



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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January 13, 2020

Ms. Bethany Rhodes, Director/General Counsel
Ohio Retirement Study Council
30 East Broad Street, 2nd Floor
Columbus, OH 43215

Dear Ms. Rhodes:

Enclosed with this letter is the 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 is for the fiscal year ending June 30, 2019.

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. Our 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 our new benchmark list for the fiscal year beginning July 1, 2019 is comprised of seven scrutinized companies with a total market value of \$29.9 million.

We are encouraged by the success of our divestment efforts, and we plan to continue to engage scrutinized companies to promote this issue. If we can assist you with any additional information or answer any questions, please feel free to contact me.

Sincerely,

Richard Stensrud
Executive Director

Enclosure

RETIREMENT BOARD

CATHERINE D. MOSS
Chair, Retiree-Member

HUGH GARSIDE, JR.
Vice-Chair, Employee-Member

JEFFREY DELEONE
Appointed Member

JAMES A. ROSSLER, JR.
Appointed Member

JAMES H. HALLER
Employee-Member

BARBRA M. PHILLIPS
Employee-Member

DANIEL L. WILSON
Appointed Member

FRANK A. WEGLARZ
Retiree-Member

MATTHEW A. KING
Employee-Member

School Employees Retirement System

2019 Annual Report on Iran/Sudan Divestiture

(Submitted to ORSC 01/13/2020)

Market value of holdings with companies with scrutinized activities, FY 2007¹-Present (in millions):

FY 2007	FY 2019	Change in market value
\$167.8	\$29.9	(82.1%)

Market value of holdings with companies with scrutinized activities, FY 2018-2019 (in millions):

FY 2018	FY 2019	Change in market value
\$31.6	\$29.9	(5.1%)

Top five holdings (directly or through active funds):

Company	Market Value (in millions)	% of total scrutinized
Gazprom	\$10.8	36.1%
China Petroleum & Chemical Corp	\$8.4	28.1%
PetroChina	\$4.5	15.0%
Siemens AG	\$3.1	10.6%
Oil India Ltd	\$2.3	7.6%

Comments on remaining top five holdings:

- We have a total of seven holdings remaining all held through one quantitative manager that diligently adheres to SERS' Iran Sudan Investment policy.
- During FY 2019 correspondence was sent to a total of 48 scrutinized companies. Of the top five held companies one response was received.
- 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 is encouraged by the success of its divestment efforts, and we plan to continue to engage scrutinized companies to promote this issue.

¹ None of the retirement boards had an active Iran/Sudan divestment policy in 2007. 2007 serves as the baseline to measure changes.

Appendix

Summary of correspondences regarding scrutinized companies:

Year of Correspondence	% of Scrutinized Companies Contacted	Summary
2008/2009	100%	Contacted 75 of 75 scrutinized companies; 19 responses
2010	100%	Contacted 68 of 68 scrutinized companies; 24 responses
2011	100%	Contacted 78 of 78 scrutinized companies; 18 responses
2012	100%	Contacted 52 of 52 scrutinized companies; 9 responses
2013	100%	Contacted 54 of 54 scrutinized companies; 14 responses
2014	100%	Contacted 54 of 54 scrutinized companies; 9 responses
2015	100%	Contacted 47 of 47 scrutinized companies; 8 responses
2016	94%	Contacted 48 of 51 scrutinized companies; 7 responses
2017	98%	Contacted 47 of 48 scrutinized companies; 6 responses
2018	91%	Contacted 43 of 47 scrutinized companies; 5 responses
2019	100%	Contacted 48 of 48 scrutinized companies; 9 responses (to date)

Summary of activity with active managers with holdings in scrutinized companies (current reporting year):

- Zero letters were returned to sender during this annual engagement.
- Every month an updated list of scrutinized companies, from MSCI, is reviewed by our Investment Compliance Analyst and then distributed to our equity and fixed income managers who have the potential to hold scrutinized companies.
- Managers are required to report, real time, when purchases are made involving a company on the scrutinized list as well as to summarize all Iran/Sudan activity at the end of the month through required compliance reporting.
- Scrutinized holdings are reported to our Board on a quarterly basis with comparison to the prior fiscal year and the 2008 benchmark list along with a Board Memo summarizing managers' Iran/Sudan compliance reporting.

Market value of directly held public securities that are scrutinized companies (as of 09.30.2019):

Company	Market value (in millions)
Bharat Heavy Electricals Ltd	\$0.4
China Petroleum & Chemical Cor	\$6.2
Gazprom	\$8.9
Oil India Ltd	\$1.8
PetroChina	\$4.1
Siemens AG	\$3.3
Sinopec Engineering Group	\$0.4

Summary of sold, redeemed, purchased, withdrawn securities of scrutinized companies (previous three years):

	FY 2017	FY 2018	FY 2019
Summary of Activity	BP Capital Markets plc (P,S)	BP Capital Markets plc (S)	Bharat Heavy Electricals Ltd (P)
	CNOOC LTD (X,P,S)	Gazprom (S)	China Petroleum & Chemical Cor (P)
	Gazprom (P,S)	Oil & Natural Gas (ONGC) (P)	CNOOC LTD (S)
	Oil India Ltd (P,S)	Schneider Electric (S)	Gazprom (P,S)
	Petrochina(P,S)	Sinopec Engineering Group(S)	Oil & Natural Gas (ONGC) (S)
	Schneider Electric (P,S)		Oil India Ltd (P)
	Sinopec Engineering Group(P,S)		PetroChina (P)
			Petronas Chemical Group BHD (S)
			Siemens AG (P)
			Sinopec Engineering Group (P)

S - Sold

R - Redeemed

P - Purchased

W - Withdrawn

X - Previously owned security added to scrutinized list in current report period