

# **Request for Proposal**

## **Non-U.S. Large Cap Core Equity Manager**

February 2019



***SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO***

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746

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## I. INTRODUCTION

The School Employees Retirement System of Ohio (SERS) is requesting proposals from qualified investment managers to provide investment management services for its Non-U.S. equity portfolio. SERS intends to hire one investment manager with an initial allocation of approximately \$100 million.

## II. BACKGROUND

SERS is a statewide defined benefit retirement system for non-certificated persons employed by the public schools within the state's cities, villages and counties, as well as local districts, vocational and technical schools, community colleges, and The University of Akron. SERS provides service retirement, disability and survivor benefits, and access to health care coverage for benefit recipients and their dependents. General administration and management of the plan is vested in the Retirement Board established under [Chapter 3309](#) of the Ohio Revised Code.

As of December 31, 2018, investment assets totaled \$13.5 billion, and were allocated as shown in the following table.

<b><u>Asset Class</u></b>	<b><u>Market Value (\$M)</u></b>	<b><u>Actual %</u></b>	<b><u>Target %</u></b>	<b><u>Range</u></b>
<b>Domestic Equity</b>	<b>\$3,093.4</b>	<b>22.85</b>	<b>22.50</b>	<b>17.5% – 27.5%</b>
<b>Non US Equity</b>	<b>\$2,776.5</b>	<b>20.51</b>	<b>22.50</b>	<b>17.5% – 27.5%</b>
<b>Global Private Equity</b>	<b>\$1,429.9</b>	<b>10.56</b>	<b>10.00</b>	<b>5.0 % – 15.0%</b>
<b>Global Fixed Income</b>	<b>\$1,941.0</b>	<b>14.34</b>	<b>19.0</b>	<b>12.0% – 26.0%</b>
<b>Global Real Assets</b>	<b>\$2,105.5</b>	<b>15.53</b>	<b>15.0</b>	<b>10.0% – 20.0%</b>
<b>Multi-Asset Strategies</b>	<b>\$1,130.1</b>	<b>8.35</b>	<b>10.0</b>	<b>5.0% – 15.0%</b>
<b>Opportunistic</b>	<b>\$392.2</b>	<b>2.90</b>	<b>0.0</b>	<b>0.0% – 5.0%</b>
<b>Cash Equivalents</b>	<b>\$370.9</b>	<b>4.96</b>	<b>1.0</b>	<b>0.0% – 10.0%</b>
<b>Total</b>	<b>\$13,536.7</b>	<b>100%</b>	<b>100%</b>	

Fund assets are invested and managed externally by investment managers, except Short-term (cash equivalents) which is managed internally. An Investment Staff ("Staff") oversees the managers and administers the investment program in accordance with investment policies established by the Retirement Board. In addition, the Retirement Board approves an Annual Investment Plan prepared by Staff.

The most recent [SERS Comprehensive Annual Financial Report](#), [Investment Policy](#), and [Iran and Sudan Investment Policy](#) can be found on the SERS website, [www.ohsers.org](http://www.ohsers.org).

### III. SCOPE OF SERVICES

SERS is seeking investment management services for an international, developed markets, large cap core strategy for its Non-U.S. Equity program. The investment manager awarded the mandate will be required to provide the following services:

- Manage approximately \$100 million in core, large capitalized companies
- Submit monthly asset and performance statements within 10 business days of each calendar month end
- Provide monthly/quarterly performance reconciliations to SERS
- Complete and submit SERS' Annual Trade Execution Reports
- Participate in quarterly telephone calls to review performance
- Attend an annual performance review in Columbus, and accommodate other visits upon request.

SERS will consider only proposals for the services as described above. Responses submitted for other services will not be considered.

### IV. PROPOSAL SUBMISSIONS

#### A. Intent to Respond

If the investment manager intends to respond to this RFP, a Notice of Intent (on Page 8) should be sent to SERS by March 1, 2019. The Notice should be completed and sent by email or fax to the SERS contact listed in Paragraph IV.C. Submitting this Notice will not obligate an investment manager to submit a Response nor be a prerequisite for submitting a Response, but will allow SERS to send out any necessary information to interested investment managers.

#### B. Response Deadline

The completed Response must be received by **3:00 p.m. on March 20, 2019, Eastern Time**. Responses received after the Response deadline will not be considered.

#### C. Delivery

Address for all responses, and communications:

Search Committee  
c/o Brad Skeen, Shipping & Receiving Manager  
**investqrfp@ohsers.org**  
Investment Department  
School Employees Retirement System  
300 East Broad Street, Suite 100  
Columbus, OH 43215  
FAX: 614-222-5930 PHONE: 614-340-1312 (Mr. Skeen)

One unbound original and 3 copies of the Response are to be sent by mail or delivery service. An electronic version is also required. It is recommended that the investment manager include an additional electronic copy of a redacted Response in accordance with Paragraph IV.E below. Faxed transmissions are not acceptable and will not be considered.

#### **D. Response Documents**

**All of the following documents must be submitted together and in the order listed.**

1. Submittal Form in Appendix A on the investment manager's letterhead, signed by at least one individual who is authorized to bind the firm contractually.
2. The Questionnaire in Appendix B with the question and/or request duplicated in the Response before the answer or response.

#### **E. Submitted Responses**

Any Response submitted will become the property of SERS. SERS reserves the right to retain all Responses submitted, and use any information contained in a Response except as otherwise prohibited by law. **All Responses and the contents thereof will be deemed to be a public record which is open to public inspection after an investment manager has been selected and contract has been executed, if any.** An investment manager should include one additional copy of its Response with any proprietary trade secret information redacted and marked as such with a brief written basis why it believes the information is protected from disclosure. In the event that SERS receives a public records request to which, in SERS's sole discretion, any of an investment manager's materials are responsive, SERS may release the investment manager's redacted materials, or in the event no redacted materials are submitted, the investment manager's unredacted materials without notice to the investment manager. In the event any of the investment manager's redactions are challenged, the investment manager shall have sole responsibility to defend such redactions at its cost and expense. SERS will not institute any legal action to defend any of investment manager's redactions, but will notify the investment manager of such challenges.

#### **F. Communications with SERS**

Investment managers that intend to submit a Response should not contact any member of SERS Staff, Retirement Board, or investment consultants. An exception to this rule applies to firms who currently do business with SERS, but any contact should not relate to this RFP. In addition, such investment managers should not discuss this RFP with any employee of SERS' managers, the Treasurer of the State of Ohio, Huntington National Bank and/or BNYM.

#### **G. Questions Relating to this RFP**

All questions concerning this RFP must be received in writing, by email, by the Contact person no later than March 6, 2019, **4:00 p.m., Eastern Time**. Answers to only emailed questions received by this deadline will be available to all investment managers by a posting at [www.ohsers.org](http://www.ohsers.org) by close of business day on March 11, 2019. Questions submitted after the 4 p.m. deadline on March 6, 2019 or other than by email will not be considered.

#### **H. Disclosure Requirements**

State law has certain reporting and registration requirements. A summary description appears attached in Appendix D. Candidates must review and comply with the law.

## V. SELECTION PROCESS

SERS staff will evaluate all timely and complete Responses. SERS reserves the right to request that any Response be clarified or supplemented.

Staff will review the Responses and remove from consideration any Responses from managers that do not meet the minimum qualifications identified in Paragraph VII below. Based upon its review of the Responses, Staff will identify a short list of candidates for further consideration and assessment, which may include a video conference and/or on-site due diligence. Finalist(s) will be scheduled to present to SERS Staff in May or June 2019. Firms not selected for further consideration will be notified by April 15, 2019. Staff's final recommendation will be presented to SERS' Investment Committee in June 2019.

## VI. TENTATIVE TIME TABLE

The following is the tentative time schedule for SERS' search for vendors to provide the requested services. All dates are subject to modification by SERS without prior notice.

<b>Issuance of RFP:</b>	February 25, 2019
<b>Notice of Intent to Respond:</b>	March 1, 2019
<b>Question Deadline:</b>	March 6, 2019
<b>Response to Written Questions:</b>	March 11, 2019
<b>RFP Response Deadline:</b>	March 20, 2019
<b>Due Diligence Visits:</b>	April/May 2019
<b>Presentations to Investment Committee:</b>	May/June 2019

The investment manager selected must enter into a contract.

## VII. CRITERIA

To be considered for appointment as an investment manager pursuant to this RFP, investment management firms must meet the following minimum criteria.

- Investment professionals must have, at a minimum, a five year history in managing international public equity investments as of December 31, 2018.
- Key investment professional(s) responsible for the recent three year performance history must be the same team currently responsible for this account. Note: simulated or back tested results for any part of the three year period will not be accepted. If simulated or back tested results are applied, the Proposal will be deemed ineligible for further review.
- Investment manager must have a least \$500 million of capital invested in the proposed international public equity products as of December 31, 2018.
- Acknowledge in writing that you would be a fiduciary on behalf of SERS

In addition, investment managers will be reviewed for the following:

- Stability and experience of the firm itself as well as how it relates to the investment product
- Quality, stability, depth and experience of investment professionals
- Investment experience in the named strategy
- Merits of firm's investment philosophy, process, and portfolio construction
- Resources
- Risk controls at both firm and product levels
- Investment performance
- Investment management fee
- Clarity and completeness of the Proposal
- Strategic fit within existing portfolio
- Alignment of interest between investment manager and SERS

#### **VIII. QUESTIONNAIRE**

Investment managers must complete the Questionnaire appearing in Appendix B. Responses to the questions should repeat the question and be answered in the order they appear. If a question has a sub-component, the sub-component question should be repeated and answered separately from the core question. Additional information may be included in an Appendix where it should be clearly marked and properly labeled.

