan that employees choose in lieu of membership in the FRS Pension Plan (a traditional defined benefit plan); (2) Processing about 75,000 enrollments annually into the two FRS retirement plans; and (3) The MyFRS Financial Guidance Program, providing about 700,000 employees retirement planning support.



# ORGANIZATIONAL CHART

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# PRIMARY RESPONSIBILITIES

The State Board of Administration (the "SBA" or the "Board") provides a variety of investment services to state and local governmental entities. These services include managing the assets of the Florida Retirement System (FRS) Pension Plan (i.e., defined benefit plan) and Investment Plan (i.e., defined contribution plan), the Lawton Chiles Endowment Fund, the Local Government Surplus Funds Trust Fund (also known as "Florida PRIME"), the Florida Hurricane Catastrophe Fund, the Lottery Fund and a variety of smaller funds. As of September 30, 2009, the SBA managed 36 different funds, some established as direct requirements of Florida law and others pursuant to client-initiated trust agreements.

The SBA currently invests in eight asset classes: Domestic Equities, Foreign Equities (both developed and emerging markets), Fixed Income, High Yield, Private Equity, Strategic Investments, Real Estate and Cash.

The next page lists the September 30, 2009 market value of each SBA-managed fund. SBA's flagship management responsibility is to invest and safeguard assets of the FRS Pension Plan Trust Fund, one of the world's largest and financially healthiest public pension funds. The charts on pages 7 and 8 detail the SBA's long-term track record on investing the FRS Pension Plan.

The SBA has performed well relative to its investment objective, benchmarks/market indices and peers, in terms of both returns and costs. Notwithstanding the difficult post-2000 and 2007-08 market environments, the SBA has been able to significantly add value over and above the actuarial investment return requirement, helping to create one of the strongest funded ratios for state pension systems in the U.S. A 2008 Standard & Poors report found that the FRS Pension Plan was the 3rd best-funded among 50 of the nations largest plans and one of 5 with a surplus.

**Finally, the SBA has important responsibilities that do not directly involve asset management. These roles include:**

- Providing retirement planning support to about 700,000 active members of the Florida Retirement System through the *MyFRS Financial Guidance Program* (created under the 2000 PEORP legislation)
- Administering the Hurricane Catastrophe Fund (CAT Fund) and its associated programs
- Serving as an investment consultant to retirement programs administered by other state agencies, including the State of Florida Deferred Compensation Program and State University System Optional Retirement Program
- Managing the corporate affairs of the Inland Protection Financing Corporation and the Florida Water Pollution Control Financing Corporation
- Administering all debt service funds for bonds issued pursuant to the State Bond Act as well as serving as trustee and escrow agent for bonds issued by the Division of Bond Finance
- Providing administrative support for the Division of Bond Finance and the Florida Prepaid College Board Programs

A Board of Trustees comprised of Governor Charlie Crist as Chairman, Chief Financial Officer Alex Sink as Treasurer and Attorney General Bill McCollum as Secretary governs the SBA. The Trustees have ultimate authority and oversight for the SBA's overall strategy.

The Trustees delegate authority to the Executive Director/Chief Investment Officer, who serves at their discretion and is responsible for managing all investments, investment policy, operational and financial functions. The Executive Director/Chief Investment Officer manages approximately 160 professional and administrative support staff.

The Trustees appoint six members to serve on the Investment Advisory Council. The Investment Advisory Council provides independent oversight of the SBA's funds and major investment responsibilities. The Council meets on an ongoing basis to discuss general investment policies, opportunities and risks. The Trustees also appoint six members to serve on the Participant Local Government Advisory Council.

The SBA benefits from the oversight and guidance of these statutorily created bodies; the Investment Advisory Council, the Participant Local Government Advisory Council and the Florida Hurricane Catastrophe Fund Advisory Council. All are appointed by the Trustees and confirmed by the Florida Senate.

# ASSETS UNDER MANAGEMENT

FLORIDA RETIREMENT SYSTEM (IN THOUSANDS)	September 30, 2009 MARKET VALUE	June 30, 2009 MARKET VALUE
<b>FRS DB ASSET CLASSES</b>		
DOMESTIC EQUITIES	\$40,810,500	\$35,144,917
FOREIGN EQUITIES	\$22,860,177	\$20,371,068
FIXED INCOME	\$28,397,619	\$25,993,943
HIGH YIELD	\$2,524,229	\$2,495,713
REAL ESTATE	\$7,362,582	\$7,779,556
PRIVATE EQUITY	\$3,761,486	\$3,588,200
STRATEGIC INVESTMENTS	\$3,834,792	\$3,353,971
CASH	\$499,182	\$854,513
<b>TOTAL FRS DB</b>	<b>\$110,049,862</b>	<b>\$99,579,208</b>
<b>TOTAL FRS DC</b>	<b>\$4,612,719</b>	<b>\$4,076,398</b>

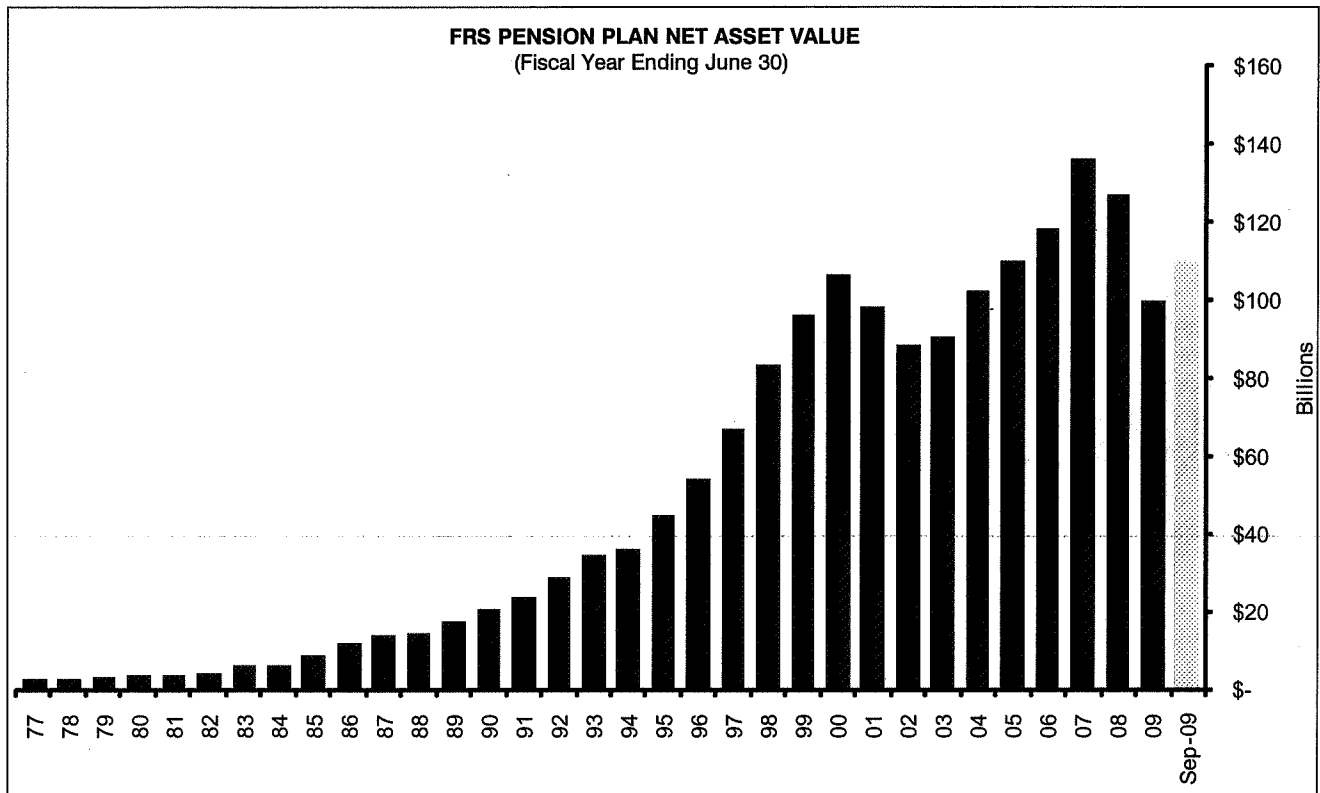
LAWTON CHILES ENDOWMENT (IN THOUSANDS) LCEF ASSET CLASSES		
DOMESTIC EQUITIES	\$386,708	\$333,605
FOREIGN EQUITIES	\$88,398	\$74,757
FIXED INCOME	\$91,907	\$85,251
REAL ESTATE	\$0	\$0
TIPS	\$64,872	\$62,693
CASH	\$7,286	\$7,327
<b>TOTAL</b>	<b>\$639,170</b>	<b>\$563,701</b>

OTHER FUNDS (IN THOUSANDS)		
DEBT SERVICE NONESCROW	\$791,014	\$398,879
DEBT SERVICE ESCROW	\$1,135,268	\$1,166,555
GAS TAX	\$0	\$0
RETIREE HEALTH INSURANCE SUBSIDY	\$256,076	\$262,262
POLICE AND FIREFIGHTERS	\$61,184	\$205,847
FLORIDA ENDOWMENT FOR VOCATIONAL REHAB.	\$1,992	\$2,078
LOCAL GOVERNMENT INVESTMENT POOL	\$5,355,296	\$5,985,805
FUND B SURPLUS FUNDS TRUST FUND	\$285,285	\$279,844
DEPARTMENT OF THE LOTTERY	\$997,444	\$1,029,759
SBA ADMINISTRATIVE EXPENSE	\$42,048	\$45,859
PEORP ADMINISTRATIVE TRUST FUND	\$35,019	\$34,091
FLORIDA HURRICANE CATASTROPHE	\$3,585,829	\$3,080,862
FLORIDA HURRICANE CATASTROPHE FINANCING CORP.	\$4,332,531	\$4,632,954
FLORIDA PREPAID COLLEGE PROGRAM	\$184,168	\$189,980
BOND PROCEEDS	\$9,741	\$3,234
ARBITRAGE COMPLIANCE	\$2,271	\$2,226
REVENUE BOND FEE	\$2,218	\$1,469
INLAND PROTECTION FINANCING CORPORATION	\$1	\$1
BLIND SERVICES	\$2,053	\$2,049
MCKNIGHT EDUCATION FUND	\$1,264	\$1,354
SCRIPPS	\$102,354	\$111,582
FSU RESEARCH FOUNDATION	\$276	\$437
ICB PROGRAM	\$19,170	\$4,027
BURNHAM INSTITUTE	\$123,304	\$121,698
TORREY PINES INSTITUTE	\$18,745	\$18,520
PINELLAS SUN COAST TRANSIT AUTHORITY	\$43	\$42
SRI INTERNATIONAL	\$4,090	\$4,052
UNIVERSITY OF MIAMI	\$38,668	\$38,561
MAX PLANCK	\$67,308	\$67,140
OREGON HEALTH AND SCIENCE	\$27,374	\$47,259
CHARLES STARK DRAPER LABORATORY	\$5,098	\$8,092
WYNDCREST DD FLORIDA	\$13,000	na
PAYING BANK RECALLS	\$0	\$0
<b>OTHER FUNDS TOTAL</b>	<b>\$17,500,133</b>	<b>\$17,746,521</b>

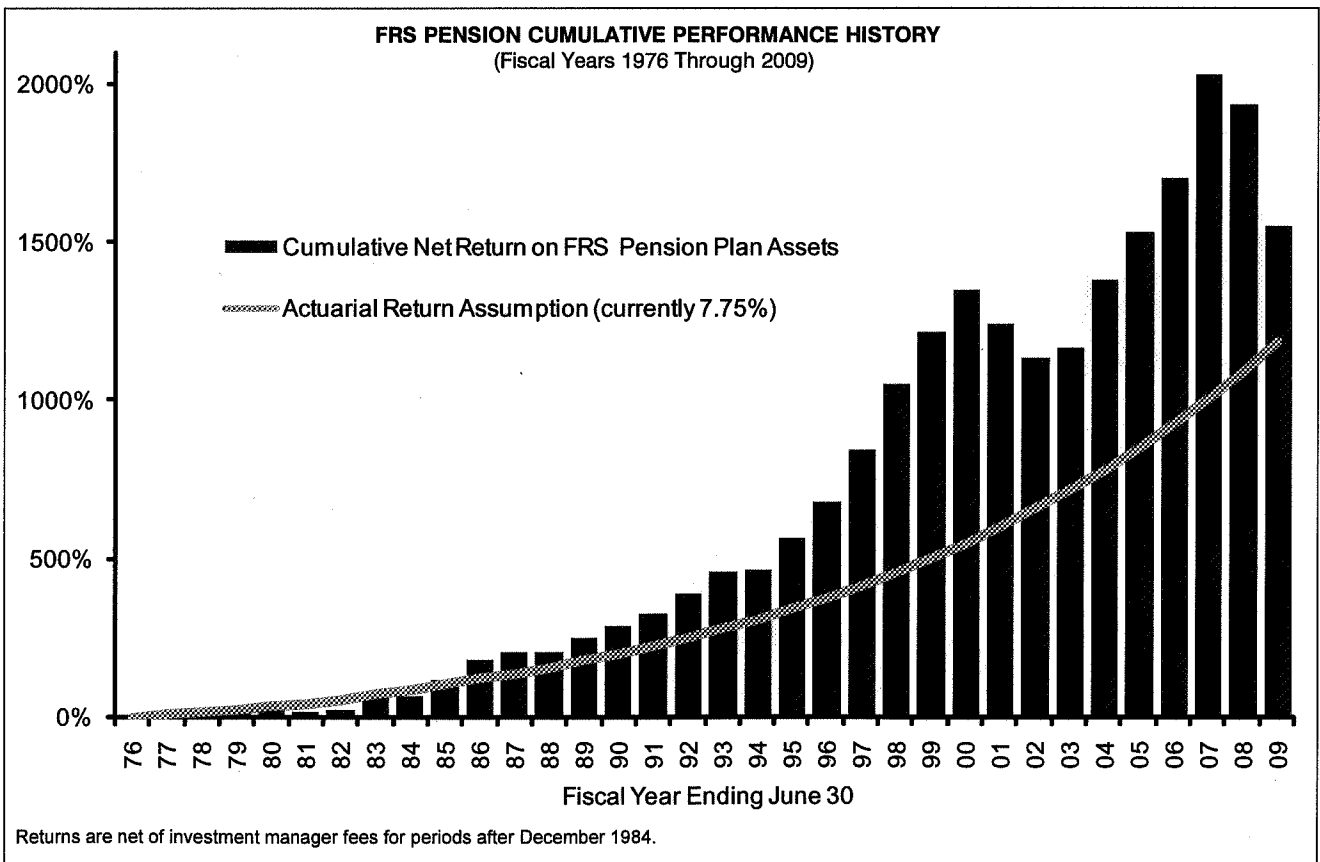
<b>ALL FUNDS</b>	<b>\$132,801,884</b>	<b>\$121,965,828</b>
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# LONG-TERM TRACK RECORD

