



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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LISA J. MORRIS
Executive Director

HELEN M. NINOS
Deputy Executive Director

September 18, 2012

RECEIVED

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

OHIO RETIREMENT STUDY
COUNCIL

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, 2012 also marks the end of SERS' fiscal year.

Exhibit 4 of the attached report identifies that since the establishment of the June 30, 2008 benchmark list, SERS has achieved a 92% reduction in the number of shares held in scrutinized companies, with a corresponding 86% 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. The list is also refreshed monthly by our independent third-party screening entity. As a result, SERS' benchmark list is reset each year to be relevant and meaningful. The new benchmark list for the fiscal year beginning July 1, 2012 is 12 scrutinized companies, with a total market value of \$36 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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Memo

To: Retirement Board
cc: Lisa Morris
From: Julie Deisler
Date: September 4, 2012
Re: Iran and Sudan Update for the Quarter Ending June 30, 2012

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, 2012. The end of this quarter also marks the end of Fiscal Year 2012.

As of June 30, 2012, we held 10 of the scrutinized companies on the FY 2012 benchmark list at a total market value of \$33.9 million. Compared to the FY 2012 benchmark, this is a 50% reduction in number of scrutinized companies and a 57% decrease in market value. A spreadsheet that details SERS' exposure to the scrutinized companies at June 30, 2012 versus the FY 2012 benchmark is attached as Exhibit 1. In addition, attached as Exhibit 2 are the names of two additional scrutinized companies that are not part of the FY 2012 benchmark list, but in which SERS had holdings as of June 30, 2012.

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, 2012, a new benchmark has been set for Fiscal Year 2013. The new benchmark includes all of the companies listed on Exhibit 1, as well as the two companies listed in Exhibit 2, which are companies that have been added to the scrutinized company list over the past fiscal year. The new benchmark list, attached as Exhibit 3, is comprised of 12 scrutinized companies and has a total market value of \$36 million. This will be the baseline against which we will measure our progress in the upcoming year.

This year I've also attached Exhibit 4 which is a comparison of our holdings at June 30, 2012 to the original benchmark set in 2008. Compared to June 30, 2008, we hold 92% fewer shares at a market value that has decreased by 86%. As you know, this list is a moving target that changes over time as companies are added and deleted from the list each month. However, I've included this comparison to point out how far we've come since the implementation of our Iran and Sudan Investment Policy.

An update for the quarter ending September 30, 2012 will be provided to you in November 2012. Please let me know if you have any questions.

Exhibit 1

SERS' Exposure to Scrutinized Companies - 6/30/12 vs. FY12 Benchmark
July 1, 2011 to June 30, 2012

SERS Positions 6/30/2011 Company Name	Shares 6/30/11	Market Value 6/30/11	SERS Positions 6/30/2012* Company Name	Shares 6/30/12	Market Value 6/30/12
Atlas Copco AB*	5,125	\$ 4,061			
CNOOC Ltd.	5,407,883	\$ 14,696,035	CNOOC Ltd.	1,347,000	\$ 2,674,256
Dongfeng Motor Group	1,656,000	\$ 3,128,443	Dongfeng Motor Group	630,000	\$ 966,501
Egypt Kuwait Holding Co.	888	\$ 1,146	Egypt Kuwait Holding Co.	888	\$ 1,030
Eni SpA	315,199	\$ 7,453,528	Eni SpA	334,467	\$ 7,122,361
Gazprom OAO	1,457,055	\$ 21,245,559	Gazprom OAO	1,607,034	\$ 9,508,261
Hyundai Heavy Industries	3,104	\$ 1,289,397	Hyundai Heavy Industries	34	\$ 7,644
KLCC Property Holdings Berhad*	49,200	\$ 54,585			
Mitsui Engineering & Shipbuilding Company	446,000	\$ 966,444	Mitsui Engineering & Shipbuilding Company	446,000	\$ 637,223
Petrochina	3,502	\$ 511,397			
Petronas Chemicals Group Berhad	818,300	\$ 1,921,426			
Petronas Dagangan Berhad	84,500	\$ 450,555			
Petronas Gas Berhad	63,600	\$ 278,454	Petronas Gas Berhad	150,400	\$ 852,527
PTT Exploration & Production Public Co.*	900	\$ 5,009			
PTT Public Company Ltd.*	230,600	\$ 2,514,272			
Sasol*	150,417	\$ 7,901,838			
Sinopec (China Petroleum & Chemical)	1,177,000	\$ 1,190,207			
SINOPEC Shanghai Petrochemical*	198,000	\$ 88,806			
StatoilHydro ASA	107,300	\$ 2,731,018	StatoilHydro ASA	113,600	\$ 2,708,639
Total SA	201,387	\$ 11,644,686	Total SA	210,276	\$ 9,470,579
TOTAL	12,375,960	\$ 78,076,866	TOTAL	4,839,699	\$ 33,949,021
Number of Companies	20		Number of Companies	10	

