

# ohio Police & Fire Pension Fund

140 East Town Street / Columbus, Ohio 43215-5164 / Tel. (614) 228-2975 / [www.op-f.org](http://www.op-f.org)

March 9, 2009

Via E Mail and U.S. Mail

The Honorable, Armond Budish  
Speaker, Ohio House of Representatives  
77 S. High St, 14<sup>th</sup> Floor  
Columbus, OH 43215-6111

Regarding: Iran/Sudan Divestment

Dear Speaker Budish,

Enclosed is OP&F's update on the current market value of holdings in companies that have been identified as having ties to Iran and Sudan under criteria in OP&F's Iran and Sudan Divestment Policy. We have compiled OP&F's holdings as of January 31, 2009 using our initial list of scrutinized companies and compared those to our holdings as of June 2008. The January 2009 holdings have a market value of \$73,116,851 compared to the June 2008 market value of \$251,452,919, which is a 70.9% reduction.

For your review, OP&F was required to adopt an Iran and Sudan Divestment Policy by the Ohio Legislature in June of last year. The attached policy attempts to honor the legislative directive to seek divestment while prioritizing the Board's fiduciary obligation to protect the interests of the members and retirees that OP&F serves. The policy which was effective September 24, 2008 also provides guidance and clarity to staff and external investment managers seeking to implement the directive to seek divestment.

We have attached a copy of the divestment policy, and the referenced market value comparison.

Please contact me with any questions on the foregoing. Thank you for your assistance.

Sincerely,



William J. Estabrook  
Executive Director

Cc: Senator Bill Harris, President of the Ohio Senate  
Senator Capri Cafaro, Minority Leader of the Senate  
Rep. William G. Batchelder, Minority Leader of the House  
Mr. Aristotle Hutras, ORSC  
Mr. Darryl Dever, Dever Associates



# OHIO POLICE & FIRE PENSION FUND

## IRAN and SUDAN DIVESTMENT POLICY (“Policy”)

Adopted September 24, 2008

### I. Purpose

This Policy is adopted as required by ORC Section 707.20. The purpose of this Policy is to divest and restrict the purchase of stocks and bonds (“holdings”) issued by a publicly traded Company (as defined in Appendix A) with “scrutinized active business operations” in Iran and Sudan, subject to the fiduciary responsibilities of the Board of Trustees of the Ohio Police & Fire Pension Fund (the “Board”), as set forth in Chapters 707 and 742 of the Ohio Revised Code (“ORC”).

The purpose of this Policy is to:

1. Comply with the requirements of ORC Section 707.20
2. Provide a clear understanding of the Board’s fiduciary responsibilities;
3. Provide a clear understanding as to the scope of the Policy;
4. State possible investment risks of such Policy;
5. Reference the process for execution of the Policy;
6. Communicate reporting requirements; and
7. Articulate events that shall cause the Policy to be terminated.

### II. Fiduciary Responsibilities

The implementation of this Policy shall be accomplished in a manner that fulfills the statutory requirements as set forth in ORC Chapters 707 and 742. ORC Section 742.11(A) provides that the Board and other fiduciaries of OP&F shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits and defraying expenses. On the other hand, ORC Section 707.20(C) provides that in considering the divestment of holdings in a publicly traded Company with scrutinized active business operations in Iran or Sudan, the Board shall divest only if doing so is consistent with the Board’s fiduciary duties and replacement holdings offer quality, return and safety comparable to the holdings of a

### III. Scope

This Policy shall apply to holdings of publicly traded Companies with “scrutinized active business operations” in Iran or Sudan, as defined in Appendix A and consistent with the requirements of ORC Section 707.20, as amended from time to time.

### IV. Risk Management

It should be understood that holdings of publicly traded Companies with scrutinized active business operations are components of various asset classes and/or portfolio benchmarks or indexes and divestment of such holdings may cause an increase in tracking error relative to the respective benchmark or index.