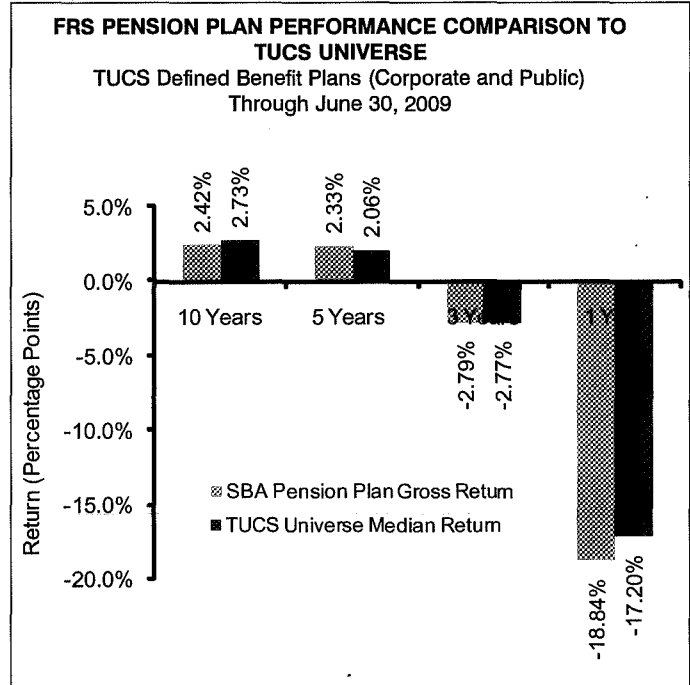
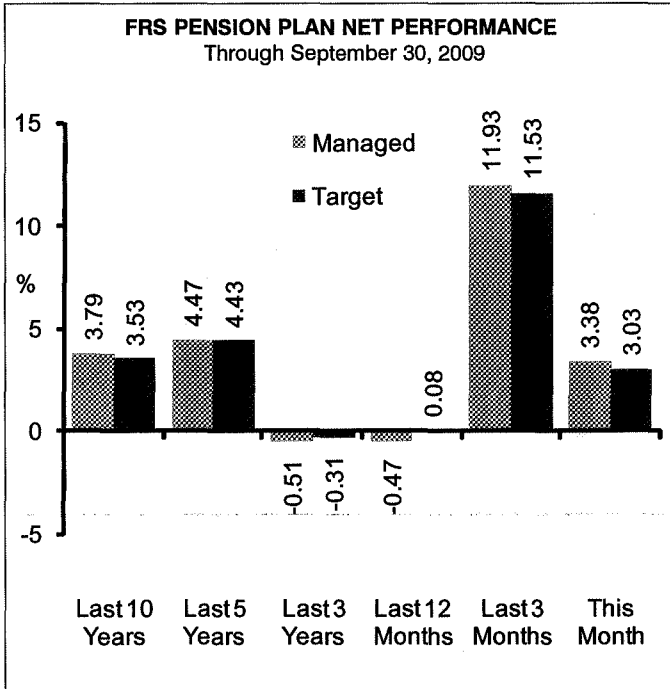
## FRS PENSION PLAN



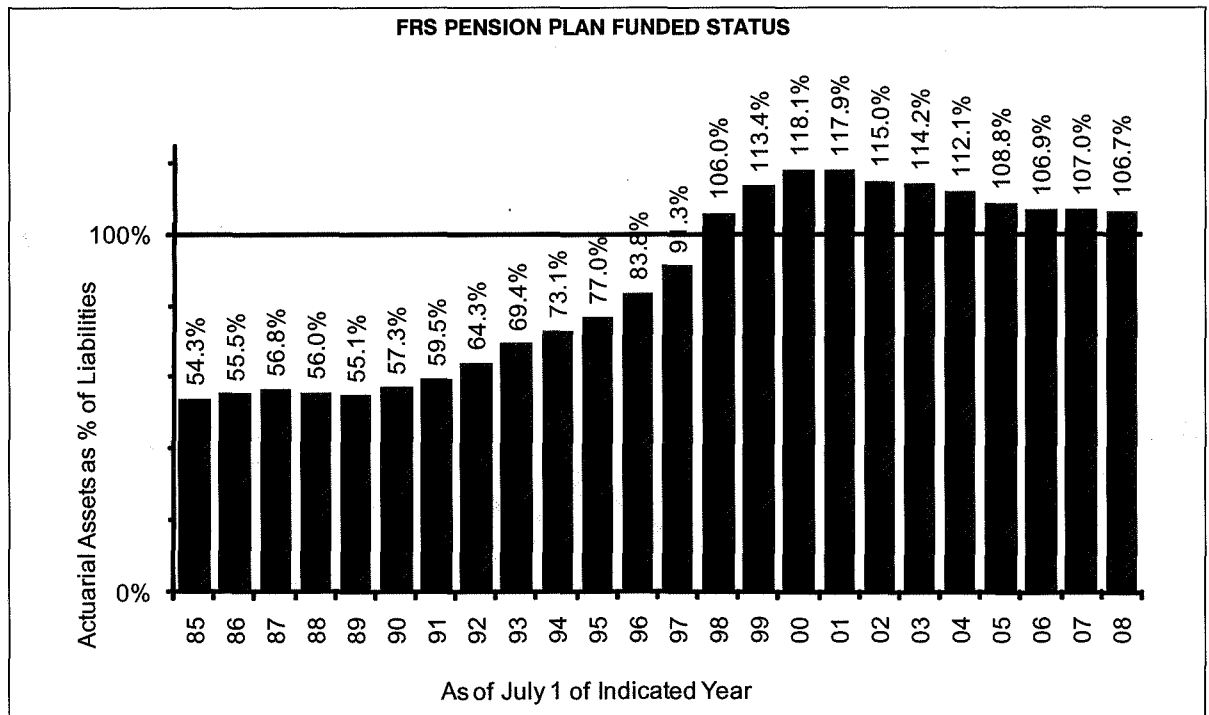
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# LONG-TERM TRACK RECORD FRS PENSION PLAN



**WILSHIRE'S TRUST UNIVERSE COMPARISON SERVICE ("TUCS")** is a cooperative effort between Wilshire Associates and custodial organizations. Custodians submit asset positions and performance data to be pooled into universes of managed tax-exempt portfolios. According to Wilshire, TUCS is the most widely accepted benchmark for the performance of institutional assets, with assets in excess of \$1.8 trillion across 319 plan sponsors.



# LEGAL *and* OPERATIONAL FRAMEWORK

The SBA's specialized responsibilities and fiduciary duties create a need for operational flexibility that has been recognized by the courts and the Florida Legislature.

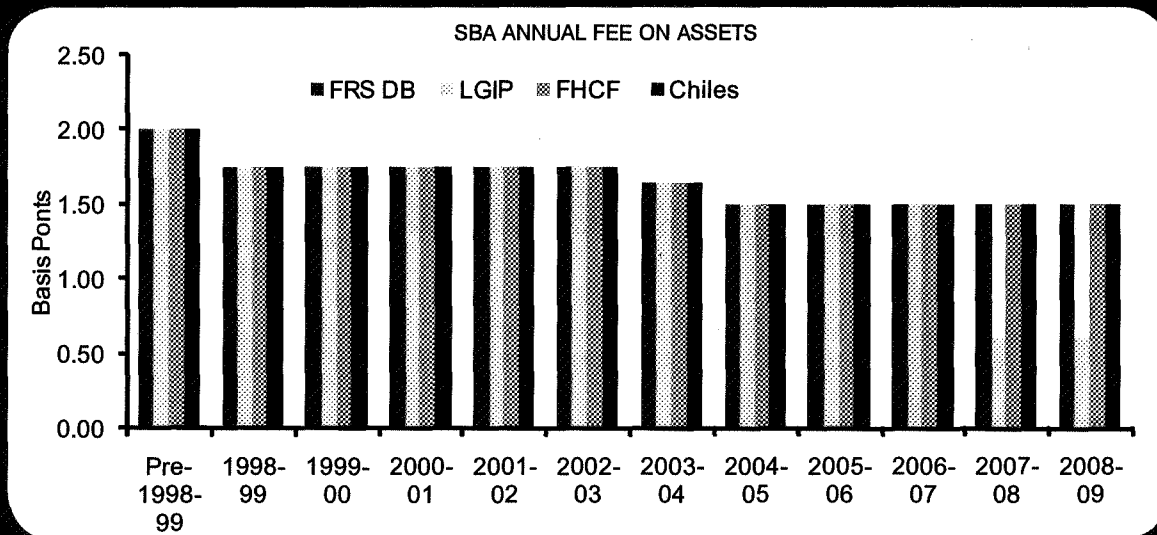
- The Trustees annually authorize operating and capital expenditures as appropriate for the SBA to continue to provide prudent investment management services
- With a focus on a measurable bottom line, staff endeavors to maximize the return on investments while prudently managing risk, controlling costs, and performing duties ethically and with the highest professional standards
- Service and commodity procurement occurs under well-articulated competitive procedures

Staff has managed budgets and fee revenue conservatively, while recognizing that the SBA must have sufficient resources to successfully accomplish its mission. For example:

- The charts on page 10 illustrate that the SBA is a cost-effective provider of investment management services.
- The SBA's core operating budget is based on the fees charged to our clients, which for most investment management clients is currently 1.5 basis points on funds under management. In other words, clients are charged less than 2/100 of 1% for administrative overhead
- The SBA has continuously faced the challenge of recruiting and retaining seasoned investment professionals. To help meet the challenges, the Trustees approved a modest Incentive Compensation Plan effective July 1, 2005, for investment professionals and a targeted recruitment and retention program effective July 1, 2008.
- The Trustees approved 2008-09 and 2009-10 budgets that included resources and positions to enhance the SBA's compliance, risk management and overall control environment

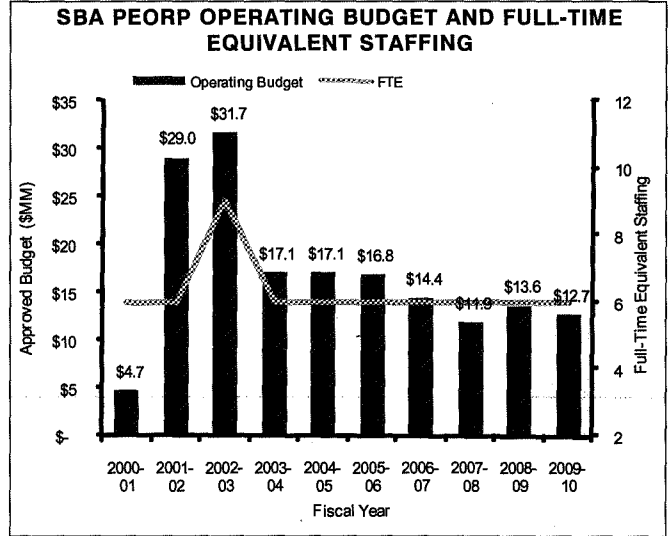
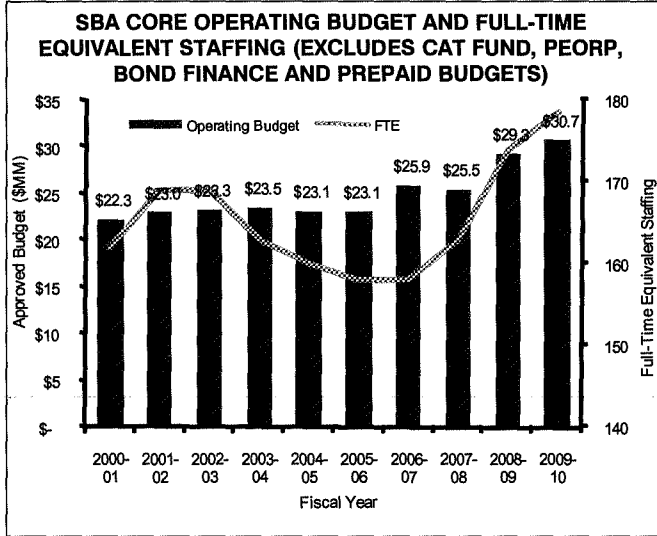
## FOCUS ON... Client Fees

The SBA has saved investment clients approximately \$15 million in fees through a combination of fee reductions and no fee periods approved by the Trustees since FY 2000-2001.

