



**SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

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LISA J. MORRIS  
*Executive Director*

HELEN M. NINOS  
*Deputy Executive Director*

September 25, 2014

Bethany Rhodes  
Director and General Counsel  
Ohio Retirement Study Council  
88 East Broad Street, Suite 1175  
Columbus, OH 43215

Dear Ms. Rhodes,

*Bethany*

Enclosed with this letter is an annual update of SERS' compliance with its Iran and Sudan Investment Policy. SERS' policy was adopted by the Retirement Board in September 2007, and each quarter staff provides the Board with a report measuring the system's progress. The enclosed report for the quarter ending June 30, 2014 also marks the end of SERS' fiscal year.

Exhibit 3 of the attached report identifies that since the establishment of the June 30, 2008 benchmark list, SERS has achieved an 89% reduction in the number of shares held in scrutinized companies, as well as a 79% reduction in market value.

SERS' Iran and Sudan Investment Policy honors both the legislature's intent with regard to divestment, and the Board's fiduciary duties to its members. The policy provides a roadmap for staff and external investment managers regarding the engagement process with scrutinized companies on the list.

The engagement process continues to play a prominent role in SERS' divestment activities, as staff engages each company on the updated scrutinized company list each year. SERS staff receives monthly updates from our independent third-party screening entity and is in frequent communication with our external investment managers regarding the updated lists. Each year SERS' benchmark list is reset, and the new benchmark list for the fiscal year beginning July 1, 2014 is comprised of 7 scrutinized companies with a total market value of \$52 million.

SERS is encouraged by the success of its divestment efforts, and we plan to continue to engage scrutinized companies to promote this issue. I would be happy to assist you with additional information or answer any questions you may have at (614) 222-5801.

Sincerely,

*Lisa J. Morris*

Lisa J. Morris  
**Executive Director**

Enclosure

cc: Joyce Garver Keller, Ohio Jewish Communities

**RETIREMENT BOARD**

DANIEL L. WILSON. <i>Chair, Appointed Member</i>	CATHERINE P. MOSS <i>Vice-Chair, Retiree-Member</i>	DEBRA J. BASHAM <i>Employee-Member</i>	NANCY D. EDWARDS <i>Appointed Member</i>
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			FRANK A. WEGLARZ <i>Retiree-Member</i>

# Memo

**To:** Retirement Board  
**cc:** Lisa Morris  
**From:** Julie Deisler  
**Date:** September 5, 2014  
**Re:** **Iran and Sudan Update for the Quarter Ending June 30, 2014**

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The purpose of this memo is to update you on activities related to the Iran and Sudan Investment Policy during the quarter ending June 30, 2014. The end of this quarter also marks the end of Fiscal Year 2014.

As of June 30, 2014, we held 5 of the scrutinized companies on the FY 2014 benchmark list at a total market value of \$51 million. Compared to the FY 2014 benchmark, this is a 17% reduction in number of scrutinized companies and a 97% increase in market value. A spreadsheet that details SERS' exposure to the scrutinized companies at June 30, 2014 versus the FY 2014 benchmark is attached as Exhibit 1. In addition, attached as Exhibit 2 is the name of two additional scrutinized companies that were not part of the FY 2014 benchmark list, but in which SERS had holdings as of June 30, 2014.

Staff continues to receive monthly updates on scrutinized companies from ISS, an independent third-party screening entity. Each month, I use this information to update the scrutinized company list and then communicate this updated list to our external investment managers. Investment managers who hold international securities subject to the Iran and Sudan Investment Policy continue to notify me in writing when purchasing any securities issued by scrutinized companies, giving a specific reason for each purchase. In each of these instances, I verified that the reasons our managers provided fully satisfied the requirements of our policy.

As of July 1, 2014, a new benchmark has been set for Fiscal Year 2015. The new benchmark includes all of the companies listed on Exhibit 1 with the addition of all the companies that are listed on Exhibit 2. The new benchmark list is comprised of the 7 scrutinized companies SERS held at June 30, 2014 and has a total market value of \$52 million. This will be the baseline against which we will measure our progress in the upcoming year.

Attached as Exhibit 3 is a comparison of our holdings at June 30, 2014 to the original benchmark set in 2008. Compared to June 30, 2008, we hold 89% fewer shares at a market value that has decreased by 79%. As you know, this list is a moving target that changes over time as companies are added and deleted from the list each month. I have included Exhibit 3 to show how far we have come since the implementation of our Iran and Sudan Investment Policy seven years ago.

An update for the quarter ending September 30, 2014 will be provided to you in November. Please let me know if you have any questions.