#### **IX. TERMS AND CONDITIONS**

SERS makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information in the RFP and nothing contained herein is or shall be relied upon as a promise or representation, whether as to the past or the future. The RFP does not purport to contain all of the information that may be required to evaluate the RFP and any recipient hereof should conduct its own independent analysis of SERS and the data contained or referenced herein. SERS does not anticipate updating or otherwise revising the RFP. However, this RFP may be withdrawn, modified, or re-circulated at any time at the sole discretion of SERS.

SERS reserves the right, at its sole discretion and without giving reasons or notice, at any time and in any respect, to alter these procedures, to change and alter any and all criteria, to terminate discussions, to accept or reject any Response, in whole or in part, to negotiate modifications or revisions to a Response and to negotiate with any one or more respondents to the RFP.

SERS is not and will not be under any obligation to accept, review or consider any Response to the RFP, and is not and will not be under any obligation to accept the lowest offer submitted or any offer at all. SERS is not and will not be under any obligation to any recipient of, or any respondent to, the RFP except as expressly stated in any binding agreement ultimately entered into with one or more parties, either as part of this RFP process, or otherwise.

This RFP is not an offer but a request to receive a Response. SERS will consider a Response as an offer to develop an agreement based upon the contents of the Response. Respondents agree that the contents of their Responses are valid for one year from the date of submission. SERS will not be liable for any cost incurred in the preparation of a Response and will not reimburse any respondents for their submission. Expenses related to the production of a Response are the sole responsibility of the Respondent.

**X. INTENT TO RESPOND**

**INVESTMENT MANAGEMENT SERVICES**

**Non-U.S. Large Cap Core Search February 2019**

**INTENT TO RESPOND**

**Firm Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Product Name:** \_\_\_\_\_

**Contact Person:** \_\_\_\_\_

**Contact email:** \_\_\_\_\_

**(for office use only):** \_\_\_\_\_

\_\_\_\_\_

# **Appendix A**

## **Submittal Form**

**INVESTMENT MANAGEMENT SERVICES**

**REQUEST FOR PROPOSAL – Non US Equity February 2019**

**FIRM NAME:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

\_\_\_\_\_

**CLIENT CONTACT:** \_\_\_\_\_

**TELEPHONE #:** \_\_\_\_\_

**FACSIMILE #:** \_\_\_\_\_

**E-MAIL ADDRESS:** \_\_\_\_\_

**By signing below, the authorized signer represents that the attached Response is a firm and irrevocable offer of the firm.**

**AUTHORIZED SIGNATURE:**

\_\_\_\_\_

**Name (print):** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Proposed Product Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

# **Appendix B**

## **Questionnaire**

**A. FIRM**

1. Give a brief history and description of your firm including:
  - a. Type of firm (e.g., bank, insurance company, FSA registered investment advisor)
  - b. Location of additional offices and the functions performed at each
  - c. The legal structure of your firm and the date of formation (include the date and place of incorporation, if applicable and any planned additional locations).
2. Describe in detail your firm's ownership structure: name its owners, their percent ownership, and their role within the company. If an affiliate, designate the percent of the parent firm's total revenue generated by your organization. If the firm is a joint venture partner, identify the percent ownership and revenues recognized by each partner to the combined association.
  - a. What is the number and percentage of employees who are owners or partners?
  - b. Have there been any changes in the ownership structure of the firm in the last ten years? If so, describe.
  - c. Are ownership or structural changes expected in the next five years?
  - d. Attach the firm's organizational chart and describe the relationship among the components and the group managing the proposed product.
  - e. Indicate if personnel in the firm managing the proposed product also are assigned to perform work for any other component/product of the firm.
  - f. If applicable, provide a chart that shows the relationships between professional staff who are equity owners to the parent-subsiary, affiliate, or joint venture entities.
3. List your firm's lines of business and approximate contributions of each business to your organization's total revenue.
4. Name(s) of regulatory bodies overseeing this firm, this product.
  - a. Dates of registration
  - b. Registration Number(s)
5. Does your firm have fiduciary liability insurance coverage or any liability coverage that provides coverage with respect to losses resulting from breach of fiduciary duties? Attach a certificate as evidence that includes the term of the policy and the amount of coverage.
6. Discuss the overall business objectives of your firm with respect to future growth. Comment on present or planned areas of emphasis over the near term.
7. List the percentage of total firm revenue generated from management fees earned from this product over each of the last three years.
8. Describe any third party marketing relationships and discuss how marketing firms are compensated.
9. Provide copies of the firm's most recently audited financial statements and auditor's management letter.
10. Describe the firm's disaster recovery plan in effect including plans for an alternative work site in the event of a business disruption.
11. How will the portfolio be actively managed in the event of an emergency?
12. Is employee trading for personal accounts allowed? If yes, explain when employees are allowed to trade for personal accounts. Attach your firm's personal trading policy.

13. Does your firm have an ESG policy or statement? If so, briefly describe the scope of the policy or statement (i.e. firm-wide, fund, or mandate specific) and attach a copy or link to its location on a public website. If your firm does not have such a policy or statement, are you considering or planning to develop an ESG policy or statement?
14. If your firm has an ESG policy or statement established, provide the following information:
  - a. When was the ESG policy or statement established? How often do you revisit or revise it and how do you monitor compliance?
  - b. How is ESG incorporated into your business decisions and investment process?
  - c. What ESG factors are considered in your process?
  - d. What have been the impacts on the proposed product from implementing ESG practices?
15. How do you keep your staff educated on ESG related topics?
16. Is your firm a signatory to the Principles of Responsible Investment?
17. Has your firm formally adopted the CFA Institute’s Asset Manager Code of Professional Conduct?

**B. PRODUCTS AND ASSETS UNDER MANAGEMENT**

1. List all products offered by your firm using the chart below. For each product provide the asset class, product assets under management, and state whether the product is open or closed to new assets.

Product (As Of 12/31/2018)	Assets \$(Mm)	Open To New Investors

2. Complete the following table for each calendar year noted.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Firm Assets</b>											
<b>Public Equity Assets</b>											
<b>Total Assets in Subject Product</b>											

3. What does your firm believe to be the maximum amount of assets that can be managed in your strategies without detracting from performance?
4. What is the maximum capacity of the equity product you are recommending in your Response?
5. Discuss how your firm calculates maximum capacity levels for assets managed in this strategy?
6. How often does your firm review capacity?

7. List all tax-exempt accounts (as of 12/31/2018) managed in the proposed product. Indicate the number of accounts and amount of assets managed on behalf of U.S. based tax-exempt institutional clients, individually by client. If confidentiality prevents you from stating the client name, please note confidential.
8. Provide the name and asset value of each terminated institutional client relationship in the proposed product over the past three years, and indicate the reason for each termination.
9. Have you ever closed a product(s) due to capacity constraints? If so, when and what product(s) were closed?
10. Have any previously closed products been reopened? Why?

**C. PERSONNEL**

1. Provide list of all key personnel involved in the management of the product you are recommending. Include principle officers, portfolio managers, research analysts, economists, trading personnel, and client service professionals (or any other member of the team that is important to the on-going process). Include all of the following for each team member:

Name	Title	Location	Education	Responsibilities	Firm Tenure	Industry Tenure

2. Of the professionals listed above, which individual(s) is the most influential in terms of overall strategy and process?
3. Are the key personnel listed above responsible for the initial development of the recommended product? If not, who was responsible and when was the responsibility passed on to the current team?
4. List all senior professionals and investment professionals who have left your firm (and reason for leaving) in the last five years.
5. Describe the firm's succession plan should a key professional on the account terminate employment.
6. Describe the compensation and incentive structure for investment professionals directly involved in this product. How are individuals evaluated and rewarded? How does this compare to other firms in the industry?
7. What percentage of top managements' and key product professionals' net worth is in the firm and the proposed product? Is any percentage of current compensation deferred into the firm's products?
8. What is the hiring process for new professionals? How do you attract the best talent? Do you hire people with experience or do you prefer to train your own people? What's the typical time period it takes to hire a key investment professional?

9. Do you expect any of the following changes to take place over the next year? If so, detail those changes
  - a. New product introductions
  - b. New equity owner(s)
  - c. Possible merger/acquisition activity
  - d. Retirement of key individual(s)
  - e. Additional staff
  - f. Other
10. Describe how you intend to service this account. Who is responsible for client communications?

