Florida’s troubled state pension fund dumped $1 billion "prohibited" stocks

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The St Petersburg Times reported Sunday that Florida’s state pension fund has lost $61 billion in the last 18 months due to the current financial crisis, made worse by an allegedly risk investment strategy. That’s a staggering two-thirds of its $97 billion total value.

The Fueling Station has also learned that the pension fund has also divested itself of some high-performing stocks due to recent legislation passed by the legislature in 2007. (Protecting Florida’s Investment Act, PIFA) required the state pension fund to sell off any assets in companies that do business with countries on the US list of state sponsors of terrorism - principally Iran and Sudan.

So far the state pension fund has sold more than $1.15 billion in prohibited companies. Among the divestments were several major oil and gas companies, including Brazil’s Petrobras ($206 million), Total of France ($214 million) and Royal Dutch Shell ($215 million).

We reported last year that Petrobras was included on the list of prohibited stocks due to a minor drilling contract in Iran. It was a result of this that Gov Crist abruptly cancelled a planned meeting with Petrobras in Rio de Janeiro during a trade mission to Brazil in December 2007. Apparently Petrobras declined to quit its operation in Iran so the state went ahead and sold its stock.

The good news is that the state pension fund has sold off Petrobras stock in May and June when the stock price had already fallen to as low as $28. Although Petrobras stock has since fallen even further to $24, it is widely expected to outperform the market over the next six months and remains a high value stock.

The company announced an investment plan last Friday to spend more than $174 billion over the next five years, much of it on deep-water oil and gas exploration. In 2007 and 2008, Petrobras discovered vast deposits of oil. Although the finds are at previously untapped depths and will be costly to extract, they include the world’s biggest new field since 2000 and could make Petrobras one of the world’s major oil exporters.

- David Adams, Times Latin America Correspondent

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