Change in Shares Owned Since 6/30/2011	(7,536,261)
Change in Market Value Since 6/30/2011	(\$44,127,845)
Percentage Change in Market Value Since 6/30/2011	(57%)
Change in Number of Companies Since 6/31/2011	(10)
Percentage Change in Number of Companies Since 6/30/2011	(50%)

*The following companies were dropped from the list by ISS between 6/30/11 and 6/30/12: Atlas Copco AB, KLCC Property Holdings Berhad, PTT Exploration & Production Public Co., PTT Public Company Ltd., Sasol and SINOPEC Shanghai Petrochemical.

Exhibit 2

SERS' Exposure to Companies Added to the Scrutinized List as of June 30, 2012

SERS Positions 6/30/12 Company Name	Shares 6/30/12	Market Value 6/30/12
China Oilfield Services	20,000	\$ 28,568
Technip	22,224	\$ 2,311,266
TOTAL	42,224	\$ 2,339,834

Exhibit 3

SERS' Fiscal Year 2013 Benchmark

SERS Positions 6/30/2012 Company Name	Shares 6/30/12	Market Value 6/30/12
China Oilfield Services	20,000	\$ 28,568
CNOOC Ltd.	1,347,000	\$ 2,674,256
Dongfeng Motor Group	630,000	\$ 966,501
Egypt Kuwait Holding Company	888	\$ 1,030
Eni SpA	334,467	\$ 7,122,361
Gazprom OAO	1,607,034	\$ 9,508,261
Hyundai Heavy Industries	34	\$ 7,644
Mitsui Engineering & Shipbuilding	446,000	\$ 637,223
Petronas Gas Berhad	150,400	\$ 852,527
Statoil ASA	113,600	\$ 2,708,639
Technip	22,224	\$ 2,311,266
Total SA	210,276	\$ 9,470,579
TOTAL	4,881,923	\$ 36,288,854
Number of Companies	12	

Exhibit 4

SERS' Original Benchmark 6/30/2008 vs. FY 2013 Benchmark 6/30/2012

Scrutinized Companies	6/30/2008		6/30/2012	
	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		
China Oilfield Services (added 10/31/11)	-	-	20,000	\$ 28,568
CNOOC Ltd.	2,991,500	\$ 5,148,597	1,347,000	\$ 2,674,256
Dongfeng Motor Group (added 8/31/08)	-	-	630,000	\$ 966,501
Egypt Kuwait Holding Company (added 10/31/08)	-	-	888	\$ 1,030
Electricity Generating Company Ltd. (EGCO)	3,000	\$ 7,582	-	-
Eni S.p.A.	479,635	\$ 17,909,828	334,467	\$ 7,122,361
Gazprom OAO (including bonds)	7,562,872	\$ 48,720,746	1,607,034	\$ 9,508,261
GS Holdings Corp. (deleted 3/31/11)	3,300	\$ 126,189		
Harbin Power Equipment Company Ltd.	148,000	\$ 214,480	-	-
Hyundai Heavy Industries (added 8/31/08)	-	-	34	\$ 7,644
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		
Mitsui Engineering & Shipbuilding Company (added 8/31/08)			446,000	\$ 637,223
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)	-	-	-	-
Petronas Dagangan Bhd (PDB)	22,600	\$ 51,875	-	-
Petronas Gas Bhd (added 8/31/08)	-	-	150,400	\$ 852,527
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	113,600	\$ 2,708,639
Technip	66,732	\$ 6,181,157	22,224	\$ 2,311,266
Total S.A.	280,192	\$ 23,926,943	210,276	\$ 9,470,579
Wärtsilä Oyj	1,870	\$ 117,704	-	-
Totals:	61,148,292	\$ 252,680,685	4,881,923	\$ 36,288,855
Total Number of Companies:	27		12	
Number of Companies Percent Change:	-56%			
Number of Shares Percent Change:	-92%			
Market Value Percent Change:	-86%			