### V. Time Period

This Policy shall be effective as of October 22, 2008. The intent of the Board shall be to divest holdings of Companies with scrutinized active business operations when divestment would be prudent and consistent with the Board’s fiduciary duties as more fully described in Article II above. This Policy shall be applied only to the extent that in doing so, such action will not violate the Board’s fiduciary duties. The Board’s holdings of publicly traded Companies with scrutinized active business operations as of June 30, 2008 shall be used as the starting point for the screening process and as the baseline to measure the percentage of divestment stocks and bonds of such Companies.

### VI. Process

The process for implementation of this Policy is set forth under a separate cover entitled “Iran and Sudan Divestment Process”.

### VII. Reporting Requirements

Investment Staff will prepare a formal report to the Board annually and more frequently if the Board so requests. The Board shall report on scrutinized Companies and all correspondence and engagement of Companies consistent with the requirements Ohio Revised Code §707.20(D), as amended from time to time.

## Appendix A

### Definitions

- (1) "Active business operations" means all business operations that are not inactive business operations.
- (2) "Business operations" means engaging in commerce in any form in Sudan or Iran, including by maintaining, selling, acquiring, developing, owning, possessing, operating, or leasing equipment, facilities, personnel, products, services, personal or real property, or any other apparatus of business or commerce.
- (3) "Company" means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, business association, or other entity, including any wholly-owned subsidiary, majority-owned subsidiary, parent company, or affiliate of any of those types of entities, that exists for the purpose of making a profit.
- (4) "Complicit" means taking actions during any preceding twenty-month period that directly support or promote the genocidal campaign in the Darfur region of Sudan, including, but not limited to, preventing members of the population of the Darfur region of Sudan negatively affected by genocide from communicating with each other; encouraging Sudanese citizens to speak against the internationally approved security force that provides aide to the Darfur region; actively working to deny, cover up, or alter the record on human rights abuses in Darfur; or other similar actions.
- (5) "Direct holdings" means all stocks or bonds of a company held directly by the Ohio Police and Fire Pension Fund or held in an account or fund of which the Fund owns all of the shares or interests.
- (6) "Government of Iran" means the Islamic Republic of Iran, its instrumentalities, and companies owned or controlled by the government of Iran.
- (7) "Government of Sudan" means the government in Khartoum, Sudan, that is led by the National Congress Party, formerly known as the National Islamic Front, or any successor government formed on or after October 13, 2006, including the coalition national unity government agreed upon in the "2005 Comprehensive Peace Agreement," and does not include the regional

hedge fund-of-funds, real estate fund or other investment vehicle that is not publicly traded, mutual funds, and pooled or securitized investment vehicles.

- (10) "Iran" means the Islamic Republic of Iran.
- (11) "Marginalized populations of Sudan" includes, but is not limited to, all of the following:
  - (a) The portion of the population in the Darfur region that has been negatively affected by genocide;
  - (b) The portion of the population of southern Sudan negatively affected by the civil war that occurred between the north and south regions of Sudan;
  - (c) The Beja, Rashidiya, and other similarly underserved groups of eastern Sudan;
  - (d) The Nubian and other similarly underserved groups in the Abyei, southern blue Nile, and Nuba mountain regions of Sudan;
  - (e) The Amri, Hamadab, Manasir, and other similarly underserved groups of northern Sudan.
- (12) "Military equipment" means weapons, arms, military supplies, and equipment including, but not limited to, radar systems, or military-grade transport vehicles, that readily may be used for military purposes; or supplies or services sold or directly or indirectly provided to any force actively participating in armed conflict in Sudan.
- (13) "Mineral extraction activities" include exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides, also known as ore, including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc; and includes facilitating such activities, including by providing supplies or services in support of such activities.
- (14) "Oil-related activities" includes, but is not limited to, owning rights to oil blocks; exporting, extracting, producing, refining, processing, exploring for, transporting, selling, or trading of oil; constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure; or facilitating such activities, including by providing supplies or services in support of such activities. "Oil-related activities" does not mean engaging in only the retail sale of gasoline and related consumer products.
- (15) "Petroleum resource" means petroleum, petroleum byproducts, or natural gas.
- (16) "Power production activities" means any business operation that involves a project commissioned by the national electricity corporation of

