

Memo

To: Retirement Board
cc: Lisa Morris
From: Julie Deisler
Date: September 6, 2013
Re: **Iran and Sudan Update for the Quarter Ending June 30, 2013**

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, 2013. The end of this quarter also marks the end of Fiscal Year 2013.

As of June 30, 2013, we held 6 of the scrutinized companies on the FY 2013 benchmark list at a total market value of \$26 million. Compared to the FY 2013 benchmark, this is a 50% reduction in number of scrutinized companies and a 28% decrease in market value. A spreadsheet that details SERS' exposure to the scrutinized companies at June 30, 2013 versus the FY 2013 benchmark is attached as Exhibit 1.

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, 2013, a new benchmark has been set for Fiscal Year 2014. The new benchmark includes all of the companies listed on Exhibit 1. The new benchmark list, attached as Exhibit 2, is comprised of the 6 scrutinized companies SERS held at June 30, 2013 and has a total market value of \$26 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, 2013 to the original benchmark set in 2008. Compared to June 30, 2008, we hold 93% fewer shares at a market value that has decreased by 90%. 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 five years ago.

An update for the quarter ending September 30, 2013 will be provided to you in November 2013. Please let me know if you have any questions.



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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LISA J. MORRIS
Executive Director

HELEN M. NINOS
Deputy Executive Director

September 12, 2013

Ms. Bethany Rhodes
Ohio Retirement Study Council
88 East Broad Street, Suite 1175
Columbus, OH 43215

Dear Ms. Rhodes,

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 quarter-ending June 30, 2013 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 a 93% reduction in the number of shares held in scrutinized companies, with a corresponding 90% reduction in market value.

As you know, 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. SERS' 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 so that it is both relevant and meaningful. The new benchmark list for the fiscal year beginning July 1, 2013 is comprised of 6 scrutinized companies with a total market value of \$26 million.

SERS is proud of its successful divestment efforts, and will continue to engage scrutinized companies in furtherance of the 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
Executive Director

Enclosure

cc: Joyce Garver Keller, Ohio Jewish Communities

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Exhibit 1

SERS' Exposure to Scrutinized Companies - 6/30/13 vs. FY13 Benchmark
July 1, 2012 to June 30, 2013

SERS Positions 6/30/2012 Company Name	Shares 6/30/12	Market Value 6/30/12	SERS Positions 6/30/2013 Company Name	Shares 6/30/13	Market Value 6/30/13
China Oilfield Services	20,000	\$ 28,568			
CNOOC Ltd.	1,347,000	\$ 2,674,256	CNOOC Ltd.	984,000	\$ 1,669,528
Dongfeng Motor Group*	630,000	\$ 966,501			
Egypt Kuwait Holding Co. *	888	\$ 1,030			
Eni SpA	334,467	\$ 7,122,361	Eni SpA	131,000	\$ 2,687,024
Gazprom OAO	1,607,034	\$ 9,508,261	Gazprom OAO	2,830,298	\$ 14,186,184
Hyundai Heavy Industries	34	\$ 7,644			
Mitsui Engineering & Shipbuilding Company	446,000	\$ 637,223			
Petronas Gas Berhad	150,400	\$ 852,527	Petronas Gas Berhad	90,100	\$ 596,009
StatoilHydro ASA	113,600	\$ 2,708,639	StatoilHydro ASA	92,000	\$ 2,437,118
Technip	22,224	\$ 2,311,266			
Total SA	210,276	\$ 9,470,579	Total SA	92,000	\$ 4,483,788
TOTAL	4,881,923	\$ 36,288,855	TOTAL	4,219,398	\$ 26,059,651
Number of Companies	12		Number of Companies	6	

Change in Shares Owned Since 6/30/2012	(662,525)
Change in Market Value Since 6/30/2012	(\$10,229,204)
Percentage Change in Market Value Since 6/30/2012	(28%)
Change in Number of Companies Since 6/31/2012	(6)
Percentage Change in Number of Companies Since 6/30/2012	(50%)

*The following companies were dropped from the list by ISS between 6/30/12 and 6/30/13: Dongfeng Motor Group and Egypt Kuwait Holding Co.

Exhibit 2

SERS' Fiscal Year 2014 Benchmark

SERS Positions 6/30/2013 Company Name	Shares 6/30/13	Market Value 6/30/13
CNOOC Ltd.	984,000	\$ 1,669,528
Eni SpA	131,000	\$ 2,687,024
Gazprom OAO	2,830,298	\$ 14,186,184
Petronas Gas Berhad	90,100	\$ 596,009
Statoil ASA	118,000	\$ 2,437,118
Total SA	92,000	\$ 4,483,788
TOTAL	4,245,398	\$ 26,059,651
Number of Companies	6	

Exhibit 3

SERS' Original Benchmark 6/30/2008 vs. FY 2014 Benchmark 6/30/2013

Scrutinized Companies	6/30/2008		6/30/2013	
	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		
CNOOC Ltd.	2,991,500	\$ 5,148,597	984,000	\$ 1,669,528
Electricity Generating Company Ltd. (EGCO) (deleted 2/28/13)	3,000	\$ 7,582		
Eni S.p.A.	479,635	\$ 17,909,828	131,000	\$ 2,687,024
Gazprom OAO (including bonds)	7,562,872	\$ 48,720,746	2,830,298	\$ 14,186,184
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 Dagangan Bhd (PDB)	22,600	\$ 51,875	-	-
Petronas Gas Bhd (added 8/31/08)	-	-	90,100	\$ 596,009
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	118,000	\$ 2,437,118
Technip	66,732	\$ 6,181,157	-	-
Total S.A.	280,192	\$ 23,926,943	92,000	\$ 4,483,788
Wärtsilä Oyj (deleted 9/30/12)	1,870	\$ 117,704		
Totals:	61,148,292	\$ 252,680,685	4,245,398	\$ 26,059,651
Total Number of Companies*:	27		6	
Number of Companies Percent Change:	-78%			
Number of Shares Percent Change:	-93%			
Market Value Percent Change:	-90%			

* Petronas Gas Berhad is not included in the total number of companies on the original benchmark list since this company was not added until after the original benchmark list was set.