#### **D. INVESTMENT PHILOSOPHY**

1. Describe the **investment philosophy** of the firm. (Investment philosophy addresses the beliefs that underlie your firm's investment process. Specifically, state why you think you can add value and what makes your philosophy different from and better than your peers.)
  - a. Describe your firm's investment philosophy for this product.
  - b. Why does your investment philosophy work? Provide any evidence or research that supports this belief. What is the relationship of this view to capital market theory?
  - c. What is your investment thesis? Who or what was the source of this thesis and how has it evolved over time? How does this product generate alpha?
2. Describe your **strategy** in as much detail as possible.
  - a. What is the objective of this product?
  - b. How do you measure success in implementing this strategy?
  - c. In which market environments do you believe this strategy performs best? Provide detail and give an example.
  - d. In which market environments do you believe this strategy performs worst? Provide detail and give an example.
  - e. What is your competitive advantage in executing this strategy?

#### **E. INVESTMENT PROCESS**

1. Describe the investment **process** in as much detail as possible (how your strategy is implemented). What anomaly or inefficiency are you attempting to capture in your implementation?
2. How does your firm make buy and sell decisions? Outline this process by describing how a security was purchased for the portfolio within the last several months and one that was sold. Under what circumstances would you deviate from this discipline?
3. For each country in which you invest, provide the types of securities and vehicles you use to take positions (i.e., cash, physicals, futures, swaps, etc.).
4. How are investment ideas sourced?
5. What percentage of resources and time does your firm devote to top-down aspects of your approach versus bottom-up aspects of your approach?
6. What makes your process unique?

7. Explain what universe is used to screen for the initial set of securities and what criteria are used to narrow this field? How many stocks are actively researched in depth for potential inclusion in the portfolio?
8. Differentiate between quantitative and qualitative processes that lead to a security's inclusion from the portfolio.
9. What fundamental factors are used to evaluate securities prior to inclusion into the portfolio and what is the relative importance of each factor?
10. What are the weaknesses of your investment process?
11. Describe the type of research your firm conducts and how it is incorporated into the *portfolio management* process.
12. Are analysts generalists or specialists? If applicable, discuss the research platform analysts use.
13. Is the portfolio manager also responsible for research? If so, distinguish the responsibilities of the portfolio manager from those of the research analyst.
14. Detail how the investment process is reviewed and how changes are assessed and implemented. Contrast the contribution of inputs of research analysts to the investment process versus the portfolio manager's inputs.
15. Discuss the importance of company visits to your process. Is a company visit mandatory before you purchase a security for the portfolio? How many company visits do you conduct each year? What is the percentage of time that key investment professionals are outside of the office on research trips per year?
16. Describe how external research information is sourced and how it is used in the research process. Discuss the use of third-party research in your investment process. How does your firm pay for this research?

**F. PORTFOLIO CONSTRUCTION**

1. Describe your portfolio construction methodology.
2. What has been the historical market cap range for the proposed strategy?
3. What are the average/typical weights and number of securities within the given capitalization quintiles? (Do not deviate from given ranges.)

	% of Portfolio	Number of Securities
>\$60 Billion		
\$40 - \$60 Billion		
\$10 - \$40 Billion		
\$2 to \$10 Billion		
< \$2 Billion		

4. What is your time horizon for an investment?
5. How do your holdings differ from those in the benchmark?
  - a. Describe how this changes for different market environments.
6. How many securities are typically held in this portfolio?

7. What is the average annual turnover?
8. How are security and sector weights determined in the portfolio and how does the portfolio management team manage these exposures over time?
9. Are there any sectors and/or industries that you won't invest in? If so, why?
10. Detail the latitude the Portfolio Manager is given in constructing and managing the portfolio.
11. How do company recommendations get communicated to Portfolio Managers?
12. Outline all portfolio constraints and the rationale for these constraints with regard to:
  - a. Cash
  - b. Liquidity
  - c. Sector Exposure
  - d. Individual Security Exposure
  - e. Market Capitalization Range
  - f. Range of portfolio holdings
  - g. Other (describe in detail)
13. Describe the portfolio's expected cash position and circumstances that would lead to higher than expected cash holdings.
14. Do you use cash as a method of risk control?
15. If the subject product uses derivatives, how are they used, what strategies are employed and what is the extent of their use? What is the experience of staff in managing derivative instruments? Is leverage employed? What are your procedures for measuring, monitoring, and managing risks associated with derivatives? How are counterparty risks measured and monitored?

## **G. RISK MANAGEMENT**

1. Describe the risk management process.
  - a. How is risk monitored and managed in the portfolio?
  - b. Discuss any applicable risk controls with respect to regions, countries, sectors, value or growth style exposures, individual stocks and capitalization.
  - c. Do you use a risk measurement model? If so, how is this analysis incorporated into the investment process?
2. Who is responsible for monitoring risks in this product? To whom does this person report? If your firm has a separate risk management team, please describe the division of responsibilities and how the portfolio management team and risk management team interrelate with regard to managing the risk of the portfolio. Who has final authority to make changes to the portfolio from the sole perspective of risk?
3. What are the primary risks your firm has identified in the portfolio with respect to this product?
4. Describe the process used to ensure the portfolio complies with investment guidelines.

## **H. PRODUCT INFORMATION AND PERFORMANCE HISTORY**

1. Provide the specific name of proposed product, its inception date, and its evolution.

2. What year did your firm begin managing client assets in the product?
3. What is the median and average account size of your clients in this account?
4. Provide an annual performance attribution analysis that shows how your strategy added or detracted value relative to the MSCI World ex-USA Index (\$net) for each calendar year 2018 – 2015. How is performance attribution used internally in the management of this strategy?
5. Provide the product’s calendar year investment returns compared to the MSCI World ex-USA Index (\$net) using the following time periods and format.

	2018	2017	2016	2015	2014	2013	2012	2011	Since Inception
Portfolio Return									
MSCI World ex-USA Index									
Value-Add Performance									

6. Provide (in excel format) a gross monthly performance history over the last ten years, or since inception if your firm’s history is less than ten years. This can be sent via email/disc/flash drive.
7. What do you consider to be the appropriate or preferred benchmark for this product? Why? What other benchmarks are your clients measuring your performance against? Is this strategy run any differently if a benchmark different from your preferred benchmark is used?
8. Complete the following table using trailing returns, **GROSS** of management fees, as of December 31, 2018, for the product you are recommending.

Portfolio Characteristics									
<i>(State Benchmark Used)</i>	1-Year		3-Year		5-Year		Since Inception		
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	
Total Return									
Standard Deviation									
R-Squared									
Beta									
Alpha									
Sharpe Ratio									
Sortino Ratio									
Information Ratio									
Active Share									
Tracking Error									

9. Complete the following chart for the proposed product for each of the periods listed as of December 31, 2018.



## I. TRADE EXECUTION

1. Describe the process by which trades are allocated among separate accounts, commingled funds and any other investment vehicle. How is trade allocation considered for an initial position for a new separate account with respect to existing accounts?
2. Who directs/manages your trading program? Discuss this individual's experience.
3. How many traders does your firm employ? Discuss each trader's experience.
4. What is your average *commission cost* per share? What is your estimated *average trading cost* per share in these markets?
5. Do you employ a service to measure your execution quality?
  - a. How often is this analysis conducted?
  - b. Are you willing to share results with your clients?
6. If applicable, how do you manage broker/dealer counterparty risk with respect to equities? Specifically, how do you evaluate the financial strength of your broker/dealer counterparties for equity transactions?
7. Do you have a process for maintaining an approved broker/dealer list for equity transactions?
8. Do you have a process of approving and monitoring counterparty exposure? If yes, please describe the process.
9. Do you manage concentration risk within the context of broker/dealer counterparty risk (e.g. by tracking firm-wide aggregate trading activities with an individual counterparty against an exposure limit)? If yes, please describe the process.
10. How does your firm manage FX execution? Do you default FX execution for trade settlement to the custodian or do you directly execute through third parties?
11. If applicable, describe your process for actively transacting currencies for settlement purposes. Include the number of sources from which you obtain quotes.
12. How is FX managed for repatriation of dividends/income/expenses? Describe the process if you actively execute FX for the repatriation of items not related to trading.
13. Who is responsible for trading FX within your organization? Where within your organization does responsibility for trading FX reside? Are the individuals responsible for trading currencies dedicated currency traders?
14. If you default currency transactions to the custodian, do you monitor the rate at which you are filled? Discuss your process for monitoring execution. Do you complete post-trade analysis to evaluate execution? If so, describe your process for evaluating the rates at which you are filled by the custodian.
15. If applicable, how do you manage the broker/dealer counterparty risk with respect to FX? How is the financial strength monitored? What is your process of maintaining an approved broker/dealer list for FX transactions? How is the concentration risk managed (within the context of broker/dealer counterparty risk for the entire firm)?