- (18) "Scrutinized active business operation" means active business operations that have resulted in a company becoming a scrutinized company.
- (19) "Scrutinized business operations" means business operations that have resulted in a company that meets any of the following criteria:
- (a) The company has business operations that involve contracts with or provision of supplies or services to the government of Sudan, companies in which the government of Sudan has any direct or indirect equity share, consortiums or projects commissioned by the government of Sudan, or companies involved in consortiums or projects commissioned by the government of Sudan, and more than ten per cent of the company's revenues or assets linked to Sudan involve oil-related activities or mineral-extraction activities; less than seventy-five per cent of the company's revenues or assets linked to Sudan involve contracts with or provision of oil-related or mineral-extracting products or services to the regional government of southern Sudan or a project or consortium created exclusively by that regional government; and the company has failed to take substantial action specific to Sudan; or more than ten per cent of the company's revenues or assets linked to Sudan involve power-production activities; less than seventy-five per cent of the company's power-production activities include projects whose intent is to provide power or electricity to the marginalized populations of Sudan; and the company has failed to take substantial action specific to Sudan.
  - (b) The company is complicit in the Darfur genocide.
  - (c) The company supplies military equipment within Sudan, unless it clearly shows that the military equipment cannot be used to facilitate offensive military actions in Sudan or the company implements rigorous and verifiable safeguards to prevent use of that equipment by forces actively participating in armed conflict. Examples of safeguards include post-sale tracking of such equipment by the company, certification from a reputable and objective third party that such equipment is not being used by a party participating in armed conflict in Sudan, or sale of such equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.
  - (d)(i) The company has business operations that involve contracts with or provision of supplies or services to the government of Iran, companies in which the government of Iran has any direct or indirect equity share, consortiums, or projects commissioned by the government of Iran, or companies involved in consortiums or projects commissioned by the

by the United States government.

(ii) Any company that takes substantial action specific to Iran shall not meet the criteria to be deemed a company involved in scrutinized business operations.

- (20) "Social development company" means a company whose primary purpose in Sudan is to provide only the following humanitarian goods or services to the people of Sudan:
- (a) Medicine or medical equipment;
  - (b) Agricultural supplies or infrastructure;
  - (c) Educational opportunities;
  - (d) Journalistic activities;
  - (e) Information or information materials;
  - (f) Spiritual-related activities;
  - (g) Services of a purely clerical or reporting nature;
  - (h) Food, clothing, or general consumer goods that are unrelated to oil-related activities, mineral extraction activities, or power production activities.
- (21) "Substantial action specific to Iran" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.
- (22) "Substantial action specific to Sudan" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations; undertaking humanitarian efforts in conjunction with an international organization, the government of Sudan, the regional government of southern Sudan, or a nonprofit entity evaluated and certified by an independent third party to be substantially in a relationship to the company's Sudan business operations and of benefit to one or more marginalized populations of Sudan; or, through engagement with the government of Sudan, materially improving conditions for the genocidally victimized population in Darfur.
- (23) "Sudan" means the Republic of the Sudan.