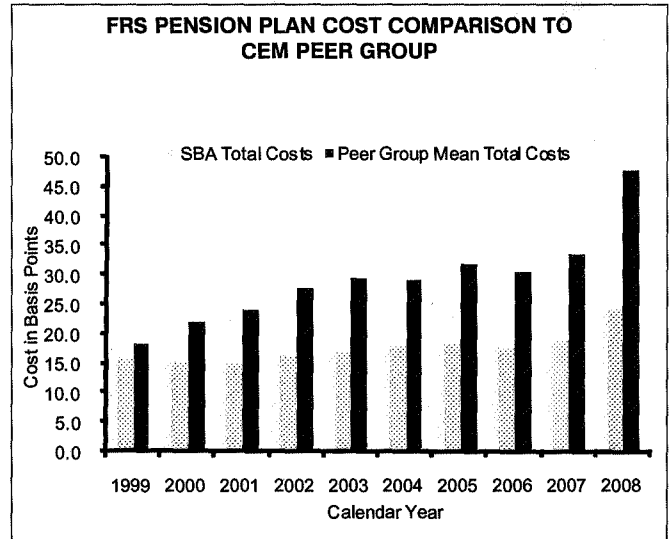
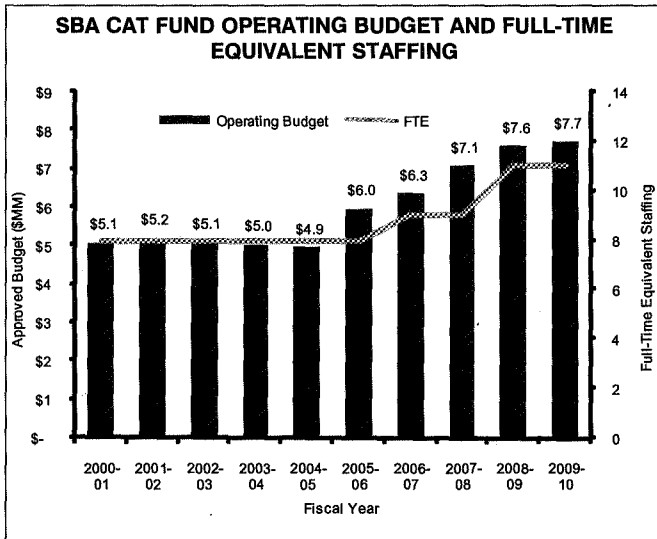


# PRUDENT MANAGEMENT *of* BUDGET

STAFF HAS CONSERVATIVELY MANAGED BUDGETS, WHILE RECOGNIZING THAT WE MUST HAVE SUFFICIENT RESOURCES TO SUCCESSFULLY ACCOMPLISH OUR MISSION.



\*Year on year decreases reflect use of Forfeiture Account, per Florida Statute and IRS private letter ruling. The Public Employee Optional Retirement Program (PEORP) includes administering the FRS Investment Plan, FRS enrollments, and the MyFRS Financial Guidance Program.



Cost Effectiveness Measurement ("CEM") maintains a global database of detailed cost information provided by public and corporate pension plans. The SBA's 2008 CEM Peer Group included 17 U.S. plan sponsors with assets from \$28.5 billion to \$183.3 billion.



# GOVERNANCE *and* ACCOUNTABILITY

The Trustees provide strong leadership, set high standards and hold the Executive Director and staff accountable. First, and foremost, the Board has statutory responsibility to invest assets and discharge its duties in accordance with the limitations on investments outlined in Section 215.47, Florida Statutes, and in compliance with the fiduciary standards of care contained in sections 121.4501(15), 215.44(2)(a) and 215.47(10), Florida Statutes.

As fiduciaries, the SBA is obliged to make investment decisions that are solely in the interest of participants and their beneficiaries (or other clients as applicable) and:

- For the exclusive purpose of providing benefits to participants and their beneficiaries (the SBA is prohibited from pursuing political or social agendas in its investment decisions)
- With the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims (investment decisions are made from the perspective of subject-matter experts, not merely as well-intentioned persons acting in good faith)
- By diversifying the investments of the plan(s)

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The Board establishes broad policy guidelines, principally through formally adopted Investment Policy Statements or similar documents. It delegates to the Executive Director administrative and investment authority, within the statutory limitations and rules, to manage the investment of assets on a day-to-day basis.

To ensure accountability, and consistent with the importance of its mission, the SBA is subject to oversight by a variety of bodies and operates under well defined and documented internal policies and guidelines.

Statutorily created in June 1983, a six-member Investment Advisory Council (IAC) is appointed by the Board and confirmed by the Florida Senate. The IAC meets quarterly to review investment performance, economic conditions, and investment policy and strategy. Investment Policy Statements are reviewed by the IAC prior to submission to the Trustees.

The 2008 legislature established a six-member Participant Local Government Advisory Council (PLGAC), appointed by the Board and subject to confirmation by the Senate. The purpose of the PLGAC is to review the administration of the Florida PRIME and make recommendations to the Trustees.

## **FOCUS ON... Corporate Governance**

The SBA plays an active role in supporting sound governance of corporations, both domestic and foreign. Through proxy voting and other actions, the SBA is working to encourage companies to adhere to high ethical standards and industry best practices. The SBA votes on approximately 3,600 Corporate Proxies annually, participates as a member of the International Corporate Governance Network (ICGN), and Council of Institutional Investors (CII), participates in securities litigation and actively pursues Corporate Governance reforms.

The SBA's objectives for strengthening corporate governance at public companies include establishing independent boards, performance-based executive compensation, accurate accounting and auditing practices, and transparent board procedures. Without question, we believe that fostering better corporate governance enhances shareholder value and ultimately supports our long-term investment objectives.

The Trustees appoint a three-member Audit Committee to serve as an independent and objective party to monitor SBA's processes for financial reporting, internal controls, risk assessment and compliance and to review and appraise the audit efforts of SBA's independent auditors and Office of Internal Audit.

The SBA is subject to audit by two external legislative entities: the Auditor General and the Office of Program Policy Analysis and Government Accountability (OPPAGA). The former executes financial audits and the latter conducts performance reviews. In addition, the SBA may engage with outside audit firms as needed.

The Board directs the Executive Director and Chief Investment Officer to coordinate the preparation of quarterly reports using investment returns calculated by an independent third party. The Executive Director also provides the Board with a variety of formal periodic reports, including:

- An annual investment report of the SBA and the FRS
- Monthly and quarterly detailed reports on performance and investment actions taken
- Special investment reports pursuant to law

# Protecting entrusted ASSETS

## Protecting Beneficiaries

As defined in Webster's Dictionary, fiduciary means "held or holding in trust for another." The SBA's relationship with the beneficiaries of the 36 different funds that we manage is built on a foundation of trust, performance and integrity.

## Investment Protection Principles

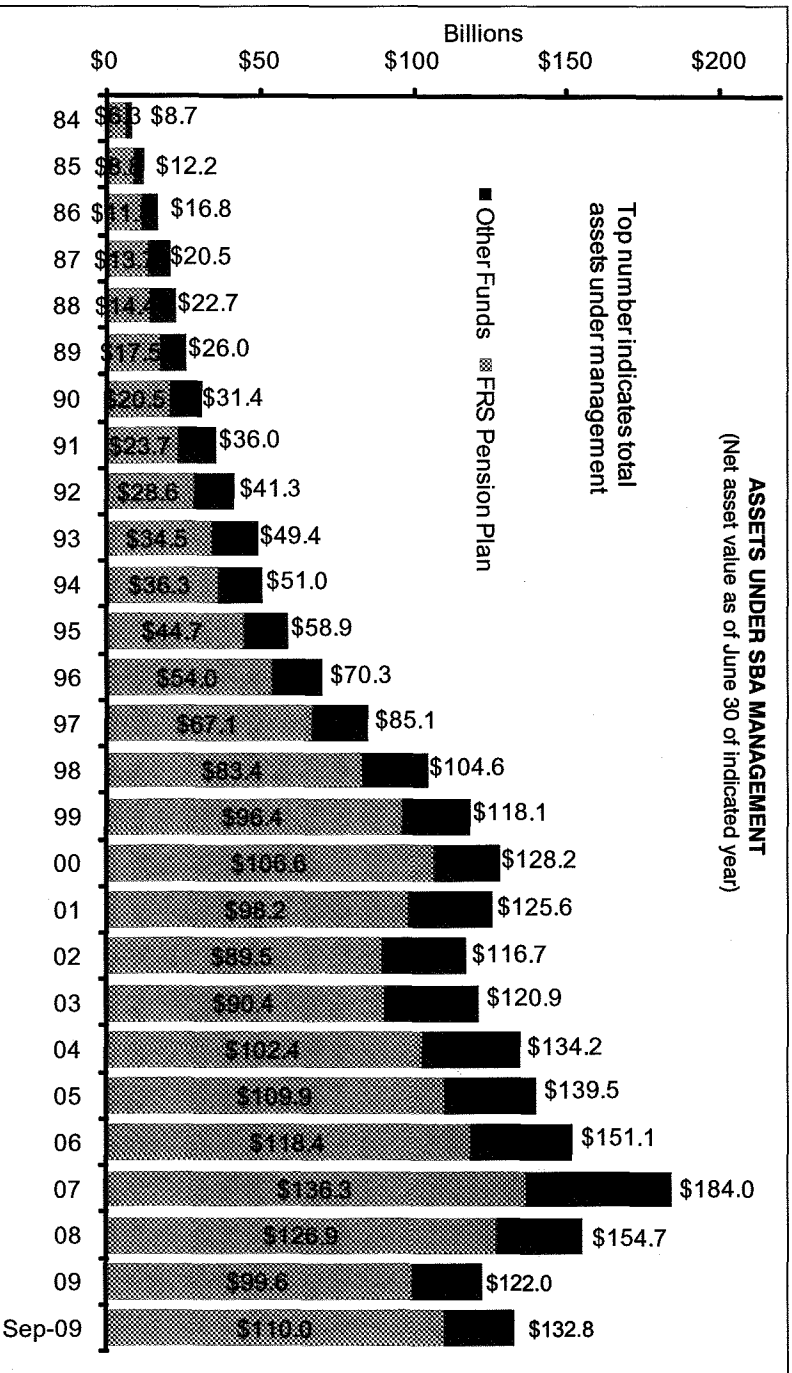
The SBA's Investment Protection Principles (IPP) are founded upon the simple premise of ensuring the soundness and integrity of the investment and trust management services we provide. The broker-dealers we retain are subject to a stringent set of standards regarding analyst compensation and compensation reporting.

## Eliminating Conflicts of Interest

Also under the IPP, the investment management firms we retain must follow guidelines with respect to:

- > Client relationship disclosure and confidentiality
- > Compensation methods disclosure
- > Commission reporting
- > Relationships with affiliate companies
- > Integrity and quality of accounting and financial data
- > Corporate governance policy review

SBA staff is subject to a stringent Personal Investment Activities Policy.





**OVERVIEW**

The Florida PRIME Investment Pool, more formally called the Local Government Surplus Funds Trust Fund, was created by the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes). The purpose of Florida PRIME, as expressed in Florida law is “to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of government, based on the principals of investor protection, mandated transparency, and proper governance, with the goal of reducing the need for imposing additional taxes.” The SBA has operated Florida PRIME (formerly known as the Local Government Investment Pool) since January 1982.

The SBA is charged with the powers and duties to administer and invest the Florida PRIME, in accordance with the statutory fiduciary standards of care as defined in Section 215.47(9), Florida Statutes. The SBA has contracted with Federated Investors, Inc. to provide investment advisory services for Florida PRIME.

During 2007, new guidelines were adopted for Florida PRIME, allowing it to secure an AAAM rating from Standard & Poor’s, the highest rating possible for a governmental money-market fund. The benchmark is the Standard & Poor’s U.S. AAA & AA Rated GIP All 30 Day Net Yield Index. The SBA contracted with Federated on March 3, 2008, to invest Florida PRIME.

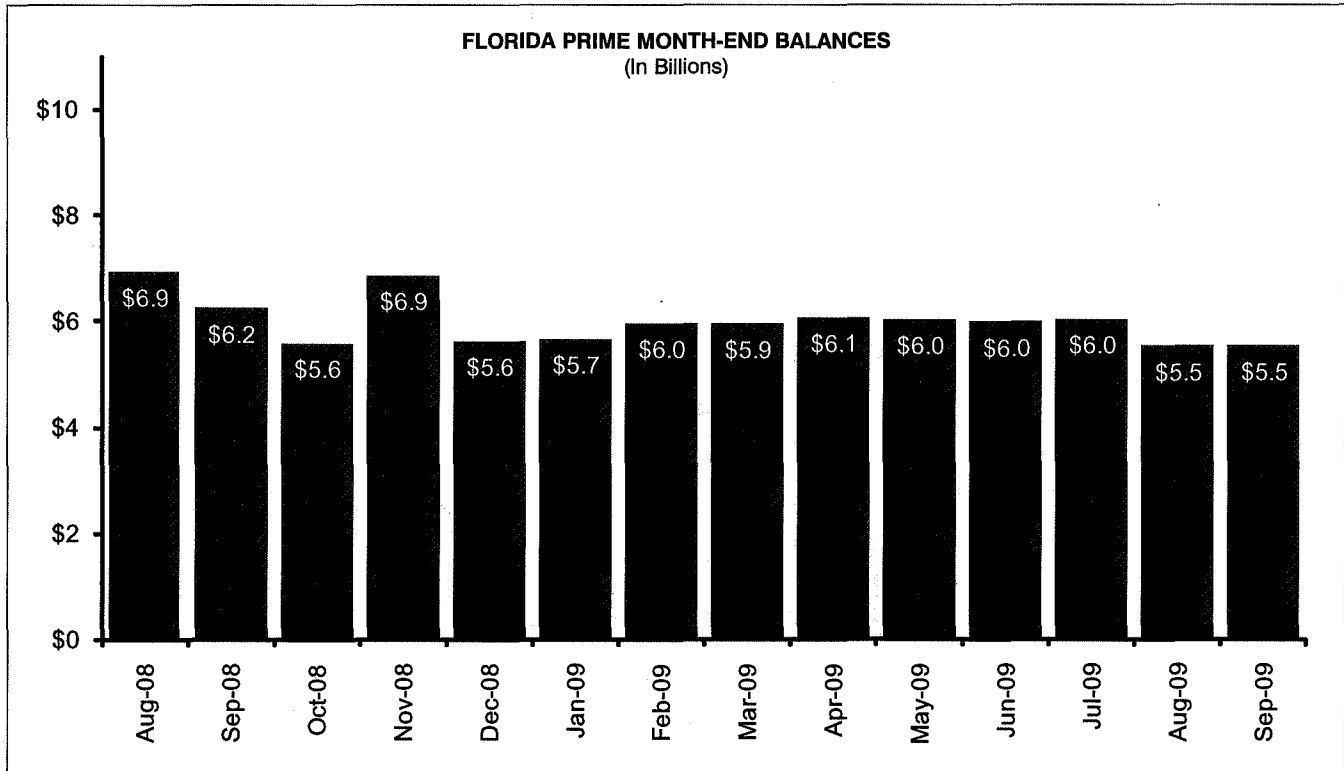
Florida PRIME is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code.