## J. STANDARDS OF CONDUCT

1. List all services your firm, its principals, or any affiliate provide that generate revenues for the firm and indicate the applicable percent of your firm's total revenue during the last three years. Insert percentage under each year for each of the following:

	<u>CY 2018</u>	<u>CY 2017</u>	<u>CY 2016</u>
Revenues from Consulting with Plan Sponsors	_____%	_____%	_____%
Revenues from Money Management activities	_____%	_____%	_____%
Revenues from Services to Money Managers	_____%	_____%	_____%
Revenues from Services to Plan Sponsors and Other Services such as Fund of Funds fees	_____%	_____%	_____%
Revenues from Broker-Dealer Affiliates or Subsidiaries	_____%	_____%	_____%

2. Did these services produce 100% of your firm’s revenue during the reporting period? If not, provide information regarding differences.
3. Does your firm, its principals, or any affiliate, own any part of an investment consulting firm or an affiliate of such firm, broker-dealer, or other organization that sells services to institutional investors and/or SEC registered investment advisors? If so, identify the firm(s) and describe the relationship.
4. Is your firm owned, in whole or in part, by an investment consulting firm or an affiliate of such firm? Has your firm received loans from any consulting firms, their subsidiaries, or principals? Do you manage money for your parent or affiliate? Does your parent or affiliate manage money for your firm? If so, explain.
5. Does your firm, its principals or any affiliate have any strategic alliance with any broker or investment consulting firm? If yes, disclose with whom and describe the nature of the alliance.
6. Do you offer a broker/dealer facility to sponsor clients to pay for or offset your fees? What conversion ratio ranges are clients paying when using directed brokerage to satisfy your fees?
7. Are there additional services you offer plan sponsors through your broker/dealer?
8. Has your firm, its principals or any affiliate ever: (a) been the focus of a Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state, or self-regulatory body or organization; (b) been a party to any litigation concerning fiduciary responsibility, other investment related matters, or consulting arrangements; (c) submitted a claim to your errors & omission, fiduciary liability and/or fidelity bond insurance carrier(s); or (d) undergone an SEC audit? If yes to any, please provide details including the current status of any pending actions or litigation.
9. Have SERS’ Investment Consultants, (Wilshire Associates or Aksia) received any compensation from your firm (either cash or commissions) in the past three years? This includes commissions of any sort resulting from trades initiated by your firm which were executed by an affiliated broker/dealer (referred to as “Agent” of the consulting firm) or through a brokerage relationship in which Consultants receive the net proceeds of the trade.
10. Does your firm have a written code of conduct or set of standards for professional behavior? If so, attach a copy and state how they are monitored and enforced.
11. Has your firm adopted the CFA Code of Ethics and Standards of Professional Conduct? If so, how is employee compliance monitored?
12. How does your firm identify and manage conflicts of interest?
13. Are there any potential conflicts of interest the firm would have in providing investment management services to SERS? If yes, explain.

14. List and describe any relationships and/or contacts the firm has had with any Retirement Board member and/or SERS Staff within the last twelve months.
15. Has your firm or any officer, principal or employee given any remuneration or anything of value directly or indirectly to SERS or any of its Retirement Board members, officers, or employees? If yes, identify the recipient and remuneration or thing of value. Additional information on the Ohio ethics law in this area may be found at: [http://www.ethics.ohio.gov/Retirement\\_System\\_Information\\_Sheet.html](http://www.ethics.ohio.gov/Retirement_System_Information_Sheet.html).
16. Has your firm or any officer, principal or employee given any remuneration or anything of value such as a finder's fee, cash solicitation fee, or fee for consulting, lobbying or otherwise, in connection with this RFP? If yes, identify the recipient and remuneration or thing of value.
17. Describe the level of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries. SERS will require a firm to have not less than \$5,000,000 (fidelity) coverage for loss by reasons of acts of fraud or dishonesty, and no less than \$5,000,000 of comprehensive general commercial liability insurance, including coverage to protect against any errors or omission of the investment manager. If retained, your firm will be required to certify that the firm is in compliance with this requirement before hiring and annually thereafter.

**K. REPORTS**

1. Provide a complete copy of your firm's most recent Form ADV (Parts I and II and accompanying schedules).
2. Provide copies of the firm's most recent audited financial statements and auditor's management letter.
3. Does the firm conduct a periodic risk assessment? If so, describe such assessment.
4. Provide a sample of your standard quarterly and annual reports for proposed product.
5. Attach the most recent sample portfolio listing including the following characteristics compared to your desired benchmark:
  - a. Number of securities,
  - b. Largest 10 securities,
  - c. Tracking error,
  - d. Country allocation, and
  - e. Sector allocation.

**L. FEES AND CONTRACT**

1. What is your standard fee schedule for the proposed product? List separate schedules for commingled funds and separate accounts.
2. What would be your fee proposal for a \$100 million separate account?
3. Does your firm currently have performance-based fee arrangements? If yes, provide details of a sample performance-based fee arrangement.
4. Do you have any agreements with broker/dealers to share commissions or bid/ask spread on equity transactions?
5. Attach your preferred set of investment guidelines (in an Appendix clearly marked) for review.
6. By submitting a Response, the firm agrees to accept the contract terms as detailed in Appendix E.

**M. REFERENCES AND CLIENTS**

1. Provide a representative client list invested in the proposed product
2. List five client references; include all contact information plus length of relationship.
3. List the name, length of relationship, and market value (as of September 30, 2015) of your five largest clients in proposed product.

# **Appendix C**

## **Reporting and Registration Requirements**



## ***SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO***

300 E. BROAD ST., SUITE 100, COLUMBUS, OHIO 43215-3746  
614-222-5853 • Toll-Free 800-878-5853 • [www.ohsers.org](http://www.ohsers.org)

### **Reporting and Registration Requirements under Ohio Law**

The operation of the Ohio public pension plans is governed by specific statutes under Ohio law. These can be found in Chapters 101\*, 102, 145, 742, 3307, 3309 and 5505 of the Ohio Revised Code.

Persons/entities doing business, or seeking to do business, with any of the Ohio public pension plans or making campaign contributions to, or on behalf of, a Board member or candidate for a Board position are governed by, and **may** be required to register or file reports with, the Joint Legislative Ethics Committee, the Ohio Ethics Commission, and/or the Ohio Secretary of State. The Ohio public pension plans cannot provide guidance about these requirements. To determine if these provisions apply to you, please contact the following agencies:

Joint Legislative Ethics Committee  
50 West Broad Street, Suite 1308  
Columbus, Ohio 43215  
614-728-5100  
[www.jlec-olig.state.oh.us](http://www.jlec-olig.state.oh.us)

Ohio Ethics Commission  
8 East Long Street, 10th Floor  
Columbus, Ohio 43215  
614-466-7090  
[www.ethics.ohio.gov](http://www.ethics.ohio.gov)

Ohio Secretary of State  
30 East Broad Street, 14th Floor  
Columbus, Ohio 43266  
614-466-4980  
[www.state.oh.us/sos/](http://www.state.oh.us/sos/)

The Ohio public pension plans advocate full compliance with all applicable laws, registration and reporting requirements. The duty to comply, and to register or report as applicable, is the sole responsibility of the individual or entity conducting the activities described above.

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\* According to Section 101.97 of the Ohio Revised Code, a copy of which is on the reverse side of this Notice, third party marketing fees are prohibited with limited exceptions

**R.C. 101.97. Contingent compensation agreements prohibited;  
incentive compensation plan**

- (A) Except as provided in division (B) of this section, no person shall engage any person to influence retirement system decisions or conduct retirement system lobbying activity for compensation that is contingent in any way on the outcome of a retirement system decision and no person shall accept any engagement to influence retirement system decisions or conduct retirement system lobbying activity for compensation that is contingent in any way on the outcome of a retirement system decision.
- (B) Division (A) of this section does not prohibit and shall not be construed to prohibit any person from compensating the person's sales employees pursuant to an incentive compensation plan, such as commission sales, if the incentive compensation plan is the same plan used to compensate similarly situated sales employees who are not retirement system lobbyists.

**Appendix D**  
**Ohio Retirement Systems**  
**Ohio-Qualified Manager Certification**

## **Ohio Retirement Systems Ohio-Qualified Manager Certification**

### **General Information**

Under Ohio law, R. C. 145.116, 742.116, 3307.154, 3309.159, and 5505.0610, each Ohio retirement system is required to:

1. Establish a policy with the goal to increase the use of Ohio-qualified investment managers when an Ohio-qualified investment manager offers quality, services, and safety comparable to other investment managers otherwise available to the systems and meets certain criteria;
2. Designate an investment manager as an Ohio-qualified investment manager if the investment manager meets certain criteria;
3. Develop a list of Ohio-qualified investment managers and their investment products;
4. Make certain reports to the Ohio Retirement Study Council concerning Ohio-qualified investment managers; and,
5. Give public notice to Ohio-qualified investment managers of a search for a system investment manager.

Each retirement system's policy may be viewed on its web site.

The legal criteria for an Ohio-qualified manager are that the manager, and/or a parent, affiliate or subsidiary:

1. Is subject to taxation under R.C. Chapter 5725 (financial institutions; dealers in intangibles; insurance companies), 5726 (financial institutions tax), 5733 (corporation franchise tax), 5747 (income tax), or 5751 (commercial activity tax) **[REQUIRED]**, and
2. Meets one of the following:
  - a. maintains its corporate headquarters or principal place of business in Ohio, or
  - b. employs at least 500 individuals in Ohio, or
  - c. maintains a principal place of business in Ohio and employs at least 20 Ohio residents.