# Ohio Police Fire Pension Fund

30-Jun-08			31-Jan-09		
Company	Market		Company	Market	
China Petroleum & Chem-ADR	\$ 1,216,859.00	Both	ABB Ltd.	\$ 1,519,271.52	Sudan
CNOOC Ltd	\$ 8,438,589.47	IRAN	Banco Bilbao Vizcaya Argenta	\$ 1,125,738.91	Iran
CNPC (HONG KONG) LTD	\$ 564,103.60	BOTH	BHARAT HEAVY ELECT (DEMAT	\$ 264,859.44	Sudan
DAELIM INDUSTRIAL CO	\$ 425,543.19	IRAN	China Petroleum & Chemical	\$ 5,341,889.81	Both
Eni Spa	\$ 20,913,311.19	IRAN	CNOOC Ltd-ADR	\$ 2,041,967.15	Iran
GS HOLDINGS CORP	\$ 543.87	IRAN	CNPC (HONG KONG) LTD	\$ 241,243.23	Both
Inpex Holdings Inc	\$ 2,440,040.92	IRAN	Dongfeng Motor Grp Co Ltd-H	\$ 1,119,034.33	Sudan
Itochu Corp	\$ 853,665.23	IRAN	Eni Spa	\$ 3,223,648.91	Iran
Linde AG	\$ 3,165,973.10	IRAN	Finmeccanica SPA	\$ 995,484.57	Sudan
LUKOIL OIL CO SPONS ADR (	\$ 33,808,905.24	IRAN	GAZPROM O A O SPON ADR	\$ 4,352,857.53	Iran
Mitsui & Co ltd	\$ 3,031,087.09	IRAN	GDF Suez	\$ 1,940,640.30	Iran
OAD Gazprom-Spon	\$ 35,065,672.94	IRAN	Inpex Holdings Inc	\$ 1,602,305.71	Iran
Oil & Natural Gas Corp Ltd	\$ 960,558.10	BOTH	Itochu Corp	\$ 1,159,940.11	Iran
OMV Ag	\$ 876,306.75	IRAN	Lukoil-Spon ADR	\$ 5,143,871.21	Iran
Petrofac Ltd	\$ 445,852.85	SUDAN	Oil & Natural Gas Corp Ltd	\$ 1,080,959.08	Both
Petroleo Brasileiro	\$ 12,697,931.02	IRAN	Petrochina Co Ltd - ADR	\$ 51,639.00	Both
RELIANCE INDU LTD(DEMAT)	\$ 1,738,833.21	SUDAN	Petroleo Brasileiro	\$ 5,192,839.26	Iran
Repsol YPF SA	\$ 2,883,045.33	IRAN	Reliance Industries Limited	\$ 373,925.61	Sudan
Royal Dutch Shell	\$ 16,286,222.89	IRAN	Royal Dutch Shell PLC A Shs	\$ 17,779,665.84	Iran
Royal Dutch Shell PLC A Shs	\$ 31,793,790.03	IRAN	Royal Dutch Shell	\$ 14,705,570.10	Iran
Saipem	\$ 1,598,105.38	IRAN	Sasol Ltd-Sponsored ADR	\$ 681,170.02	Iran
SASOL LTD SPON ADR	\$ 1,275,485.78	IRAN	Total SA	\$ 3,178,329.96	Iran
Schlumberger Ltd	\$ 50,485,564.84	BOTH			
SNC-Lavalin Inc	\$ 994,143.76	IRAN			
StatoilHydro ASA	\$ 1,383,681.28	IRAN			
Technip	\$ 13,360,702.55	IRAN			
Total SA	\$ 4,748,400.26	IRAN			

6-30-08 Market Value	\$251,452,918.87	Current Market Value	\$ 73,116,851.60
% of holdings (6-30-08 #)	100.00%	% of holdings <u>compared to</u> 6-30-08	29.08%

	Country breakdown		Country breakdown
In Both	4	In Both	4
Sudan	2	Sudan	5
Iran	21	Iran	13
Total	27	Total	22

12 MthTR	15.65%	12 MthTR	-38.02%
12 mth Mkt Wt	23.18%	12 mth Mkt Wt	-27.08%

	Mkt
TOTALS:	<b>30-Jun-08</b> \$ 251,452,918.87
TOTALS:	<b>31-Jan-09</b> \$ 73,116,851.60
CHANGE	(\$178,336,067.27)
CHANGE %	-70.92%
REMAINING % (compared to June 08)	29.08%