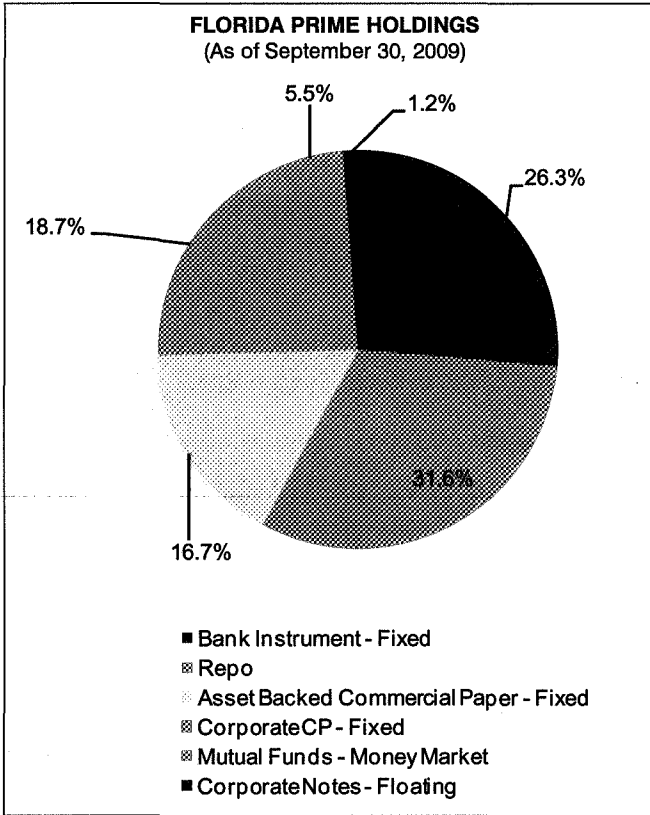
**OBJECTIVES AND GUIDELINES**

The investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of Florida PRIME will be evaluated on a monthly basis against the Standard & Poor’s U.S. AAA & AA Rated GIP All 30 Day Net Yield Index.

The Florida PRIME’s assets will be invested in short-term, high-quality fixed-income securities.

Liquidity is available on a daily basis through online account access.

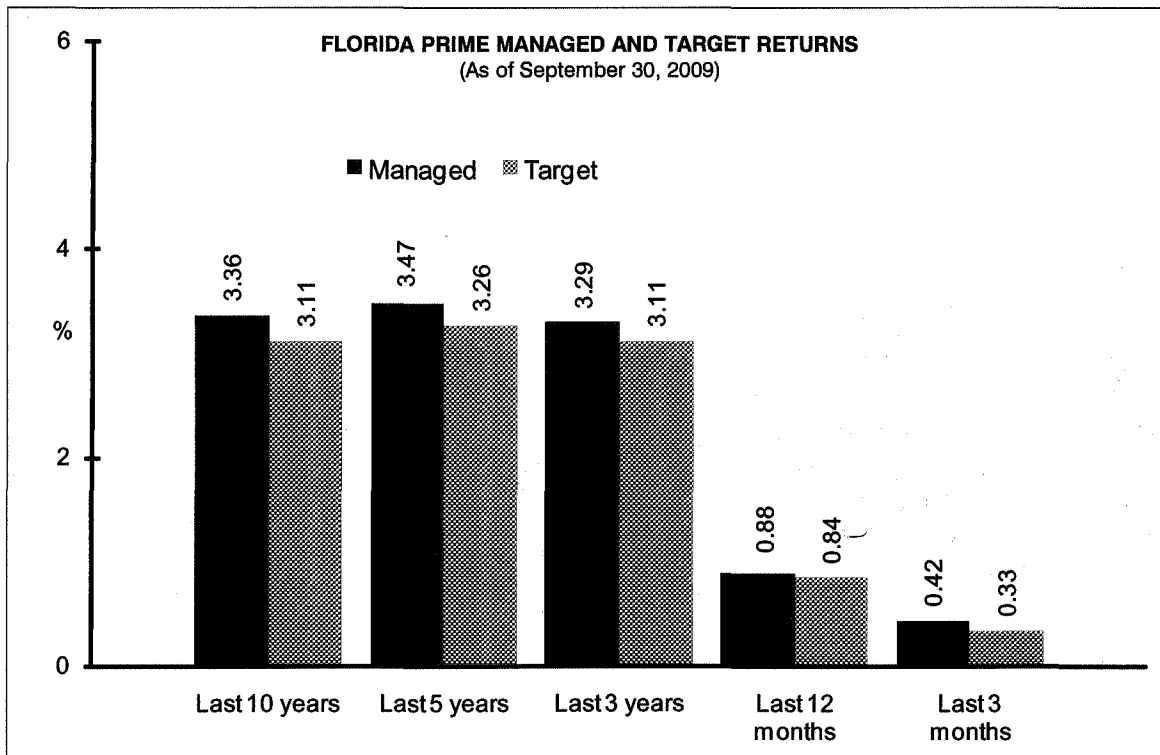




**HISTORY OF THE LGIP, FLORIDA PRIME LIQUIDITY CEILING**  
December 5, 2007 through December 23, 2008

		The greater of:*	
		Percentage	Amount
<b>Initially Imposed</b>	12/05/07	15%	or \$2.0m
	01/18/08	37%	or \$4.0m
	05/15/08	50%	or \$8.0m
	05/29/08	50%	or \$12.0m
	09/25/08	65%	or \$12.0m
	12/12/08	74%	or \$12.0m
<b>Fully Removed</b>	12/23/08	100%	n/a

\*Applied to 12/5/07 opening balances



# FUND B SURPLUS FUNDS TRUST FUND

## OVERVIEW

Fund B was created by the Florida Legislature effective June 1, 2008 (Section 218.421, Florida Statutes). The SBA is charged with the powers and duties to administer and invest Fund B. The SBA has contracted with Federated Investors, Inc. to provide investment advisory services to Fund B.

Fund B is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code. As of October 2009, approximately 75% of the original principal has been returned to participants in Fund B.

## OBJECTIVES AND GUIDELINES

Fund B's primary objective is to maximize the present value of distributions from Fund B.

Fund B principally consists of Segregated Securities, which are securities originally purchased for the Igip, Florida PRIME that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides the Igip's, Florida PRIME AAAm rating.

Participants cannot make discretionary deposits into or withdrawals from Fund B.

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### FUND B DETAILED HOLDINGS (As of October 22, 2009)

Security Name	Type	Par	Amort Cost	Mkt Value
Axon Financial Funding LLC,	VARIABLE RATE COMMERCIAL PAPER	\$ 160,153,791	\$ 160,149,787	\$ 56,432,850
Dreyfus Government Cash Management Fund	OVERNIGHT MUTUAL FUND	\$ 335,896	\$ 335,896	\$ 335,896
Florida East Funding LLC,	VARIABLE RATE TERM NOTE	\$ 119,810,334	\$ 119,810,334	\$ 68,800,377
Florida West Funding LLC,	VARIABLE RATE TERM NOTE	\$ 253,422,056	\$ 253,422,056	\$ 112,621,444
Issuer Entity LLC (Ottimo),	VARIABLE RATE COMMERCIAL PAPER	\$ 146,880,627	\$ 146,880,627	\$ 39,340,829
		<u>\$ 680,602,704</u>	<u>\$ 680,598,701</u>	<u>\$ 277,531,396</u>

# FUND B SURPLUS FUNDS TRUST FUND

## FUND B DISTRIBUTIONS

	Distributions to Participants	Cumulative Distributions	Participant Principal	Proportion of Original Principal Returned
12/05/07			\$2,009,451,941	0.0%
01/18/08	\$50,000,000	\$50,000,000	\$1,959,451,941	2.5%
02/11/08	\$518,000,000	\$568,000,000	\$1,441,451,941	28.3%
03/18/08	\$210,550,000	\$778,550,000	\$1,230,901,941	38.7%
04/21/08	\$106,000,000	\$884,550,000	\$1,124,901,941	44.0%
06/19/08	\$291,500,000	\$1,176,050,000	\$833,401,941	58.5%
06/26/08	\$150,500,000	\$1,326,550,000	\$682,901,941	66.0%
07/07/08	\$34,700,000	\$1,361,250,000	\$648,201,941	67.7%
08/06/08	\$10,400,000	\$1,371,650,000	\$637,801,941	68.3%
09/05/08	\$9,300,000	\$1,380,950,000	\$628,501,941	68.7%
10/07/08	\$11,750,000	\$1,392,700,000	\$616,751,941	69.3%
11/07/08	\$8,700,000	\$1,401,400,000	\$608,051,941	69.7%
12/04/08	\$20,500,000	\$1,421,900,000	\$587,551,941	70.8%
01/09/09	\$7,900,000	\$1,429,800,000	\$579,651,941	71.2%
02/09/09	\$6,800,000	\$1,436,600,000	\$572,851,941	71.5%
03/09/09	\$5,800,000	\$1,442,400,000	\$567,051,941	71.8%
04/09/09	\$6,600,000	\$1,449,000,000	\$560,451,941	72.1%
05/08/09	\$8,200,000	\$1,457,200,000	\$552,251,941	72.5%
06/08/09	\$7,500,000	\$1,464,700,000	\$544,751,941	72.9%
07/09/09	\$7,100,000	\$1,471,800,000	\$537,651,941	73.2%
08/07/09	\$8,150,000	\$1,479,950,000	\$529,501,941	73.6%
09/04/09	\$10,000,000	\$1,489,950,000	\$519,501,941	74.1%
10/07/09	\$8,050,000	\$1,498,000,000	\$511,451,941	74.5%

# THE FLORIDA TECHNOLOGY *and* GROWTH INVESTMENT INITIATIVE

## OBJECTIVE:

To invest in "Florida technology and growth businesses"

THE \$250 MILLION FLORIDA GROWTH FUND IS MANAGED BY HAMILTON LANE. INVESTMENTS MAY INCLUDE, FLORIDA-BASED AND/OR FOCUSED PRIVATE EQUITY PARTNERSHIPS AND DIRECT CO-INVESTMENTS

### PRIVATE EQUITY PARTNERSHIPS

#### CAPITAL DEPLOYMENT

- Target number of partnerships: 15-20
- Target commitment size: \$10-20 million

#### PORTFOLIO CONSTRUCTION

- Focus on Venture Capital, Growth Equity and Small to Mid-Sized Buyouts
- Technology (space, computer)
- Aerospace and aviation
- Renewable energy
- Medical and Life Sciences
- Businesses domiciled in Florida
- Businesses that have demonstrable, material Florida operational presence
- Seek differentiated return streams
- Develop and maintain key general partner relationships

### DIRECT CO-INVESTMENTS

#### CAPITAL DEPLOYMENT

- Target number of companies: 20-25
- Average investment size: \$5-15 million

#### PORTFOLIO CONSTRUCTION

- companies headquartered in, or conducting a significant portion of its respective business in Florida

#### DEAL SOURCING

- Hamilton Lane will use several avenues for sourcing potential co-investments in Florida companies for the Fund
- Active outreach program
- Contact all SBA partners about co-investment component
- Website
- Conference participation
- Leverage Hamilton Lane's national Private Equity network
- Active calling program with all Florida general partners and sponsors

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## CURRENT STATUS:

- Hamilton Lane hired a new Vice President with extensive experience as venture capitalist and entrepreneur to lead a Florida-based team
- Hamilton Lane plans to open offices in Ft. Lauderdale and Orlando

### FUNDS

Total number of opportunities screened	Total number of opportunities currently in diligence process	Target Sectors
25	16	Technology, Healthcare, Alternative Energy

### CO-INVESTMENTS

Potential opportunities screened	Representative locations include:
54	Miami, Tampa, Orlando, Boca Raton

### OUTREACH/SOURCING ACTIVITY

- Hamilton Lane has held a series of outreach meetings in the following locations: Gainesville, Orlando, Tampa, St. Petersburg and Jacksonville

#### MEETINGS BY TYPE

Universities	Service Providers	General Partners	Potential Co-Investments
3	8	6	2

# SBA CODE OF ETHICS

The trusteeship and investment management of public funds demands the highest degree of confidence from beneficiaries of the funds and the public in general. Employees of the SBA hold a public trust that obligates them to honesty and integrity in fulfilling the responsibilities to which they are appointed. Paramount in that trust is the principle that public employment may not be used for personal gain or private advantage. The citizens of the State of Florida expect SBA employees to perform their public responsibilities in accordance with the highest ethical and moral standards and to conduct the business of the SBA in a manner that advances the public's interest.