"Principal place of business in the State of Ohio" means an office in Ohio in which the investment manager regularly provides securities or investment advisory services and solicits, meets with, or otherwise communicates with clients.

A minority business enterprise is defined under Ohio law as an individual who:

1. Is a United States citizen
2. Owns and controls a business, a partnership, corporation, or joint venture of any kind that is owned and controlled by United States citizens, who:
  - a. Are residents of Ohio, and
  - b. Are members of one of the following economically disadvantaged groups:  
Blacks or African Americans, American Indians, Hispanics or Latinos, and Asians.

"Owned and controlled" means that at least fifty-one per cent of the business, including corporate stock if a corporation, is owned by persons who belong to one or more of the groups listed above. These owners must have control over the management and day-to-day operations of the business and an interest in the capital, assets, and profits and losses of the business proportionate to their percentage of ownership. In addition, the business must have been owned and controlled by those persons at least one year prior to being awarded a contract.

You may obtain additional and/or current copies of this form, lists of Ohio-qualified managers, and information on any investment manager searches by contacting each system or viewing its web site.

In order to comply with Ohio law, the retirement system requests that your firm submit this certification.

**Instructions (This form may be duplicated.)**

1. **Complete, sign and return an original of this form only to the:**

**School Employees Retirement System of Ohio (SERS)**  
**Attn: Investment Department, 300 East Broad Street Suite 100 Columbus, Ohio 43215-3746**  
[www.ohsers.org](http://www.ohsers.org)

Returning this form to SERS will serve as filing for all five state retirement systems. The other retirement systems are:

- Ohio Public Employees Retirement System, [www.opers.org](http://www.opers.org)
- State Teachers Retirement System of Ohio, [www.strsoh.org](http://www.strsoh.org)
- Ohio Police and Fire Pension Fund, [www.op-f.org](http://www.op-f.org)
- Ohio State Highway Patrol Retirement System, [www.ohprs.org](http://www.ohprs.org)

2. If additional pages are needed to complete the information, each page must be attached and numbered.
3. A new completed form must be submitted by June 30<sup>th</sup> each year, or when information on a previously filed form changes.

**Certification**

**I. Firm Information**

Firm name: \_\_\_\_\_

Street address: \_\_\_\_\_

City, State and Zip Code: \_\_\_\_\_

Contact person's name: \_\_\_\_\_

Telephone number: \_\_\_\_\_

E-mail address: \_\_\_\_\_

**II. Ohio Qualified Investment Manager Attestation**

**The firm does not meet the requisite qualifications and is not considered an Ohio-Qualified Investment Manager**

**I certify that the firm is an Ohio-Qualified Investment Manager because the following conditions are met (mark each that applies):**

Subject to taxation under R.C. Chapter 5725 (financial institutions; dealers in intangibles; insurance companies), 5726 (financial institutions tax), 5733 (corporation franchise tax), 5747 (income tax), or 5751 (commercial activity tax) **[REQUIRED]**, and,

**Meets one of the following (mark each that applies):**

- Maintains its corporate headquarters or principal place of business in Ohio.
- Employs at least 500 individuals in Ohio.
- Maintains a principal place of business in Ohio and employs at least 20 Ohio residents.

**For informational purposes (mark if applies):**

A minority business enterprise as defined by Ohio law and described on page 1.

**III. Product Information**

Firm Products	Years of Track Record	Assets under Management
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**IV. Signature**

I, the undersigned, state that:

1. I have read and completed the above Certification;
2. I am authorized to execute this Certification on behalf of the firm;
3. I certify that the information provided in this Certification is complete and true to the best of my knowledge and belief;
4. I certify that if any information in this Certification changes, the firm will submit a new Certification;
5. I understand that completion and submission of this Certification does not obligate any Ohio retirement system to enter into any contract with the firm; and,
6. I understand that if any information provided on this form is false any offer of a contract may be withdrawn, or any contract entered into may be terminated without any penalty to the retirement system.

By: Signature\_\_\_\_\_

Printed Name\_\_\_\_\_

Title\_\_\_\_\_

## **Appendix E**

# **Investment Management Agreement**

## INVESTMENT MANAGER AGREEMENT

Between

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

And

{Insert name of Investment Manager}

This Investment Manager Agreement, effective this \_\_\_\_ day of, 20\_\_\_\_ (“Effective Date”), is entered into by and between \_\_\_\_, (hereinafter referred to as "Investment Manager"), doing business at \_\_\_\_, and the School Employees Retirement Board of Ohio, on behalf of the School Employees Retirement System of Ohio, (hereinafter referred to as "Client"), having its office at 300 East Broad Street, Columbus, Ohio 43215-3746.

In consideration of the mutual covenants set forth herein, the parties hereto agree as follows:

1. **Appointment as an Investment Manager.** Client appoints and retains Investment Manager as a discretionary investment manager on the terms and conditions set forth in this Investment Manager Agreement and all attachments hereto are incorporated by reference herein (collectively the “Agreement”) for those assets that Client designates (all of such assets, income and proceeds hereinafter referred to collectively as “Investment Account”). The Investment Account assets shall remain a part of, and subject to the provisions governing Client’s overall investment plan and, at all times, shall be held exclusively for the purposes for which Client was established. Subject to the Ohio Revised Code, the investment objectives, policies and restrictions set forth in this Agreement and such other written limitations as the Client's board may impose upon Investment Manager, Investment Manager shall have full discretionary authority to manage the Investment Account, including, when Investment Manager deems appropriate, and without prior consultation with Client, the investment and reinvestment of assets in the Investment Account.
2. **Acceptance of Appointment; Standard of Performance.** Investment Manager accepts its appointment as discretionary Investment Manager and agrees to use its best professional judgment to implement, manage and invest the Investment Account in accordance with the provisions of this Agreement. Investment Manager acknowledges that Investment Account assets are those of a state public pension plan governed by the provisions of Chapter 3309, Ohio Revised Code, and subject to fiduciary responsibility and other provisions similar to those of the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”). Investment Manager acknowledges receipt of a copy of Chapter 3309, Ohio Revised Code, and agrees to adhere to the standard of care and conduct required of a fiduciary under Chapter 3309 and applicable federal and state law. Client shall notify Investment Manager if Chapter 3309 is amended as to investment authority or other investment related matters and provide copies of applicable amendments.
3. **Investment Objectives and Guidelines.** Investment objectives and guidelines of the Investment Account are set forth in **Schedule A** and **Schedule A-1** to this Agreement. Notwithstanding any other provision of this Agreement, Client may modify said investment objectives and guidelines upon ten (10) days prior written notice to Investment Manager. Such modifications shall take effect upon expiration of the ten-day notice period or such later date set forth in the notice, or upon such other effective date as mutually agreed to by the parties. If Investment Manager finds any item, guideline, or constraint contained in any modification to Schedule A to be too restrictive in practice, Investment Manager shall be responsible for

preparing a written proposal of modification and/or amendment to the specific item(s) for consideration by Client's Chief Investment Officer (hereinafter referred to as "CIO") on or before the proposed effective date of such modification or proposal.

4. **Operating Procedures**. Investment Account purchases and sales will be consummated by payment to or delivery from Client's custodian, currently the Treasurer of the State of Ohio (hereinafter referred to as "Custodian"), through Custodian's agent (hereinafter referred to as "Custodial Agent"), or through such depositories or agents as may be designated by Custodian from time to time. Investment Manager shall at no time have custody or physical control of the assets in the Custodian's account, nor shall the Investment Manager have any responsibility or liability with respect to custodial arrangements, the payment of custodial charges and fees, or the acts, omissions, or other conduct of the Custodian, the Custodial Agent, the Client or the Client's securities lending agent except to the extent that such acts, omissions or other conducts were caused by Investment Manager's negligence or bad faith. Failed trades caused by Client's Custodian or the Custodial Agent will be corrected by Client. Failed trades caused by Investment Manager will be corrected by Investment Manager, and losses incurred from failed trades caused by Investment Manager will be reimbursed to Client by Investment Manager. Overdrafts caused by Investment Manager will be reimbursed with interest to Client by Investment Manager.

Operating procedures are set forth and governed by Client's Finance Department (hereinafter referred to as "Investment Accounting"), who from time to time may modify said procedures. Investment Accounting will provide Investment Manager with a copy of the operating procedures, and Investment Manager will comply with written instructions pertaining to said procedures, which instructions will include but not be limited to requirements for: (i) transaction processing and reporting, (ii) performance and accounting-related matters, (iii) Investment Manager's relationship with Client's master record keeper, Client's analytical services, Custodian, Custodial Agent, and Investment Accounting, (iv) Client's cash management agent, and (v) Client's third party securities lending agent. Notwithstanding any other provision of this Agreement, if Investment Manager finds said instructions or any amendment to same to be too restrictive in practice, Investment Manager shall be responsible for preparing a written proposal of modification and/or amendment to the specific item(s) for consideration by Client's Chief Financial Officer (hereinafter referred to as "CFO").