Exhibit 1

SERS' Exposure to Scrutinized Companies - 6/30/14 vs. FY14 Benchmark  
 July 1, 2013 to June 30, 2014

SERS Positions 6/30/2013 Company Name	Shares 6/30/13	Market Value 6/30/13	SERS Positions 6/30/2014 Company Name	Shares 6/30/14	Market Value 6/30/14
CNOOC Ltd.	984,000	\$ 1,669,528			
Eni SpA	131,000	\$ 2,687,024	Eni SpA	446,201	\$ 12,206,104
Gazprom OAO	2,830,298	\$ 14,186,184	Gazprom OAO	5,575,110	\$ 24,387,956
Petronas Gas Berhad	90,100	\$ 596,009	Petronas Gas Berhad	42,600	\$ 325,039
StatoilHydro ASA	92,000	\$ 2,437,118	StatoilHydro ASA	135,153	\$ 4,156,392
Total SA	92,000	\$ 4,483,788	Total SA	143,215	\$ 10,347,600
<b>TOTAL</b>	<b>4,219,398</b>	<b>\$ 26,059,651</b>	<b>TOTAL</b>	<b>6,342,279</b>	<b>\$ 51,423,091</b>
Number of Companies	6		Number of Companies	5	

Change in Shares Owned Since 6/30/2013	2,122,881
Change in Market Value Since 6/30/2013	\$25,363,440
Percentage Change in Market Value Since 6/30/2013	97%
Change in Number of Companies Since 6/31/2013	(1)
Percentage Change in Number of Companies Since 6/30/2013	(-17%)

Exhibit 2

**SERS' Exposure to Companies Added to the Scrutinized List as of June 30, 2014**

<b>SERS Positions 6/30/14 Company Name</b>	<b>Shares 6/30/14</b>	<b>Market Value 6/30/14</b>
Bharat Heavy Electricals Ltd.	256,043	\$ 1,065,551
Petronas Chemicals Group Berhad	13,000	\$ 27,409
<b>TOTAL</b>	<b>269,043</b>	<b>\$ 1,092,960</b>

Exhibit 3

SERS' Original Benchmark 6/30/2008 vs. FY 2014 Benchmark 6/30/2014

Scrutinized Companies	6/30/2008		6/30/2014	
	Shares	Market Value	Shares	Market Value
Air Liquide (L') (deleted 1/31/12)	13,456	\$ 1,778,081		
Aker Solutions ASA (deleted 12/31/10)	9,723	\$ 229,548		
Alstom (deleted 4/30/11)	14,964	\$ 3,457,970		
Bharat Heavy Electricals	-	-	256,043	\$ 1,065,551
CNOOC Ltd.	2,991,500	\$ 5,148,597	-	-
Electricity Generating Company Ltd. (EGCO) (deleted 2/28/13)	3,000	\$ 7,582		
Eni S.p.A.	479,635	\$ 17,909,828	446,201	\$ 12,206,104
Gazprom OAO (including bonds)	7,562,872	\$ 48,720,746	5,575,110	\$ 24,387,956
GS Holdings Corp. (deleted 3/31/11)	3,300	\$ 126,189		
Harbin Power Equipment Company Ltd.	148,000	\$ 214,480	-	-
ITOCHU Corporation (deleted 6/30/10)	6,000	\$ 64,016		
LUKOIL OAO (deleted 4/30/10)	198,639	\$ 19,522,905		
MISC Berhad	106,000	\$ 269,258	-	-
Mitsui & Co., Ltd. (deleted 8/31/08)	166,000	\$ 3,672,185		
OMV AG (deleted 12/31/10)	53,798	\$ 4,226,205		
Petrobras (Petroleo Brasileiro) (deleted 8/31/09)	780,586	\$ 31,106,631		
PetroChina	1,030,162	\$ 2,375,547	-	-
Petronas Chemicals Group Bhd (added 2/28/11)	-	-	13,000	\$ 27,409
Petronas Dagangan Bhd (PDB)	22,600	\$ 51,875	-	-
Petronas Gas Bhd (added 8/31/08)	-	-	42,600	\$ 325,039
Repsol YPF (deleted 12/31/10)	195,280	\$ 7,701,065		
Rolls-Royce (deleted 7/31/08)	42,685,957	\$ 3,420,985		
Royal Dutch Shell plc (deleted 4/30/11)	1,340,418	\$ 42,671,888		
Saipem S.p.A. (deleted 11/30/10)	1,155	\$ 54,283		
Sasol (deleted 9/30/11)	291,533	\$ 17,168,388		
Sinopec Corp. (China Petroleum & Chemical)	2,437,276	\$ 2,950,842	-	-
Statoil ASA	257,644	\$ 9,605,787	135,153	\$ 4,156,392
Technip	66,732	\$ 6,181,157	-	-
Total S.A.	280,192	\$ 23,926,943	143,215	\$ 10,347,600
Wärtsilä Oyj (deleted 9/30/12)	1,870	\$ 117,704		
<b>Totals:</b>	<b>61,148,292</b>	<b>\$ 252,680,685</b>	<b>6,611,322</b>	<b>\$ 52,516,051</b>
<b>Total Number of Companies*:</b>	<b>28</b>		<b>7</b>	
<b>Number of Companies Percent Change:</b>	<b>-75%</b>			
<b>Number of Shares Percent Change:</b>	<b>-89%</b>			
<b>Market Value Percent Change:</b>	<b>-79%</b>			

\* Petronas Chemicals Group and Petronas Gas Berhad are not included in the total number of companies on the original benchmark list since these companies were not added until after the original benchmark list was set.