- Employees shall act with honor and integrity in all professional relationships and shall be honest and objective in all SBA business transactions and negotiations.
- Employees shall maintain a duty of loyalty to our beneficiaries and act in the best interests and for the exclusive benefit of our clients and beneficiaries.
- Employees shall avoid personal, social, employment or business activities and relationships that reflect adversely on the individual's objectivity, create conflicts of interest (including those related to the proper execution and management of investment decisions), impair their ability to make impartial decisions, or otherwise interfere with the proper performance of official duties. Further, employees who are classified as "Affected Persons" under the SBA Personal Investment Activity policy (#10-041) shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the SBA.
- Employees shall have an affirmative duty to promptly disclose and cure conflicts of interest or ethical improprieties. Further, employees who are classified as "Affected Persons" under the SBA Personal Investment Activity Policy (#10-041) shall disclose any material interest (i.e., \$20,000 or more) in Covered Securities (as defined in policy #10-041) in financial institutions or investment organizations with which they conduct business on behalf of the SBA.
- Employees shall not use the prestige or influence of their position or SBA resources to obtain personal, financial or political gain or private advantage for themselves, their family or an organization with which they are associated.
- Employees shall not seek or accept gifts, money, preferential treatment or property that would influence, or appear to influence, official duties.
- Employees shall exercise prudence and integrity in the management of funds in their custody and in all financial transactions.
- Employees shall use care and discretion in the handling of confidential information and shall not disclose or use confidential information for personal gain or private advantage.
- Employees shall be familiar with and comply with SBA policies and local, state and federal laws that affect the SBA and its employees and shall not knowingly be a party to, or condone, any illegal or improper activity.
- Employees shall not falsify or fail to record proper entries on any books or records of the SBA, or knowingly sign or permit the issuance of any statement or report which contains any misstatement or which omits any material fact.
- Employees shall abide by approved practices and recommended standards set forth by professional associations and standard setting organizations.
- SBA management and staff have an affirmative duty to immediately escalate and report directly to either the Executive Director, the Inspector General, or the General Counsel, employee or contractual party fraud or misconduct (whether actual or suspected), employee or contractual party material error that adversely affects SBA or client assets or interests, misrepresentation or omission of material information in internal and external reporting and client communications, and violations of laws, rules or SBA policies. The Inspector General shall investigate any report upon first being made aware of the alleged fraud, misconduct, misrepresentation, error or omission under this provision.



**TRUSTEES**

Governor Charlie Crist, Chairman  
Chief Financial Officer Alex Sink, Treasurer  
Attorney General Bill McCollum, Secretary

**EXECUTIVE DIRECTOR &  
CHIEF INVESTMENT OFFICER**

Ash Williams

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Robert Konrad, Chair  
John H. Hill Jr., Vice Chair  
Beth Ayers McCague  
Robert H. Gidel  
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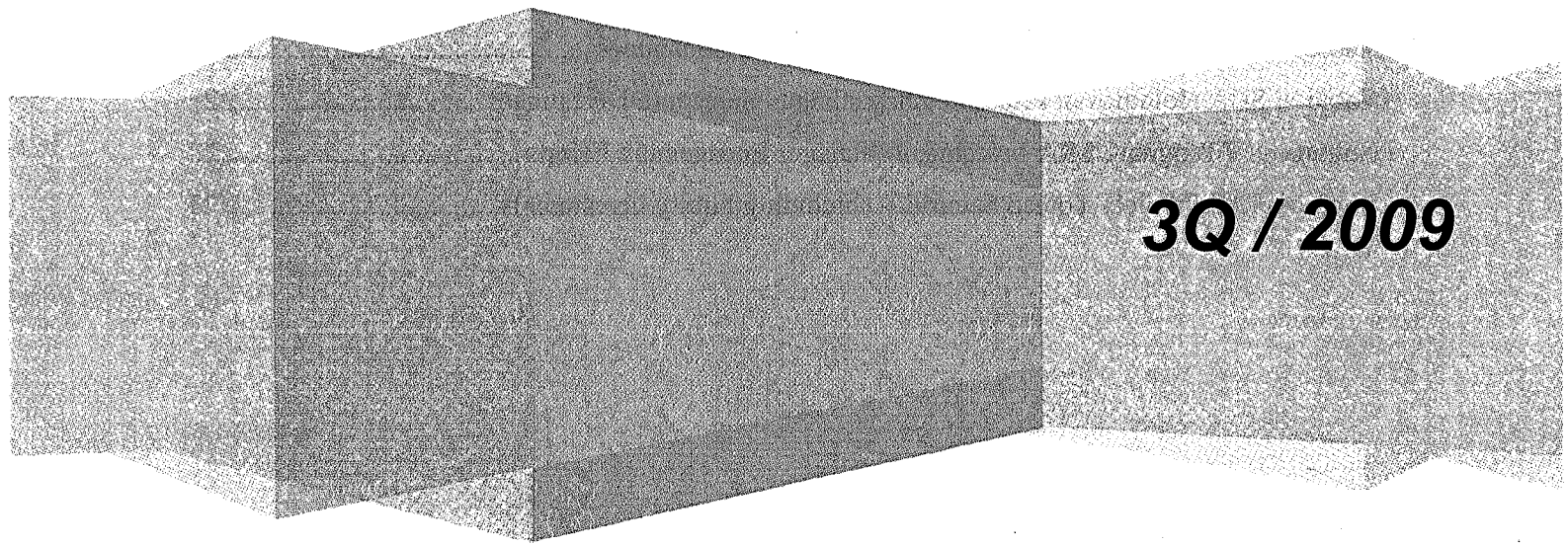
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**STATE BOARD OF  
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**1801 Hermitage Boulevard, Suite 100  
Tallahassee, Florida 32308  
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[www.sbafla.com](http://www.sbafla.com)**

**Protecting Florida's Investments Act (PFIA)**  
Quarterly Report – October 27, 2009



FLORIDA STATE BOARD OF ADMINISTRATION



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### **Introduction**

On June 8, 2007, the Protecting Florida's Investments Act ("PFIA") was signed into law. The PFIA requires the State Board of Administration ("SBA"), acting on behalf of the Florida Retirement System Trust Fund (the "FRSTF"), to assemble and publish a list of "Scrutinized Companies" that have prohibited business operations in Sudan and Iran. Once placed on the list of Scrutinized Companies, the SBA and its investment managers are prohibited from acquiring those companies' securities and are required to divest those securities if the companies do not cease the prohibited activities or take certain compensating actions. The implementation of the PFIA by the SBA will not affect any FRSTF investments in U.S. companies. The PFIA will solely affect foreign companies with certain business operations in Sudan and Iran involving the petroleum or energy sector, oil or mineral extraction, power production or military support activities. This quarterly report is developed pursuant to Section 215.473 (4), Florida Statutes.

### **Primary Requirements of the PFIA**

The PFIA created new reporting, engagement, and investment requirements for the SBA, including:

1. Quarterly reporting to the Board of Trustees of every equity security in which the SBA has invested for the quarter, along with its industry category. This report is posted on the SBA website.
2. Quarterly presentation to the Trustees of a "Scrutinized Companies" list for both Sudan and Iran for their approval. Scrutinized Company lists are available on the SBA's website, along with information on the FRSTF direct and indirect holdings of Scrutinized Companies.
3. Written notice to external investment managers of all PFIA requirements. Letters request that the managers of actively managed commingled vehicles (i.e., those with FRSTF and other clients' assets) consider removing Scrutinized Companies from the product or create a similar actively managed product that excludes such companies. Similar written requests must be provided to relevant investment managers within the defined contribution plan.
4. Written notice to any company with inactive business operations in Sudan or Iran, informing the company of the PFIA and encouraging it to continue to refrain from reinitiating active business operations. Such correspondence continues semiannually.
5. Written notice to any Scrutinized Company with active business operations, informing the company of its Scrutinized Company status and that it may become subject to divestment. The written notice must inform the company of the opportunity to clarify its Sudan-related or Iran-related activities and encourage the company, within 90 days, to cease its scrutinized business operations or convert such operations to inactive status.
6. A prohibition on further investment on behalf of the FRSTF in any Scrutinized Company once the Sudan and Iran scrutinized lists have been approved by the Trustees. All publicly traded securities of Scrutinized Companies must be divested within 12 months after the company's initial (and continued) appearance on the Scrutinized Companies list. Divestment does not apply to indirect holdings in actively managed commingled investment funds—i.e., where the SBA is not the sole investor in the fund. Private equity funds are considered to be actively managed.
7. Reporting to each member of the Board of Trustees, President of the Senate, and the Speaker of the House of Representatives of Scrutinized Company lists within 30 days of creation, and public disclosure of each list.
8. Quarterly reporting of the following to each member of the Board of Trustees, the President of the Senate, the Speaker of the House of Representatives, the United States Presidential Special

Envoy to Sudan and, if one is appointed, the United States Presidential Special Envoy to Iran. The report is made publicly available and posted to the SBA's website.

- a. A summary of correspondence with engaged companies;
  - b. A listing of all investments sold, redeemed, divested, or withdrawn;
  - c. A listing of all prohibited investments;
  - d. A description of any progress related to external managers offering PFIA compliant funds; and
  - e. A list of all publicly traded securities held directly by the state.
9. Adoption and incorporation into the Investment Policy Statement (IPS) of SBA actions taken in accordance with the PFIA. Changes to the IPS are reviewed by the Investment Advisory Council and approved by the Trustees.
10. Relevant Sudan or Iran portions of the PFIA are discontinued if the Congress or President of the United States passes legislation, executive order, or other written certification that:
- a. Darfur genocide has been halted for at least 12 months;
  - b. Sanctions imposed against the Government of Sudan are revoked;
  - c. Government of Sudan honors its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons;
  - d. Government of Iran has ceased to acquire weapons of mass destruction and support international terrorism;
  - e. Sanctions imposed against the government of Iran are revoked; or
  - f. Mandatory divestment of the type provided for by the PFIA interferes with the conduct of U.S. foreign policy.
11. Cessation of divestment and/or reinvestment into previously divested companies may occur if the value of all FRSTF assets under management decreases by 50 basis points (0.5%) or more as a result of divestment. If cessation of divestment is triggered, the SBA is required to provide a written report to each member of the Board of Trustees, the President of the Senate, and the Speaker of the House of Representatives prior to initial reinvestment. Such condition is required to be updated semiannually.
12. In 2009, the Florida Legislature approved a bill requiring the SBA to identify and offer, by March 1, 2010, at least one terror-free investment product for the FRS Investment Plan. The product must allocate its funds among securities not subject to divestiture, as provided in section 215.473, Florida Statutes.

#### ***Definition of a Scrutinized Company***

The following is a brief review of the criteria on which the active business operations of companies must be judged, in accordance with subsection (1) (t) of the Section 215.473, F.S.

#### ***Sudan:***

1. Have a material business relationship with the government of Sudan or a government-created project involving oil related, mineral extraction, or power generation activities, or
2. Have a material business relationship involving the supply of military equipment, or
3. Impart minimal benefit to disadvantaged citizens that are typically located in the geographic periphery of Sudan, or
4. Have been complicit in the genocidal campaign in Darfur.

**Iran:**

1. Have a material business relationship with the government of Iran or a government-created project involving oil related or mineral extraction activities, or
2. Have made material investments in and significantly enhancing Iran's petroleum sector.

Affiliates of companies with scrutinized business operations are also subject to the requirements of the PFIA. An affiliated company is generally defined as any other company that either directly or indirectly controls, is controlled by or is under common control with the company conducting scrutinized active business operations. Control generally means the power to exercise a controlling influence over the management or policies of a company. As well, many companies have parent—subsidiary relationships whereby a parent company may own several other companies. In such cases, the SBA has included any known parent and/or subsidiaries which can be clearly linked to a company with scrutinized active business operations. The SBA has used a 50 percent ownership threshold in determining whether or not companies are affiliated, examining parent company—subsidiary ownership on a pro rata basis.

The SBA views companies which have explicit plans and activities related to discontinuation of active business operations as meeting the PFIA definition of substantial action. For all identified companies, the SBA will request information detailing what a company has actually done, if anything, to discontinue its active business operations or if it has pursued humanitarian efforts (applicable to Sudan only).

***SBA Scrutinized Companies Identification Methodology***

The SBA has developed two lists of Scrutinized Companies with active business operations by principally relying on the research and findings of four "External Research Providers:"

1. Conflict Risk Network (CRN). CRN is a project of the Genocide Intervention Network, a non-profit organization focused on fundraising for the UN-supported African Union Mission in Darfur and political activism to pressure governments and the UN to pursue a comprehensive strategy to end the genocide in Darfur. CRN was formerly known as the Sudan Divestment Task Force (SDTF).
2. RiskMetrics Group (ISS). RiskMetrics delivers proxy voting and corporate governance solutions to institutional clients. RiskMetrics offers screening services to help pension funds and their investment managers comply with the specific and unique components of state law pertaining to investments in sanctioned countries, including Sudan and Iran.
3. KLD Research & Analytics (KLD). KLD is an investment research firm producing a Sudan Targeted Divestment Compliance product, which meets the requirements of the CRN. While KLD consults with the CRN on legislative criteria and certain companies, KLD independently performs all of the research involved in creating the product. KLD also produces an Iran Compliance product, which identifies companies generally meeting the criteria of the federal government elements of the Iran Sanctions Act.
4. American Israel Public Affairs Committee (AIPAC). AIPAC works on public policy issues with the intent to strengthen the U.S.-Israel relationship. AIPAC produces a list of foreign companies at risk of being sanctioned by the U.S. for investing in Iran's oil and natural gas sector, in violation of the Iran Sanctions Act (ISA).