5. **Allocation of Brokerage**. Investment Manager shall have authority and discretion to select brokers and dealers to execute Investment Account transactions initiated by Investment Manager, and for the selection of the markets on/in which the transaction will be executed. Investment Manager may allocate the execution of transactions executed by it in accordance with this Agreement to such brokers and dealers for execution on/in such markets, at such prices, and at such commission rates as in the good faith judgment of Investment Manager will be in the best interest of the Investment Account, taking into consideration in the selection of such brokers and dealers not only the available prices and rates of brokerage commissions, but also other relevant factors (such as, without limitation, execution capabilities, research services provided by such brokers or dealers which are expected to enhance the Investment Account management capabilities of Investment Manager) without having to demonstrate that such factors are of a direct benefit to the Investment Account. Investment Manager shall give equal consideration to minority owned and controlled brokers and dealers, and brokers and dealers owned and controlled by women. Investment Manager shall not execute Investment Account transactions through or with affiliates of Investment Manager without the prior written consent of CIO.

Notwithstanding the provisions of the preceding paragraph, Client retains the right to direct in writing transactions giving rise to brokerage commissions.

6. **Proxies.** Client shall be responsible for voting all proxies for securities owned in the Investment Account. Investment Manager shall have no obligation or responsibility to vote proxies for securities in the Investment Account unless so authorized by Client. Notwithstanding the foregoing, the Client may request, from time to time, recommendations of the Investment Manager on proxy matters.
7. **Data Requirements and Reports.** Investment Manager will provide monthly and quarterly reports on the Investment Account as set forth in this Paragraph 7 and in Schedule A. On a monthly basis, Investment Manager will provide a letter to Client's CIO stating that it is in compliance with this Agreement during the preceding month. Upon request, Investment Manager will provide details of compliance with these guidelines for individual holdings selected from the Investment Account. For applicable accounts, Investment Manager will annually send Client a report detailing trade execution efficiency.

In addition to reports set forth in this Paragraph 7 and in Schedule A, Investment Manager agrees to furnish any other reports reasonably requested by Client. Any reports required or requested under this Agreement shall comply with the Performance Presentation standards of the CFA Institute, as applicable, and shall be delivered in a form suitable for downloading directly onto Client's computers.

8. **Securities Litigation/Class Actions.** Investment Manager shall cooperate with Client and provide information in the Investment Manager's possession and such investment related assistance as is reasonably necessary to protect Client's interests in any securities class action or other litigation where assets of the Investment Account are or were involved. Unless Investment Manager otherwise agrees in writing, Investment Manager shall not be required to advise Client as to any action to be undertaken with regard to any legal proceedings, including bankruptcies or class actions, involving securities held, or previously held, in the Investment Account or the issuers of those securities.
9. **Meetings.** Investment Manager must be available to meet with Client from time to time upon Client's request to discuss the Investment Account, Investment Manager's performance, and the investment outlook with respect thereto. Meetings will be held at least annually with the location to be determined at Client's discretion. Some meetings may be made by telephone conference at Client's discretion. The costs incurred by Investment Manager to attend meetings held pursuant to this Paragraph 9 are included in the fees set forth in **Schedule B**, attached hereto. Additionally, Client may be given access to client research, educational conferences and materials offered by Investment Manager on the same basis as other similarly situated clients.
10. **Service to Other Clients.** It is understood that Investment Manager performs investment management services for various clients. Subject to the provisions of Paragraph 2 hereof, Client recognizes that Investment Manager may give advice, exercise investment responsibility, and take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Investment Account, so long as it is Investment Manager's policy, to the extent practical, to allocate investment opportunities to the Investment Account, over a period of time on a fair and equitable basis relative to other clients.

It is understood that Investment Manager shall not have any obligation to purchase for or sell for the Investment Account any security which Investment Manager, its principals, affiliates, or employees may purchase or sell for its or their own accounts or for the account of any other client, if in the opinion of Investment Manager such transaction or investment appears impractical, unsuitable or undesirable for the Investment Account.

11. **Conflict of Interest**. Investment activities should be conducted in a manner consistent with the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute. No personnel of Investment Manager who exercises any functions or responsibilities in connection with the review or approval of the undertaking or carrying out of any work under this Agreement shall, prior to the completion of said work, voluntarily acquire any personal interest, direct or indirect, which is incompatible or in conflict with the discharge and fulfillment of such person's functions and responsibilities with respect to the work under this Agreement.

Any such person who acquires an incompatible or conflicting personal interest, prior to, on or after the effective date of this Agreement, or who involuntarily acquires any such incompatible or conflicting personal interest, shall promptly disclose his or her interest to Client in writing. Thereafter, such person shall not participate in any action affecting the work under this Agreement, unless Client shall determine that in the light of the personal interest disclosed, such person's participation in any such action would not be contrary to the public interest.

Investment Manager shall disclose any conflicts of interest as warranted and required under this Agreement, and provide any other information concerning any conflict of interest as requested by Client.

12. **Assignment**. No assignment (as defined in the Investment Advisers Act of 1940) of this Agreement shall be made by Investment Manager without the written consent of Client. If Investment Manager merges into, consolidates with or transfers substantially all of its assets to another entity, the resulting entity shall promptly notify Client and shall be Investment Manager hereunder only if Client expressly consents in writing; the resulting entity shall provide Client with Parts I and II of Form ADV.

13. **Fees for Investment Management Services**. A management fee shall be paid to Investment Manager as compensation to the Investment Manager for its services hereunder and shall be calculated and paid quarterly in arrears by Client as set forth in **Schedule B**, attached hereto.

The Client may withhold those portions of the Investment Manager's fee as set forth in this Paragraph 13 and **Schedule B** of this Agreement that are due if the Investment Manager has failed to timely submit compliance certifications in accordance with Paragraph 7 or the Required Annual Disclosure for Investment Managers form referenced in Paragraph 14(n) and attached as Exhibit 1. Only after all untimely certification forms have been submitted will the withheld portion(s) of the Investment Manager's fee be paid.

Should Client request Investment Manager to travel to Columbus and provide services of an educational nature to Client's board or staff, and Investment Manager agrees to provide such services, the parties agree that the cost for these services, including the cost of travel, is included in the fees set forth in Schedule B.

14. **Investment Manager's Representations**. Investment Manager represents and warrants that:

- a. It is an "Investment Manager" as defined in Section 3(38) of ERISA.
- b. It is a "fiduciary" as defined in Section 3(21)(A) of ERISA and Section 3309.01(U), Ohio Revised Code, with respect to the Client, and will not delegate its fiduciary responsibilities.
- c. It maintains a bond or insurance coverage comparable to the requirements of Section 3309.156(E), Ohio Revised Code<sup>1</sup> (upon execution of this Agreement and annually

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<sup>1</sup> §3309.156(E) Ohio Revised Code: Every fiduciary of the system (i.e. Client) shall be bonded or insured to an amount of not less than one million dollars for loss by reason of acts of fraud or dishonesty.

thereafter, Investment Manager shall provide Client written evidence that such bond or insurance is maintained).

- d. It maintains fiduciary liability insurance or other policy of insurance against errors and omissions and other potential liabilities which it may incur for breach of any of its responsibilities hereunder at a level agreed to by the parties herein. Upon execution of this Agreement and annually thereafter, Investment Manager shall provide written evidence that such policy is maintained.
- e. It will comply with all requirements which any federal, state, local, foreign or international law or regulation may impose with respect to the subject matter of, or transactions contemplated by, this Agreement (hereinafter referred to as "Legal Requirements") and will promptly cooperate with, and furnish such information to, Client regarding the Legal Requirements and compliance therewith.
- f. To the best of Investment Manager's knowledge and belief, neither its program(s) for developing or implementing investment strategies for the Investment Account nor the underlying data used to create this program(s) infringes upon any patents, trademarks, copyrights, or other proprietary rights of any third party, and the Investment Manager is not aware of any cause of action or claim asserting such infringement. Investment Manager agrees to defend at Investment Manager's own cost and expense any claim or action against the Client, its subsidiaries and/or affiliated entities, board members, officers, employees, and agents, for actual or alleged infringement of any patent, copyright or other property right (including, but not limited to, misappropriation of trade secrets) regarding its program(s) for developing or implementing investment strategies or the underlying data used to create the program(s).
- g. It maintains a non-discrimination policy, and is an equal employment opportunity employer.
- h. It has the authority to enter into and perform this Agreement.
- i. The terms of this Agreement do not violate any obligation by which Investment Manager is bound by contract, operation of law or otherwise.
- j. If action was required to authorize Investment Manager to enter into this Agreement, such action has been taken by a duly authorized representative of Investment Manager.
- k. To the extent permitted by applicable law, Investment Manager shall promptly advise Client in writing of any investigation, examination, complaint, disciplinary action or other proceeding relating to or affecting its ability to perform its duties under this Agreement or involving any of its personnel who performed services for Client in the preceding twenty-four (24) months (hereinafter referred to as "Investigation"), which Investigation is commenced by any of the following: the Securities and Exchange Commission of the United States, the New York Stock Exchange, the NYSE Amex Equities, the Financial Industry Regulatory Authority, any Attorney General or any regulatory agency of any state of the United States, any United States government department or agency, or any governmental agency or self-regulatory agency regulating securities or derivative transactions of any country in which Investment Manager is doing business or to which Investment Manager is subject. Except as otherwise required by law, Client shall maintain the confidentiality of all such information until the investigating entity makes the information public.
- l. It has established ethics and conflicts of interest policies and procedures, and proper internal compliance controls are in place.

