



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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LISA J. MORRIS
Executive Director

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November 6, 2015

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 is for the fiscal year ending June 30, 2015.

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, 2015 is comprised of 4 scrutinized companies with a total market value of \$11.8 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
Executive Director

Enclosure

RETIREMENT BOARD

CATHERINE P. MOSS <i>Chair, Retiree-Member</i>	BARBRA M. PHILLIPS <i>Vice-Chair, Employee-Member</i>	DEBRA J. BASHAM <i>Employee-Member</i>	NANCY D. EDWARDS <i>Appointed Member</i>	
MADONNA D. FARAGHER <i>Employee-Member</i>	CHRISTINE D. HOLLAND <i>Employee-Member</i>	JAMES A. ROSSLER, JR <i>Appointed Member</i>	DANIEL L. WILSON <i>Appointed Member</i>	BEVERLY A. WOOLRIDGE <i>Retiree-Member</i>

SERS

2015 Annual Report on Iran/Sudan Divestiture

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

FY 2007	FY 2015	Change in market value
\$167.8	\$11.8	-93%

Market value of holdings with companies with scrutinized activities, FY 2014-2015 (in millions):

FY 2014	FY 2015	Change in market value
\$52.5	\$11.8	-77.5%

Top five holdings FY 2015 (directly or through active funds):

Company	Market Value (in millions)	% of total scrutinized
Gazprom	\$7.5	64%
Schneider Electric SE	\$2.2	19%
BP Capital Markets PLC	\$1.1	9%
PetroChina Co LTD	\$.98	8%
-	-	-

Comments on remaining top five holdings:

- During FY 2015 correspondence was sent to a total of 47 scrutinized companies. Of the top four held companies one response was received, from Gazprom. The letter states “that Gazprom has no active business operations in Iran.”
- 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 (to date)

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

- Every month an updated list of scrutinized companies, from ISS, 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 (current reporting year (09.30.15)):

Company	Market value (in millions)
Gazprom	\$18.8
Schneider Electric SE	\$1.8
BP Capital Markets PLC	\$1.1
PetroChina Co Ltd	\$.28

Summary of sold, redeemed, purchased, withdrawn securities of scrutinized companies (previous three years)²:

Summary of Activity	FY 2013	FY 2014	FY 2015
		CNOOC Ltd (S)	Bharat Heavy Electricals Ltd. (X)
	China Oilfield Services (X,S)	BP Capital Markets plc (X)	China BlueChemical Ltd.(S)
	Korea Electric Power Corp. (S)	China BlueChemical Ltd. (X)	Petrochina(P)
	Mitsui Engineering & Shipbuilding (S)	Petronas Chemicals Group Berhad (X,S)	
	Petrochina (X,S)	Schneider Electric (X)	

S - Sold

R - Redeemed

P - Purchased

W - Withdrawn

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

² Sold, redeemed, purchased, or withdrawn activity for specific scrutinized companies is provided starting in 2014. Data from earlier periods notes that one of the activities (sold, redeemed, purchased, withdrawn) was conducted with the specified company.