The SBA Investment Programs and Governance unit and other senior investment professionals review the assessments of the External Research Providers and other publicly available information. The SBA has utilized the following sources to evaluate over 200 companies and affiliates with reported links to Sudan or Iran:

**Company disclosures:**

- SEC filings (DEF 14A Proxy Statements, 10-K & 20-F Annual Reports, etc.)
- Investor Relations/company websites
- Industry publications and analyst research

Investment/Finance Organizations:

- Industry Analysts
- Index Providers (e.g., Russell)
- Other Institutional Investors/Private Investors

U.S Government Agencies:

- SEC Office of Global Security (EDGAR)
- U.S. Treasury, Office of Foreign Asset Control (OFAC)
- Dept. of Energy, Energy Information Administration (EIA)
- Congressional Research Service (CRS), Library of Congress

Non-Governmental Organizations (NGOs):

- American Enterprise Institute (AEI)
- Amnesty International
- Yale University (Allard K. Lowenstein International Human Rights Project)
- Human Rights Watch

Other Sources:

- SBA External Investment Managers
- U.S. Federal Sanctions Laws covering State Sponsors of Terror
- Any other publicly available information.

Using the previous information sources, the SBA has developed two separate categorizations of a company's involvement in Sudan and/or Iran.

1. **“Scrutinized”** — All applicable External Research Providers indicate that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473 (1)(t)1., 2., or 3. [Sudan] or Section 215.473 (4)(t)1. [Iran]. For Sudan, CRN, RiskMetrics Group, and KLD must unanimously agree on the company's status under the PFIA. For Iran, AIPAC, RiskMetrics Group, and KLD must unanimously agree on the company's status under the PFIA. Upon SBA review, no other information sources clearly contradict the conclusions of the External Research Providers.
2. **“Continued Examination”** — At least one, but not all applicable External Research Providers indicates that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473, (1)(t)1., 2., or 3. [Sudan] or Section 215.473, (4)(t)1. [Iran]. In other words, the External Research Providers do not agree on the status of a company and the SBA is unable to definitively categorize the company's activities as scrutinized without further research to resolve the differences. For companies classified as “Continued Examination” the SBA will begin an engagement process to clarify each firm's current business relationships.

***About the State Board of Administration***

The statutory mission of the State Board of Administration (SBA) is to invest, manage and safeguard assets of the Florida Retirement System (FRS) Trust Fund and a variety of other funds for state and local governments. FRS Trustees are dedicated to ensuring that the SBA invests assets and discharges its duties in accordance with Florida law, guided by strict policies and a code of ethics to ensure integrity, prudent risk management and top-tier performance. The SBA is an investment fiduciary under law, and subject to the stringent fiduciary duties and standards of care defined by the Employee Retirement Income Security Act of 1974 (ERISA), as incorporated into Florida law. The SBA has three Trustees: the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary.

As of September 30, 2009, the net asset value of total funds under SBA management was approximately \$132 billion. The FRS Pension Plan provides defined pension benefits to 1.1 million beneficiaries and retirees. The strong long-term performance of the FRS Pension Plan, the fourth-largest public pension fund in the nation, reflects our commitment to responsible fiscal management. The SBA strives to meet the highest ethical, fiduciary and professional standards while performing its mission, with a continued emphasis on keeping operating and investment management costs as low as possible for the benefit of Florida taxpayers.

We encourage you to review additional information about the SBA and FRS on our website at [www.sbafla.com](http://www.sbafla.com).



### ***Key Changes since the Previous PFIA Quarterly Report***

#### **Sudan**

Companies **removed** from the Sudan Scrutinized list this quarter:

- Arab Aluminum Co. SAE has been removed from Scrutinized status since it is no longer structured as a majority-owned affiliate of a Scrutinized company (Egypt Kuwait Holding Co. SAE).
- AREF Investment Group has been removed from Scrutinized status since it is no longer structured as a majority-owned affiliate of a Scrutinized company (AREF Energy Holding Company).

Companies **added** to the Sudan Continued Examination list this quarter:

- AREF Investment Group
- Mercator Lines Limited (Mercator Lines Singapore)
- Oil India Limited

#### **Iran**

Companies **added** to the Iran Scrutinized list this quarter:

- Shell International Finance BV has been added to the Iran Scrutinized list. It is a wholly owned subsidiary of Royal Dutch Shell plc, a Scrutinized Company.
- Petrobras International Finance Company has been added to the Iran Scrutinized list. It is a wholly owned subsidiary of Petroleo Brasileiro, a Scrutinized Company.

**Table 1: Scrutinized Companies with Activities in Sudan**  
*No companies were added this quarter.*

Company	Country of Incorporation	Date of Initial Scrutinized Classification
Alstom	France	September 19, 2007
Alstom Projects India	India	April 14, 2009
AREF Energy Holdings Co.	Kuwait	July 28, 2009
AviChina Industry & Technology Company Limited	China	September 19, 2007
Bharat Heavy Electricals, Ltd.	India	September 19, 2007
Bongaigaon Refinery & Petrochemicals	India	September 19, 2007
Chennai Petroleum Corp Ltd	India	September 19, 2007
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
CNPC Hong Kong Ltd.	Hong Kong	September 19, 2007
Daqing Huake Group Co Ltd	China	March 25, 2008
Dietswell SA	France	January 13, 2009
Dongan Motor (aka Harbin Dongan Auto Engine)	China	September 19, 2007
DongFeng Automobile Co Ltd	China	September 19, 2007
Egypt Kuwait Holding Co. SAE	Kuwait	January 13, 2009
Electricity Generating Public Co	Thailand	September 19, 2007
Favelle Favco	Malaysia	April 14, 2009
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Hafei Aviation Industry Co Ltd	China	September 19, 2007
Harbin Power Equipment	China	September 19, 2007
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
Jiangxi Changhe Automobile	China	September 19, 2007
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	China	September 19, 2007
Jinan Diesel Engine Co. Ltd.	China	July 28, 2009
Kejuruteraan Samudra Timur Bhd	Malaysia	September 19, 2007
Kencana Petroleum Berhad	Malaysia	December 18, 2007
Khanom Electricity Generating Co	Thailand	December 18, 2007
Kingdream PLC	China	April 14, 2009
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
KMCOB Capital Bhd	Malaysia	September 19, 2007
Kuwait Finance House	Kuwait	April 14, 2009
Lanka IOC Ltd	India	September 19, 2007
Mangalore Refinery & Petrochemicals Ltd	India	September 19, 2007
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd.	Malaysia	April 14, 2009
Muhibbah Engineering BHD	Malaysia	September 19, 2007
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007

<b>Company</b>	<b>Country of Incorporation</b>	<b>Date of Initial Scrutinized Classification</b>
Optimal Olefins Sdn Bhd	Malaysia	September 19, 2007
PECD Bhd.	Malaysia	September 19, 2007
PetroChina	China	September 19, 2007
PetroKazakhstan Finance BV	Canada	July 28, 2009
Petroliam Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Ranhill Bhd	Malaysia	September 16, 2008
Ranhill Labuan Ltd.	Malaysia	April 14, 2009
Ranhill Powertron Sdn	Malaysia	April 14, 2009
SAJ Holdings	Malaysia	July 28, 2009
Scomi Engineering BHD	Malaysia	September 19, 2007
Scomi Group Bhd	Malaysia	September 19, 2007
Sinopec Finance	China	April 14, 2009
Sinopec Kantons Holdings Ltd	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
Wartsila Oyj	Finland	December 18, 2007
Wuhan Boiler Company	China	September 19, 2007
<b># of Companies</b>	<b>57</b>	

The following companies were **removed** from the Scrutinized Company list for SUDAN during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<i>Arab Aluminum Co SAE</i>	<i>Egypt</i>
<i>AREF Investment Group</i>	<i>Kuwait</i>

**Table 2: Continued Examination Companies with Activities in Sudan**  
*New companies on the list are shaded and in bold.*

<b>Company</b>	<b>Country of Incorporation</b>
ABB Ltd.	Switzerland
<b>AREF Investment Group</b>	<b>Kuwait</b>
Areva SA	France
Bharat Electronics Limited	India
Bollore Group	France
China North Industries Group Corp (CNGC/Norinco)	China
GAZ Group	Russia
Korea Plant Service and Engineering Co. Ltd.	South Korea
La Mancha Resources	Canada
LS industrial Systems Co. Ltd.	South Korea
Managem	Morocco
<b>Mercator Lines Limited (Mercator Lines Singapore)</b>	<b>India</b>
MMC Bhd	Malaysia
Nam Fatt	Malaysia
<b>Oil India Limited</b>	<b>India</b>
PetroFac	United Kingdom
Sinohydro	China
Sudan Telecommunications (Sudatel)	Sudan
Total SA	France
<b># of Companies</b>	<b>19</b>

No companies were **removed** from the Continued Examination list for SUDAN during the quarter.

**Table 3: Scrutinized Companies with Activities in the Iran Petroleum Energy Sector***New companies on the list are shaded and in bold.*

<b>Company</b>	<b>Country of Incorporation</b>	<b>Date of Initial Scrutinized Classification</b>
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
CNPC Hong Kong Ltd.	Hong Kong	September 19, 2007
ENI	Italy	September 19, 2007
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Gazprom	Russia	September 19, 2007
Gazprom Neft	Russia	September 16, 2008
GS Engineering & Construction Corp.	S. Korea	September 16, 2008
GS Holdings	S. Korea	September 19, 2007
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
Inpex Corp.	Japan	September 19, 2007
Kingdream PLC	China	April 14, 2009
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd.	Malaysia	April 14, 2009
Mosenergo	Russia	September 16, 2008
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
Optimal Olefins Sdn Bhd	Malaysia	September 19, 2007
Persian Gold PLC	United Kingdom	July 28, 2009
Petrobras Energia (Participaciones)	Argentina	April 14, 2009
<b>Petrobras International Finance Company</b>	<b>Cayman Islands</b>	<b>October 27, 2009</b>
PetroChina	China	September 19, 2007
Petroleo Brasileiro (Petrobras)	Brazil	September 19, 2007
Petroliam Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Repsol YPF	Spain	September 19, 2007
Royal Dutch Shell PLC	United Kingdom	September 19, 2007
<b>Shell International Finance BV</b>	<b>Netherlands</b>	<b>October 27, 2009</b>
Sinopec Finance	China	April 14, 2009
Sinopec Kantons Holdings Ltd	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
Snam Rete Gas	Italy	September 19, 2007
StatoilHydro	Norway	September 19, 2007
Total (Nigeria) PLC	Nigeria	March 25, 2008
Total SA	France	September 19, 2007
<b># of Companies</b>	<b>38</b>	

No companies were **removed** from the Scrutinized list for IRAN during the quarter.

**Table 4: Continued Examination Companies with Petroleum Energy Activities in Iran**  
*No companies were added this quarter.*

Company	Country of Incorporation
Aker Kvaerner ASA	Norway
CNOOC Ltd.	China
Daelim Industrial Co.	South Korea
Edison Spa	Italy
Engineers India Ltd.	India
GAIL Ltd.	India
GVA Consultants	Sweden
Hyundai Engineering & Construction Co.	South Korea
Hyundai Heavy Industries	South Korea
Liquefied Natural Gas LNG	Australia
Lukoil OAO	Russia
OMV AG	Austria
Petrofac Ltd.	United Kingdom
PT Citra Tubindo Tbk	Indonesia
PTT Exploration & Production PCL	Thailand
Samsung Engineering Co. Ltd.	Korea
Sasol Ltd.	South Africa
Siam Cement PCL	Thailand
Siemens AG	Germany
Technip	France
Trevi-Finanziaria Industriale SpA	Italy
Welspun-Gujarat Stahl Rohren Ltd.	India
<b># of Companies</b>	<b>22</b>

No companies were **removed** from the Continued Examination list for IRAN during the quarter.

**Table 5: Correspondence & Engagement Efforts with Scrutinized Companies**

In accordance with Section 215.473(3)(a), F.S., the SBA began to engage companies on the September 19, 2007, Scrutinized Company lists. The SBA sent letters to each Scrutinized Company that was owned and held as of September 19, 2007, per the requirements of the law.

The SBA also sent written communication to other scrutinized firms since the initial company engagement effort in September 2007. Each letter encouraged the company to cease any active business operations within 90 days or convert such operations to inactive status to avoid qualifying for divestment by the SBA. In addition, the SBA sent a second letter to scrutinized companies on January 25, 2008, again requesting companies to provide all information necessary to avoid divestment.

On September 30, 2008, the SBA sent a follow-up letter to all Scrutinized Companies. Although, these companies are no longer held by the SBA, the September 30, 2008, letter was intended to once again provide notice of the requirements of the PFIA. Since our original correspondence, several companies on the scrutinized list have replied with valuable information. Each company's response and classification status is summarized below. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Status
ABB	Yes; January 29, 2009	Moved to Sudan Continued Examination List
Alstom	Yes; October 1, 2007	Sudan Scrutinized Classification Continues
Bharat Heavy Electricals Limited	Yes; October 4, 2007	Sudan Scrutinized Classification Continues
Bow Valley Energy	Yes; October 22, 2008	Removed from Iran Scrutinized List
Chennai Petroleum Corporation Limited	Yes; October 16, 2008	Sudan Scrutinized Classification Continues
China Petroleum & Chemical Corp (Sinopec)	No	Iran & Sudan Scrutinized Classification Continues
CNPC Hong Kong Limited	Yes; October 5, 2007 and May 24, 2008	Iran & Sudan Scrutinized Classification Continues
Electricity Generating PCL	No	Sudan Scrutinized Classification Continues
ENI	Yes; February 13, 2008	Iran Scrutinized Classification Continues
Gazprom	Yes; November 1, 2007	Iran Scrutinized Classification Continues
Harbin Power Equipment	No	Sudan Scrutinized Classification Continues
Indian Oil Corp Ltd (IOCL)	No	Iran & Sudan Scrutinized Classification Continues
Inpex Corp.	Yes; October 15, 2007	Iran Scrutinized Classification Continues
Kencana Petroleum	Yes; October 31, 2008	Sudan Scrutinized Classification Continues
Lukoil OAO	Yes; October 8, 2007	Moved to Iran Continued Examination List
Lundin Petroleum AB	Yes; October 17, 2008	Removed from Sudan Scrutinized List
Lundin International SA	No	Removed from Sudan Scrutinized List
MISC Bhd	No	Iran & Sudan Scrutinized Classification Continues
Norsk Hydro	Yes; November 30, 2007	Removed from Iran Scrutinized List
OMV AG	Yes; November 6, 2007	Moved to Iran Continued Examination List
PetroChina	Yes; December 22, 2008	Iran & Sudan Scrutinized Classification Continues
Petroleo Brasileiro (Petrobras)	No	Iran & Sudan Scrutinized Classification Continues
Ranhill Bhd	Yes; October 22, 2008	Sudan Scrutinized Classification Continues

<b>Company</b>	<b>Company Responsive to SBA Communications</b>	<b>Status</b>
Repsol YPF	Yes; October 15, 2007	Iran Scrutinized Classification Continues
Royal Dutch Shell PLC	Yes; October 5, 2007	Iran Scrutinized Classification Continues
Sinopec Kantons Holdings	No	Sudan Scrutinized Classification Continues
Sinopec Shanghai Petrochemical Company	No	Sudan Scrutinized Classification Continues
Snam Rete Gas	Yes; October 9, 2008	Iran Scrutinized Classification Continues
StatoilHydro	Yes; February 4, 2008	Iran Scrutinized Classification Continues
Total SA	Yes; October 12, 2007	Iran Scrutinized Classification Continues
Wärtsilä Oyj	Yes; December 4, 2007	Sudan Scrutinized Classification Continues



**Table 6: Correspondence & Engagement Efforts with Continued Examination Companies**

In addition to Scrutinized Companies, the SBA engaged companies on our initial September 19, 2007, Continued Examination company lists. The SBA also sent written communication to firms added to the Continued Examination list since the initial company engagement effort in September 2007. Such companies were asked to provide information to the SBA in order to assist us in determining the extent of their activities, if any, in Sudan and Iran. The SBA sent a follow-up letter to all companies on September 30, 2008. Each company's response and classification is summarized below.