- m. It does not pay compensation to an investment consulting firm(s) to be included in such consultant's manager research database or in consulting recommendations. Further, Investment Manager is not required to purchase any consulting firm or consulting firm affiliates' products or services to be included in the investment consulting firm's manager research database or in consulting recommendations. Investment Manager will confirm these representations not less than annually and upon Client's written request.
- n. Investment Manager will complete and deliver to Client at least annually the form known as Required Annual Disclosure for Investment Managers in substantially the same format as **Exhibit 1** attached hereto, as modified by Client from time to time.
- o. Investment Manager shall disclose in writing to Client all interests or circumstances that may give rise to an actual, potential or perceived conflict of interest, and, thereafter, shall update Client in writing of any changes in circumstances affecting the matter disclosed.
- p. The Investment Advisor shall promptly advise Client in the event of any change in control of the Investment Manager or in the investment professionals involved in the management of the Investment Account.
- q. To the extent permitted by law, it will promptly advise Client if any of the foregoing representations are no longer true.

15. **Client's Representations**. Client represents and warrants that:

- a. it is a fiduciary, as defined in Chapter 3309, Ohio Revised Code, and that in its capacity as a fiduciary, it is authorized to appoint Investment Manager;
- b. it has the authority to enter into this Agreement;
- c. it is tax exempt under section 501(a) of the Internal Revenue Code;
- d. it acknowledges receipt of Investment Manager's Form ADV not less than forty-eight hours prior to signing this Agreement; and
- e. a list of persons duly authorized to act on the Client's behalf concerning this Agreement is set forth in the attached **Schedule C**.

16. **Indemnification**. Investment Manager shall be liable for and shall indemnify and hold Client harmless from and against any and all losses, damages, costs, expenses (including reasonable attorney fees), liabilities, claims and demands, for any action, omission, information or recommendation in connection with this Agreement constituting a breach or violation of its fiduciary duties under applicable law, or a material breach of any agreement, representation, warranty or covenant made herein by Investment Manager or its agents, except that Investment Manager shall have no liability hereunder in the absence of bad faith, fraud, negligence, or reckless or willful misconduct on the part of itself or its agents, and, subject to applicable law, Investment Manager shall not be liable for any loss incurred in connection with the Investment Account due to bona fide good faith errors in judgment after having previously considered with due care the merits of any particular investment or investment strategy. If Investment Manager makes any investment or transaction in violation of this Agreement and the guidelines set forth herein, such investment or transaction shall be sold or terminated and upon sale or termination; (i) if such sale or termination resulted in a gain, the proceeds with any gain plus a reimbursement for the commissions paid on the purchase and sale shall be credited to the Investment Account; or (ii) if such sale or termination resulted in a loss of principal from the original cost invested including commissions, the Investment Manager will reimburse the Investment Account, at the discretion of the Client, for the full amount of the loss of principal and commission costs. However, the Client acknowledges that where securities that are not in compliance with this Agreement are received as a result of passive activities (such as, but not limited to, corporate

actions or actions taken directly by the Client) and such securities are required to be sold in order to comply with the investment guidelines and are sold at a loss, such losses will not be subject to the terms of reimbursement described in subdivision (ii) of the preceding sentence. Further, for either a loss or gain, no adjustments shall be made for foreign currency exchange rates or cost. All losses and gains shall be calculated in US dollars.

17. **Designation by Client.** Client may appoint or designate in writing such person or committees to act on its behalf concerning this Agreement and its operations as it deems appropriate. Client may grant to such persons or committees such power as it shall deem appropriate. Client shall furnish to Investment Manager a copy of such action and until notice of change is received by Investment Manager, Investment Manager may conclusively rely upon the authority of such persons to act notwithstanding anything to the contrary contained in this Agreement. Investment Manager shall have no obligation or duty to ascertain or determine whether such special appointment, designation or grant of power is in compliance with the applicable laws, policies, or procedures governing Client. Investment Manager shall furnish to Client the names of authorized persons managing the Investment Account.
18. **Confidential Information.** All information regarding operations and investments of Client shall be regarded as confidential by Investment Manager and shall not be disclosed except (a) to its employees on a "need to know basis" to enable the Investment Manager to fulfill its obligation hereunder; (b) as authorized in writing by Client or (c) otherwise required by law. Further, the Investment Manager shall protect such information by means no less than it uses to protect its own most valuable trade secrets and proprietary information.
19. **Additions and Withdrawals from Investment Account.** Client may at any time make additions to and withdrawals from the Investment Account in such amounts as Client shall deem appropriate, provided that all withdrawals and additions shall be made after giving Investment Manager timely notices. Notices of withdrawals shall be considered timely if communicated to Investment Manager no less than three (3) business days prior to the withdrawal date. Notices of additions shall be considered timely if communicated to Investment Manager no less than two (2) business days prior to the subscription date. Investment Manager will notify Client promptly if they are unable to comply with the withdrawal request or notice of addition to the Investment Account.
20. **Amendment.** Subject to the provisions of Paragraph 3 hereof, this Agreement and the attachments may be amended at any time by written agreement between Investment Manager and Client.
21. **Termination.** This Agreement may be terminated by Client without the payment of any penalty immediately upon notice to Investment Manager at Client's sole discretion. Notice of termination may be given verbally and is effective when given provided that such verbal notice is followed by written confirmation pursuant to Paragraph 26 of this Agreement.

This Agreement may be terminated by Investment Manager upon one hundred twenty (120) days prior written notice to Client, unless the termination is for non-payment of fees, in which event, a sixty (60) day notice is required.

22. **Responsibilities Upon Termination.** Upon expiration or termination of this Agreement for any reason, and except as otherwise expressly directed by Client, the Investment Manager shall: (i) take all necessary steps to immediately cease active investment services under the Agreement; provided however, until all funds have been transferred, Investment Manager remains a fiduciary to Client and shall continue to perform its routine accounting and reporting obligations; (ii) upon notice from Client, transfer to Client or to investment manager(s) of Client's choosing, under terms and conditions directed by Client to Investment Manager, management of the assets of the Investment Account; (iii) cooperate with Client in good faith

to effect a smooth and orderly transfer of the Investment Account, all services and all applicable records; and (iv) retain all Client records according to the record retention provisions set forth in Paragraph 25 of this Agreement. Investment Manager understands and agrees that Investment Manager's fiduciary responsibilities under this Agreement extend through the orderly wind up and transfer of the Investment Account to any party or entity designated by the Client, and if Investment Manager is so directed by the Client, such responsibilities may include decisions related to the liquidation or conversion of specific investments within the Investment Account. The Client's obligation to pay Investment Manager fees for investment management activities shall cease upon the removal of all assets under management.

23. **No Additional Waiver Implied.** If either party fails to perform an obligation or obligations under the Agreement or otherwise is in default and thereafter such failure or default is waived by the other party, such waiver shall be limited to the particular failure or default so waived and shall not be deemed to waive other failure or default hereunder. Waiver by either party shall not be effective unless it is in writing.
24. **Advertising and Publicity.** Investment Manager agrees that it will not, without prior written consent of Client, use in advertising, publicity or otherwise the name of Client, or any affiliate of Client, or refer to the existence of this Agreement in press releases, advertising or materials distributed to prospective customers. Investment Manager shall not use Client's name, logo, service marks or symbols without Client's written approval, other than in providing its services to Client under this Agreement. If permission is granted for the Investment Manager to use Client in its client list, then the display of Client's name shall not be more prominent than that of any other client of the Investment Manager. The Investment Manager may not use Client as a reference or this Agreement as an endorsement of the Investment Manager's work or services without Client's written consent.
25. **Public Records; Maintenance and Access to Records.** Investment Manager acknowledges that Client is subject to the Ohio Open Meetings and Public Records Acts (Ohio Revised Code Chapter 121 and Chapter 149 (the "Act") which provide generally that all meetings of, and records relating to a public agency's business are open to public inspection and copying, unless exempted under the Act. If a request for records is made pursuant to the Act that includes information Investment Manager has identified as confidential, Client will make reasonable efforts to contact Investment Manager in sufficient time to allow Investment Manager to take appropriate legal steps to protect the confidential information from disclosure; provided, however, that if as a result of the position taken by Investment Manager regarding the confidentiality of the information Client is assessed any damages or fees, Investment Manager shall indemnify Client for such damages or fees. Notwithstanding the foregoing, the Client shall be entitled to disclose the following information to any person at any time, without the consent of, or advance notice to the Investment Manager: (i) the fact that the Client has entered into this Agreement with the Investment Manager, (ii) the amount of the assets held in the Investment Account, (iii) the amount of aggregate distributions from the Client's investment in the Investment Account, (iv) a description of the investment strategy of the Investment Manager, and (v) the fair market value of the Investment Account.

Investment Manager shall maintain an adequate system of controls to ensure that any transactions entered into on behalf of the Client comply with any applicable laws or regulations, that the financial information reported to the Client is accurate and complete, and that the Investment Manager, at all times, is in compliance with the terms of this Agreement.

