

Memo

To: Retirement Board
cc: Lisa Morris
From: Julie Deisler
Date: August 26, 2011
Re: Iran/Sudan Update for the Quarter Ending June 30, 2011

The purpose of this memo is to update you on activities related to the Iran-Sudan Investment Policy during the quarter ending June 30, 2011. The end of this quarter also marks the end of fiscal year 2011.

As of June 30, 2011, we held 12 of the scrutinized companies on the FY 2011 benchmark list at a total market value of \$73.2 million. Compared to the FY 2011 benchmark, this is a 45% reduction in number of scrutinized companies and a 14% increase in market value. A spreadsheet that details SERS' exposure to the scrutinized companies at June 30, 2011 versus the FY 2011 benchmark is attached as Exhibit 1. In addition, attached as Exhibit 2 is a list of eight additional scrutinized companies that were not part of the FY 2011 benchmark list, but in which SERS had holdings as of June 30, 2011.

Staff continues to receive monthly updates on scrutinized companies from RiskMetrics, 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/Sudan Investment Policy continue to notify me in writing when purchasing any securities from 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, 2011, a new benchmark has been set for Fiscal Year 2012. The new benchmark includes all of the companies listed on Exhibit 1, as well as the eight 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 20 scrutinized companies and has a total market value of \$78 million. This will be the baseline against which we will measure our progress in the upcoming year.

An update for the quarter ending September 30, 2011 will be provided to you in November. Please let me know if you have any questions.

Exhibit 1

SERS' Exposure to Scrutinized Companies - 6/30/11 vs. FY11 Benchmark
July 1, 2010 to June 30, 2011

SERS Positions 6/30/2010 Company Name	Shares 6/30/10	Market Value 6/30/10	SERS Positions 6/30/2011* Company Name	Shares 6/30/11	Market Value 6/30/11
Bharat Heavy Electricals Ltd.	38,901	\$ 2,060,174			
CNOOC Ltd.	7,242,451	\$ 13,193,869	CNOOC Ltd.	5,407,883	\$ 14,696,035
Dongfeng Motor Group	1,272,000	\$ 1,499,517	Dongfeng Motor Group	1,656,000	\$ 3,128,443
ENI SpA	75,500	\$ 1,404,770	ENI SpA	315,199	\$ 7,453,528
GAIL (India) Ltd.*	29,378	\$ 293,048			
Gazprom OAO	435,872	\$ 8,304,860	Gazprom OAO	1,457,055	\$ 21,245,559
Hyundai Heavy Industries	2,190	\$ 421,166	Hyundai Heavy Industries	3,104	\$ 1,289,397
INPEX Corporation*	655	\$ 3,678,777			
Itochu Corporation*	132,000	\$ 1,051,644			
Mitsui Engineering & Shipbuilding Company	446,000	\$ 912,261	Mitsui Engineering & Shipbuilding Company	446,000	\$ 966,444
OMV AG NPV*	20,800	\$ 630,324			
PetroChina	692,000	\$ 779,340	Petrochina	3,502	\$ 511,397
Petrofac Ltd.*	35,521	\$ 630,276			
Petronas Dagangan Berhad	22,600	\$ 65,409	Petronas Dagangan Berhad	84,500	\$ 450,555
Repsol YPF*	35,658	\$ 727,885			
Royal Dutch Shell*	631,425	\$ 15,857,890			
Sasol	52,679	\$ 1,885,002	Sasol	150,417	\$ 7,901,838
The Siam Cement Public Company*	44,100	\$ 381,229			
Sinopec (China Petroleum & Chemical)	634,000	\$ 516,993	Sinopec (China Petroleum & Chemical)	1,177,000	\$ 1,190,207
StatoilHydro ASA	129,943	\$ 2,525,668	StatoilHydro ASA	107,300	\$ 2,731,018
Technip	4,600	\$ 268,204			
Total SA	153,663	\$ 6,957,619	Total SA	201,387	\$ 11,644,686
TOTAL	12,131,936	\$ 64,045,925	TOTAL	11,009,347	\$ 73,209,107
Number of Companies	22		Number of Companies	12	

Change in Shares Owned Since 6/30/10

Change in Market Value Since 6/30/10

Percentage Change in Market Value Since 6/30/10

Change in Number of Companies Since 6/30/10

Percentage Change in Number of Companies Since 6/30/10

(1,122,589)
\$9,163,182
14.3%
(10)
(45%)

*The following companies were dropped from the list by RiskMetrics between 6/30/10 and 6/30/11: GAIL (India) Ltd., INPEX Corporation, Itochu, OMV AG NPV, Petrofac, Repsol YPF, Royal Dutch Shell, and The Siam Cement Public Company.

Exhibit 2

SERS' Exposure to Companies Added to the Scrutinized List as of June 30, 2011

SERS Positions 6/30/2011 Company Name	Shares 6/30/11	Market Value 6/30/11
Atlas Copco AB	5,125	\$ 4,061
Egypt Kuwait Holding Co.	888	\$ 1,146
KLCC Property Holdings Berhad	49,200	\$ 54,585
Petronas Chemicals Group Berhad	818,300	\$ 1,921,426
Petronas Gas Berhad	63,600	\$ 278,454
PTT Exploration & Production Public Co.	900	\$ 5,009
PTT Public Company Ltd.	230,600	\$ 2,514,272
SINOPEC Shanghai Petrochemical	198,000	\$ 88,806
TOTAL	1,366,613	\$ 4,867,759

Exhibit 3

SERS' Fiscal Year 2012 Benchmark

SERS Positions 6/30/2011 Company Name	Shares 6/30/11	Market Value 6/30/11
Atlas Copco AB	5,125	\$ 4,061
CNOOC Ltd.	5,407,883	\$ 14,696,035
Dongfeng Motor Group	1,656,000	\$ 3,128,443
Egypt Kuwait Holding Co.	888	\$ 1,146
ENI SpA	315,199	\$ 7,453,528
Gazprom OAO	1,457,055	\$ 21,245,559
Hyundai Heavy Industries	3,104	\$ 1,289,397
KLCC Property Holdings Berhad	49,200	\$ 54,585
Mitsui Engineering & Shipbuilding Company	446,000	\$ 966,444
Petrochina	3,502	\$ 511,397
Petronas Chemicals Group Berhad	818,300	\$ 1,921,426
Petronas Dagagnan Berhad	84,500	\$ 450,555
Petronas Gas Berhad	63,600	\$ 278,454
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
Total SA	201,387	\$ 11,644,686
TOTAL	12,375,960	\$ 78,076,866
Number of Companies	20	