Company	Company Responsive to SBA Communications	Continued Examination Status
Actividades de Construccion y Servicios S.A.(ACS)	No	Removed from Iran List
Aggreko PLC	Yes; January 28, 2008	Removed from Iran List
Air Liquide	Yes; November 30, 2007 January 28, 2008	Removed from Iran List
Aker Kvaerner ASA	No	Iran CE Classification Continues
AREF Investment Group	No	Removed from Sudan List
Areva SA	Yes; October 27, 2008	Sudan CE Classification Continues
Bauer Aktiengesellschaft	Yes; March 13, 2008	Removed from Sudan List
BG Group	Yes; November 23, 2007	Removed from Iran List
Bharat Electronics Limited	No	Sudan CE Classification Continues
Bollere Group	No	Sudan CE Classification Continues
CNOOC Ltd	Yes; October 28, 2008	Iran CE Classification Continues
Costain Group PLC	Yes; November 5, 2007	Removed from Iran List
Daelim Industrial Co.	No	Iran CE Classification Continues
Engineers India Ltd.	Yes; October 16, 2008	Iran CE Classification Continues
Essar Oil	Yes; January 9, 2009	Removed from Iran List
Finmeccanica SpA	No	Removed from Sudan List
GVA Consultants	Yes; September 26, 2007	Iran CE Classification Continues
ICSA India Limited	No	Removed from Sudan List
Itochu Corp	Yes; May 9, 2008	Removed from Iran List
JGC Corp	Yes; October 1, 2007	Removed from Iran List
La Mancha Resources	Yes; October 21, 2008	Sudan CE Classification Continues
Linde AG	Yes; November 14, 2007	Removed from Iran List
Liquefied Natural Gas LNG	No	Iran CE Classification Continues
Mitsubishi Heavy Industries Ltd.	Yes; October 26, 2007	Removed from Iran List
Mitsui & Co.	Yes; October 17, 2007	Removed from Iran List
Mitsui Engineering & Shipbuilding	Yes; November 21, 2007 December 18, 2007	Removed from Iran and Sudan Lists
MMC Bhd	No	Sudan CE Classification Continues
Nam Fatt	No	Sudan CE Classification Continues
Saipem	Yes; December 12, 2007	Removed from Iran List
Samsung Engineering Co. Ltd.	No	Iran CE Classification Continues

<b>Company</b>	<b>Company Responsive to SBA Communications</b>	<b>Continued Examination Status</b>
Samsung Heavy Industries Co. Ltd.	No	Removed from Iran List
Sasol Ltd.	No	Iran CE Classification Continues
Schlumberger Limited NV	Yes; October 19, 2007	Removed from Iran and Sudan Lists
Siam Cement PCL	Yes; October 21, 2008	Iran CE Classification Continues
SNC - Lavalin Group Inc.	Yes; September 25, 2007	Removed from Iran List
Sudan Telecommunications (Sudatel)	No	Sudan CE Classification Continues
Technip	No	Iran CE Classification Continues
The Weir Group PLC	Yes; November 16, 2007	Removed from Iran and Sudan Lists
Total SA	Yes; October 12, 2007	Sudan CE Classification Continues
Weatherford International, Ltd.	No	Removed from Sudan List

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### **Key Dates for PFIA Activities**

**June 8, 2007** — Legislation's effective date, upon becoming a law.

**August 6, 2007** — SBA letter to state agencies requesting data on all publicly traded securities held directly by the State.

**August 20, 2007** — First of two letters to investment managers providing written notice of PFIA enactment and amendment to Schedule B of investment management contracts.

**September 19, 2007** — SBA assembles initial Scrutinized Companies lists for Sudan and Iran.

**September 20, 2007** — SBA engages companies classified as either Scrutinized or needing Continued Examination through written correspondence, subsequent conference calls and additional communication. SBA disclosed the Scrutinized Companies lists on its website, including reporting of all equities held by the State.

**September 21, 2007** — Second of two letters to investment managers providing Scrutinized Companies lists.

**October 16, 2007** — SBA formally submits the Scrutinized Companies lists to the Legislature and the United States Special Envoy to Sudan, and continues to do so every quarter.

**November 30, 2007** — SBA sends notification via email to any owned scrutinized company that has not responded to initial written correspondence. Similar notification was sent to each company classified as needing continued examination.

**January 25, 2008** — SBA sends additional notice of divestment and request for information to all Scrutinized Companies, with emphasis to companies that have been unresponsive to the SBA's prior request for the necessary information.

**July 1, 2008** — In March 2008, the SBA developed a policy approach directing all affected managers to sell their remaining PFIA related holdings no later than July 1, 2008, approximately three months earlier than the statutory deadline of September 18, 2008.

**September 18, 2008** — Statutory deadline for the SBA to complete divestment of *initial* Scrutinized Companies (i.e., within 12 months of their initial appearance on the September 19, 2007 list), if they do not stop scrutinized active business operations.

**March 1, 2010**— Prior to this date, the SBA is to identify and offer at least one terror-free investment product for the FRS Investment Plan.

**Quarterly Reporting**—SBA provides quarterly updates to the Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities. PFIA quarterly reports have been issued on the following dates:

**September 19, 2007**  
**December 18, 2007**  
**March 25, 2008**  
**June 10, 2008**  
**September 16, 2008**  
**January 13, 2009**  
**April 14, 2009**  
**July 28, 2009**  
**October 27, 2009**

### Summary of Investments Sold, Redeemed, Divested or Withdrawn

In accordance with the PFIA, the SBA must divest all holdings of any scrutinized companies within 12 months of their original appearance on the prohibited securities list. External managers are contractually responsible for administering investments in accordance with restrictions set forth by the SBA, including the prohibited securities list of the PFIA. Beginning in April 2008, the SBA developed a policy approach that directed all affected managers to sell their remaining PFIA related holdings no later than July 1, 2008, approximately three months earlier than the statutory deadline of September 18, 2008. Historical divestment transaction data is contained in prior PFIA Quarterly Reports.

Below is a table showing the aggregate amounts divested by the SBA, by company, since the PFIA's inception:

Royal Dutch Shell	\$215,784,700.79
Total SA	\$214,536,015.45
Petroleo Brasileiro SA	\$206,135,264.10
ENI	\$141,403,034.78
Gazprom (a.k.a. OAO Gazprom)	\$71,275,453.14
Alstom	\$65,897,698.67
Repsol YPF	\$53,420,179.87
StatoilHydro	\$46,792,677.58
China Petroleum and Chemical Corp (CPCC) Sinopec	\$38,455,440.48
PetroChina	\$25,723,158.75
Inpex Corp.	\$24,835,110.63
MISC Bhd	\$16,448,397.44
Snam Rete Gas	\$9,596,905.78
Lukoil OAO**	\$9,487,631.46
OMV AG **	\$8,601,977.98
Wärtsilä Oyj	\$1,797,871.96
Petrofac Ltd **	\$1,496,881.43
The Weir Group PLC **	\$1,322,666.62
Lundin Petroleum AB **	\$1,133,120.04
Oil & Natural Gas Corporation (ONGC)	\$945,363.83
Petrobras Energia (Participaciones)	\$298,632.08
Dongfeng Motor Group	\$158,623.49
Electricity Generating Public Company	\$121,321.38
Gazprom Neft	\$37,892.73
	<b>\$1,155,706,021</b>
** Denotes a company which is no longer on the Prohibited Companies list.	

In accordance with the PFIA, the SBA will report on the performance implications of PFIA-related divestitures and restrictions. Generally, the impact of PFIA legislation on performance is measured as the opportunity cost of not being able to hold prohibited securities, measured by comparing the monthly return of the standard foreign equity benchmark (i.e., the MSCI ACWI ex-US) to a custom foreign equity benchmark based upon PFIA divestiture requirements. The difference in returns between the standard benchmark and custom benchmark represents the opportunity cost to the SBA of not being able to invest in (or hold) prohibited companies. The percent return difference is then applied to the average monthly balance of foreign equity investments to determine a dollar impact. Monthly dollar impacts, whether positive or negative, are added together through time and then compared to the total value of the FRS Pension Plan to determine the percentage or basis point impact of PFIA legislation.

**Table 7: List of Prohibited Investments (Scrutinized Companies)**

New companies on the list are shaded and in bold.

Company	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
Alstom	Sudan	France	September 19, 2007	Yes
Alstom Projects India	Sudan	India	April 14, 2009	Yes
AREF Energy Holdings Co.	Sudan	Kuwait	July 28, 2009	Yes
AviChina Industry & Technology Company Limited	Sudan	China	September 19, 2007	Yes
Bharat Heavy Electricals, Ltd.	Sudan	India	September 19, 2007	Yes
Bongaigaon Refinery & Petrochemicals	Sudan	India	September 19, 2007	Yes
Chennai Petroleum Corp Ltd	Sudan	India	September 19, 2007	Yes
China Petroleum & Chemical Corp (CPC) - Sinopec	Sudan & Iran	China	September 19, 2007	Yes
CNPC Hong Kong Ltd.	Sudan & Iran	Hong Kong	September 19, 2007	Yes
Daqing Huake Group Co Ltd	Sudan	China	March 25, 2008	Yes
Dietswell SA	Sudan	France	January 13, 2009	Yes
Dongan Motor (aka Harbin Dongan Auto Engine)	Sudan	China	September 19, 2007	Yes
DongFeng Automobile Co Ltd	Sudan	China	September 19, 2007	Yes
Egypt Kuwait Holding Co. SAE	Sudan	Kuwait	January 13, 2009	Yes
Electricity Generating Public Co	Sudan	Thailand	September 19, 2007	Yes
ENI	Iran	Italy	September 19, 2007	Yes
Favelle Favco	Sudan	Malaysia	April 14, 2009	Yes
Gas District Cooling (Putrajaya) Sdn Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
Gazprom	Iran	Russia	September 19, 2007	Yes
Gazprom Neft	Iran	Russia	September 16, 2008	Yes
GS Engineering & Construction Corp.	Iran	S. Korea	September 16, 2008	Yes
GS Holdings	Iran	S. Korea	September 19, 2007	Yes
Hafei Aviation Industry Co Ltd	Sudan	China	September 19, 2007	Yes
Harbin Power Equipment	Sudan	China	September 19, 2007	Yes
Indian Oil Corp Ltd (IOCL)	Sudan & Iran	India	September 19, 2007	Yes
Inpex Corp.	Iran	Japan	September 19, 2007	Yes
Jiangxi Changhe Automobile	Sudan	China	September 19, 2007	Yes
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	Sudan	China	September 19, 2007	Yes
Jinan Diesel Engine	Sudan	China	July 28, 2009	Yes
Kejuruteraan Samudra Timur Bhd	Sudan	Malaysia	September 19, 2007	Yes
Kencana Petroleum Berhad	Sudan	Malaysia	December 18, 2007	Yes
Khanom Electricity Generating Co	Sudan	Thailand	December 18, 2007	Yes
Kingdream PLC	Sudan & Iran	China	April 14, 2009	Yes
KLCC Property Holdings Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
KMCOB Capital Bhd	Sudan	Malaysia	September 19, 2007	Yes
Kuwait Finance House	Sudan	Kuwait	April 14, 2009	Yes
Lanka IOC Ltd	Sudan	India	September 19, 2007	Yes
Mangalore Refinery & Petrochemicals Ltd	Sudan	India	September 19, 2007	Yes
Midciti Resources Sdn Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
MISC Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes

<b>Company</b>	<b>Scrutinized Country</b>	<b>Country of Incorporation</b>	<b>Initial Appearance on Scrutinized List</b>	<b>Full Divestment</b>
MISC Capital Ltd.	Sudan & Iran	Malaysia	April 14, 2009	Yes
Mosenergo	Iran	Russia	September 16, 2008	Yes
Muhibbah Engineering BHD	Sudan	Malaysia	September 19, 2007	Yes
Oil & Natural Gas Corp (ONGC)	Sudan & Iran	India	September 19, 2007	Yes
Optimal Olefins Sdn Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
PECD Bhd.	Sudan	Malaysia	September 19, 2007	Yes
Persian Gold	Iran	United Kingdom	July 28, 2009	Yes
Petrobras Energia (Participaciones)	Iran	Argentina	April 14, 2009	Yes
<b>Petrobras International Finance Company</b>	<b>Iran</b>	<b>Cayman Islands</b>	<b>October 27, 2009</b>	<b>October 26, 2010</b>
PetroChina	Sudan & Iran	China	September 19, 2007	Yes
PetroKazakhstan Finance BV	Sudan	Canada	July 28, 2009	Yes
Petroleo Brasileiro (Petrobras)	Iran	Brazil	September 19, 2007	Yes
Petroliam Nasional (Petronas)	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Capital Limited	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Dagangan Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Gas Berhad	Sudan & Iran	Malaysia	September 19, 2007	Yes
Ranhill Bhd	Sudan	Malaysia	September 16, 2008	Yes
Ranhill Labuan Ltd.	Sudan	Malaysia	April 14, 2009	Yes
Ranhill Powertron Sdn	Sudan	Malaysia	April 14, 2009	Yes
Repsol YPF	Iran	Spain	September 19, 2007	Yes
Royal Dutch Shell PLC	Iran	United Kingdom	September 19, 2007	Yes
SAJ Holdings	Sudan	Malaysia	July 28, 2009	Yes
Scomi Engineering BHD	Sudan	Malaysia	September 19, 2007	Yes
Scomi Group Bhd	Sudan	Malaysia	September 19, 2007	Yes
<b>Shell International Finance BV</b>	<b>Iran</b>	<b>Netherlands</b>	<b>October 27, 2009</b>	<b>October 26, 2010</b>
Sinopec Finance	Sudan & Iran	China	April 14, 2009	Yes
Sinopec Kantons Holdings Ltd	Sudan & Iran	Bermuda	September 19, 2007	Yes
Sinopec Shanghai Petrochemical	Sudan & Iran	China	September 19, 2007	Yes
Sinopec Yizheng Chemical Fibre	Sudan & Iran	China	March 25, 2008	Yes
Snam Rete Gas	Iran	Italy	September 19, 2007	Yes
StatoilHydro	Iran	Norway	September 19, 2007	Yes
Total (Nigeria) PLC	Iran	Nigeria	March 25, 2008	Yes
Total SA	Iran	France	September 19, 2007	Yes
Wartsila Oyj	Sudan	Finland	December 18, 2007	Yes
Wuhan Boiler Company	Sudan	China	September 19, 2007	Yes
<b># of Companies</b>	<b>75</b>	<b>-</b>	<b>-</b>	

The following companies were **removed** from the Prohibited Investments list during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
Arab Aluminum Co. SAE	Egypt
AREF Investment Group	Kuwait

**Table 8: SBA Holdings in Prohibited Investments Subject to Divestment**

[For the reporting period July 1, 2009 to September 30, 2009]

The following table provides SBA holdings in companies on the October 27, 2009 Prohibited Investments list in accounts subject to the PFIA divestiture requirements. Due to the initial appearance of Petrobras International Finance and Shell International Finance on the Prohibited Investments list this quarter, these holdings are subject to divestment no later than October 26, 2010.

Holdings as of:	Company	Number of Bonds	Account Name
09/30/2009	PETROBRAS INTL FIN CO GTD	1,000,000	FRSFF1019002
09/30/2009	SHELL INTL FIN B V GTD NT	5,110,000	FRSFF1038202
09/30/2009	SHELL INTERNATIONAL FIN	2,550,000	FRSFF1038102

StatoilHydro fixed income securities were purchased in error in April 2009 and fully divested on August 21, 2009, as detailed in the table below.

Date	Company	Action	Number of Bonds	Proceeds	Account Name
8/21/2009	STATOILHYDRO ASA	SOLD	2,000	\$2,144,015	FRSFF1019002

### ***Summary of Progress, SBA Investment Manager Engagement Efforts***

On August 20, 2007, the SBA sent letters to 66 external investment managers notifying them of the Act and informing them of new contract language that would enforce their cooperation with the requirements of the new law.

On September 19, 2007, the SBA sent letters to all affected managers outlining the list of prohibited securities for any future purchases. The letter described the SBA's engagement process with companies on the list, which affords companies a 90-day period in which to comply with the conditions of the law or clarify their activities. The letter directed these managers to cease purchase of securities on the list and to await the direction of the SBA for any divestment necessary in the event engagement fails, with a deadline for divestment under the law of September 18, 2008.

On September 19, 2007, the SBA sent letters to actively-managed, indirectly held funds holding scrutinized securities, including managers of the defined contribution program, asking the funds to review the list of scrutinized securities and consider eliminating such holdings from the portfolio or create a similar fund, devoid of such holdings, per the requirements of the law.

Each quarter, the SBA sends written and electronic notification to all affected managers about the list of prohibited companies.

The SBA has received responses noting our concerns in writing and by telephone from several of the contacted managers.



***Listing of All Publicly Traded Securities (Including Equity Investments)***

Due to the large number of individual securities and the volume of information, this list has been electronically posted to the SBA's website and is updated quarterly. A list of all publicly traded securities owned by the State of Florida can be found at [www.sbafla.com](http://www.sbafla.com) within the PFIA information section. Please observe the electronic report's notes page for important clarifying explanations of included data.

For more information, please contact:

Florida State Board of Administration (SBA)  
Investment Programs & Governance  
1801 Hermitage Blvd., Suite 100  
Tallahassee, FL 32308  
[www.sbafla.com](http://www.sbafla.com)

or send an email to:

[pfia@sbafla.com](mailto:pfia@sbafla.com)



# Florida Lottery

## On-line Game Draw Procedures



Governmental Affairs Policy Committee

November 4, 2009



# ON-LINE GAME DRAWINGS

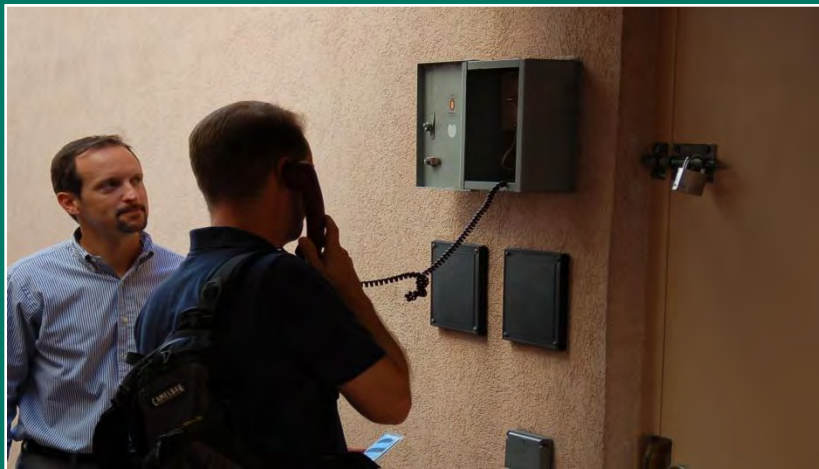
Per Section 24.105(9)(d), Florida Statute, every On-line game drawing is **“witnessed by an accountant employed by an independent certified public accounting firm, and the equipment used in the drawing [is] inspected before and after the drawing.”**

Additionally, each drawing is supervised by a Lottery Special Agent, who is a certified Florida Law Enforcement Officer with the Criminal Justice Standards and Training Commission.

# Before the Draw

The Lottery Special Agent and Independent Auditor report to the draw studio at least 1½ hours prior to the actual draw time.

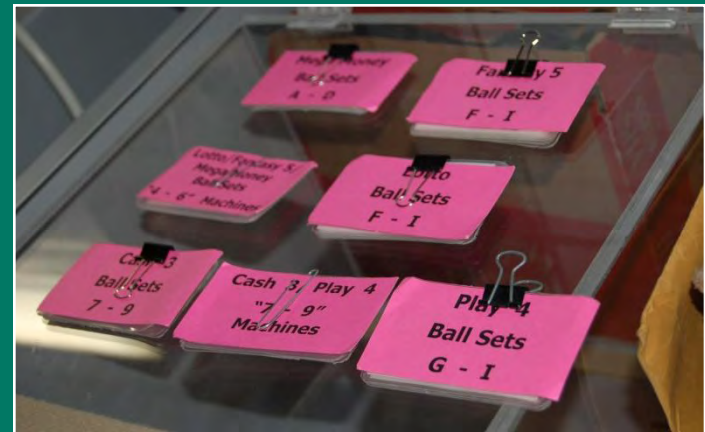
The draw studio (located in Tallahassee) is a high-security facility that requires two different sets of keys and cards to gain entry.



# Before the Draw

Together, the Special Agent and Auditor complete a detailed checklist that thoroughly scrutinizes all aspects of each draw, which include the following:

- A random selection is performed to determine the primary and backup draw machines and ball sets used in the drawing.
- The primary draw machine is tested, and the selected ball set is inspected and weighed to ensure they are within specifications.



# Before the Draw

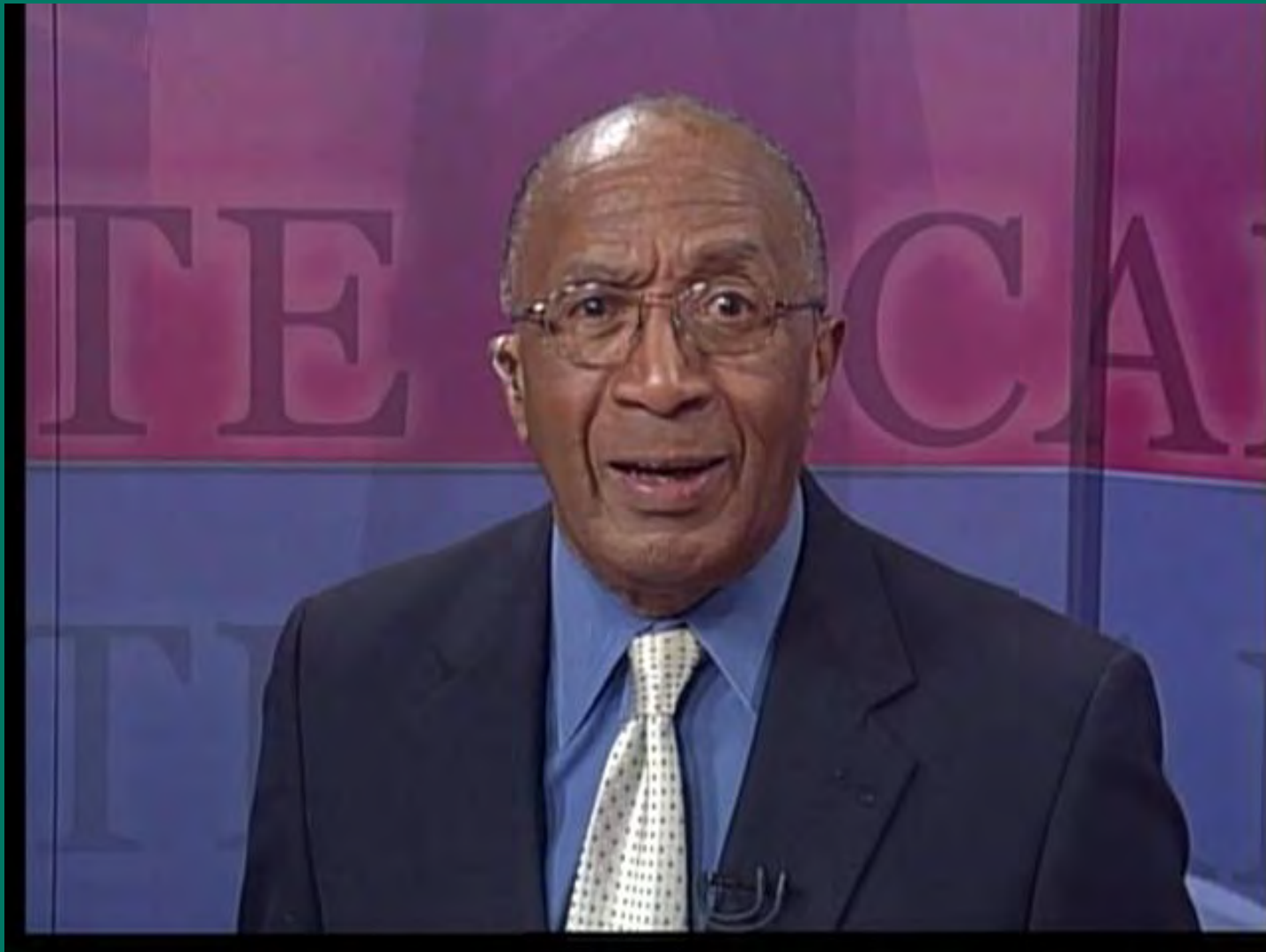
- The ball set is loaded in the draw machine and pre-tests are conducted. If a number comes up more than the allowed times, which varies by game, a retest takes place. If the same number continues to show up, the ball set is failed and the backup is tested.
- A minimum of three rehearsals are conducted by the draw host.





# Behind the Scenes

Capitol Update: Lottery Security (filmed 9/27/07)



# After the Draw

- Once the drawing has successfully concluded, it is certified by the Special Agent and Auditor.
- The ball set is weighed again, inspected and sealed. The seal number is recorded for future verification.
- Remaining equipment is put away and the draw studio is re-secured for future drawings.



# Number of Draws per Year



• CASH 3™ -

730



• PLAY 4™ -

730



• FANTASY 5® -

365



• MEGA MONEY® -

104



• FLORIDA LOTTO™ -

104

TOTAL - 2,033



# Powerball®

- Powerball drawings are held Wednesday and Saturday nights at 10:50 p.m., EST. Tickets may be purchased until 10:00 p.m., EST, on the night of each drawing.
- All Powerball drawings are conducted by MUSL and are produced by the Universal Studios Florida Production Group in Orlando.



# Thank You!



Leo DiBenigno, Secretary  
Florida Lottery