Investment Manager shall maintain such records, books and accounts pertaining to the Investment Account in accordance with generally accepted accounting principles, consistently applied. Investment Manager may preserve such records, books and accounts in original form

or on any other generally recognized and accepted medium. All such records books and accounts shall be maintained and preserved as provided for in Section 204-2 of the Investment Advisers Act of 1940. During such period, Client, its auditors, accountants and authorized agents, from time to time, upon reasonable notice and during normal business hours, shall have the right to inspect, duplicate and audit such records, books and accounts. Said records are to be made available at the office of the Investment Manager as set forth in Paragraph 25, hereof.

26. **Notification.** Except as otherwise provided in this Agreement, any Schedule hereto, or any subsequent written agreement of the parties, any notice required or permitted to be given hereunder shall be deemed properly given at the time it is (i) personally delivered in writing; (ii) sent via a national third party courier who provides signature receipts of delivery; (iii) sent via facsimile with electronic verification that the facsimile was transmitted without error; or (iv) sent via Certified Mail Return Receipt Requested to the other party, properly addressed and postage prepaid, to the address set forth below, or to such other address as Client and Investment Manager may specify in writing. In the event verbal notice is authorized under the terms of this Agreement and so given, such verbal notice shall be effective when given, provided that the verbal notice is followed promptly by written confirmation. Notices should be sent to the following named individuals of the parties or to such other individual representatives of a party as so designated in writing by the respective party:

As to Investment Manager:

[To be completed by Manager]

As to Client:

Chief Investment Officer  
School Employees Retirement System of Ohio  
300 East Broad Street, Suite 100  
Columbus, Ohio 43215-3746

As to any legal notice to Client:

Same address, but also to the attention of General Counsel.

27. **Conflicts of Interest and Ethics Compliance.** Investment Manager represents, warrants, and certifies that it and its employees engaged in the administration or performance of this Agreement are knowledgeable of and understand the applicable Ohio ethics and conflicts of interest laws contained in Chapter 102 of the Ohio Revised Code. Investment Manager covenants that it has no interest and shall not acquire any interest, direct or indirect, that would conflict in any material manner or degree with the performance of its services hereunder. Investment Manager further covenants that in the performance of this Agreement, it will not knowingly employ any person having any such conflicting interest.
28. **Ohio Lobbyist Law.** Investment Manager agrees that it will comply with all applicable laws, including but not limited to applicable reporting and other requirements contained in Sections 101.90 et seq. of the Ohio Revised Code (Joint Legislative Ethics Committee) and the laws contained in Chapter 102 of the Ohio Revised Code (Ohio Ethics Commission) governing ethical behavior, it understands that such provisions apply to persons doing or seeking to do business with Client, and it agrees to act in accordance with the requirements of such provisions.

29. **Placement Agents**. Investment Manager acknowledges that Client has notified it that section 101.97 of the Ohio Revised Code prohibits payment of any contingent compensation (such as commission-based placement fees) to any person with respect to the Client's investment. Investment Manager represents and warrants that neither it nor any of its affiliates have given or will give, have paid or will pay, any fees, bonuses or other compensation to any placement agent, finder or other individual or entity (including the Client and its members, officers, employees or agents) (other than in accordance with section 101.97(b) of the Ohio Revised Code to the directors, principals, officers and employees of Investment Manager or its affiliates) for the purpose (or with the intended effect) of obtaining (a) an introduction to the Client or any officer, board member or employee of the Client, or other assistance in obtaining a commitment from the Client or (b) a favorable recommendation with respect to the investment by the Client.
30. **Political Contributions**. Investment Manager represents that as of the date hereof, and during the two-year period prior to such date, neither it nor any of its Covered Associates, as defined in Rule 206(4)-5(f)(2) of the Advisors Act, has made any Contribution to, nor has it or any of its Covered Associates coordinated or solicited any person or political action committee to make any Contribution to, the following Officials (or candidates for such office), other than as permitted by Rule 206(4)-5 under the Advisers Act:
- (i) Governor of the State of Ohio;
  - (ii) Treasurer of the State of Ohio;
  - (iii) Speaker of the Ohio House of Representatives; or
  - (iv) President of the Ohio Senate.

Investment Manager agrees to reaffirm the above representation in writing upon the Investor's request, such request not to be made more frequently than on an annual basis.

31. **Employment**. Investment Manager agrees that all individuals employed by Investment Manager who provide services to Client do not become public employees for purposes of Chapter 145 of the Ohio Revised Code because of their services under this Agreement.
32. **Tax Withholding**. Investment Manager agrees that, before withholding and paying over to any taxing authority any amount purportedly representing the Client's tax liability pursuant to the provisions of the Agreement, Investment Manager shall provide the Client with written notice of any claim received by Investment Manager of any such taxing authority that such withholding and payment is required by law and provide the Client the opportunity to contest such claim during any period.
33. **Applicable Law**. To the extent that state law shall not have been preempted by the provisions of any laws of the United States heretofore or hereafter enacted, as the same may be amended from time to time, this Agreement shall be administered, construed, and enforced according to the laws of the State of Ohio. Venue for any action to enforce this Agreement shall be in Franklin County, Ohio.
34. **Survival of Provisions**. The provisions of paragraphs 8, 14, 15, 16, 18, 22, 25 and 26 hereof shall survive the expiration or termination of this Agreement.
35. **Construction and Severability**. The captions used in this Agreement are for convenience only, and shall not affect the construction or interpretation of any of its provisions. Each of the

provisions of this Agreement is severable, and the invalidity or inapplicability of one or more provisions, in whole or in part, shall not affect any other provision.

- 36. **Force Majeure.** Neither party will be deemed in default of this Agreement to the extent that any delay or failure in performance of its obligations results, without its fault or negligence, from any cause beyond its reasonable control, such as acts of God, act of civil or military authority, embargoes, epidemics, war, acts of terrorism, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, such as hurricanes, power outages, or labor strikes (other than with the party's own employees). Notwithstanding the foregoing, the provisions contained in this paragraph do not excuse either of the parties from any liability which results from failure to have in place reasonable disaster recovery and safeguarding plans adequate to perform its obligation under the terms of this Agreement.
- 37. **Entirety of Agreement.** This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersede and cancel any prior understanding and agreements between the parties with respect thereto and can be amended only by written document signed by the parties.
- 38. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original.

**IN WITNESS WHEREOF**, the parties hereunto have affixed their signatures by their duly authorized officers as of the Effective Date.

**SCHOOL EMPLOYEES  
RETIREMENT SYSTEM OF OHIO**

{Insert Name of IM}:

By: \_\_\_\_\_  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)  
  
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(Title)

By: \_\_\_\_\_  
  
  
  
  
  
  
  
  
  
(Signature)  
  
  
  
  
  
  
  
  
  
(Print Name)  
  
  
  
  
  
  
  
  
  
(Title)

- Attachments:
- Schedule A: Investment objectives and guidelines
  - Schedule A-1: Iran and Sudan Investment Policy
  - Schedule B: Fee Schedule
  - Exhibit 1: Required Annual Disclosure(s) to Client
  - Schedule C: Client's Authorized Personnel
  - Client's IRS Form W-9

**Schedule A**  
**To**  
**Agreement by and between**  
**School Employees Retirement System of Ohio**  
**And**  
\*\*\*\*\*

**Investment Objectives and Guidelines**

To Include:

Performance Objective:

Performance Benchmark:

Currency Exposure: (Hedged or unhedged)

Investment Guidelines (examples to include):

1. Country Exposure
2. Single Company Exposure
3. Diversification
4. Asset Class Exposure
  - a. Cash level
  - b. % of portfolio in Local Access Products
  - c. % exposure in preferreds/convertibles/right/warrants/etc.
5. Liquidity
6. Leverage is not permitted in this portfolio
7. Key Man Reporting
8. Security types held in portfolio

**Schedule A-1  
 To  
 Agreement by and between  
 School Employees Retirement System of Ohio  
 And  
 \*\*\*\*\***

 <h2 style="text-align: center;">Iran and Sudan Investment Policy</h2> <p><b>BD3-007</b></p>					
<b>Effective Date:</b>	09/27/2007	<b>Revision Date:</b>	09/27/2007	<b>Audience:</b>	Everyone
<b>Owner:</b>	Board	<b>Certifier:</b>	Richard Stensrud	<b>Co-Owner (s):</b>	Investments
<b>Document Links:</b>	<a href="#">Purpose</a> , <a href="#">Policy</a> , <a href="#">Procedure</a> , <a href="#">Definitions</a> , <a href="#">Related Documents</a> , <a href="#">Policy History</a>				

### Purpose

Substitute House Bill 151 (the Bill), legislation introduced in the Ohio House of Representatives (the House) during the 127th General Assembly, was drafted pursuant to legislators' findings that the Islamic Republic of [Iran](#) supports terrorism and the Republic of [Sudan](#) advocates genocide, therefore making those countries unstable and high risk investment locations. The Bill mandates that Ohio Retirement Systems (the Systems) divest active, [direct holdings](#) in certain non-U.S. publicly traded companies doing business in the Islamic Republic of Iran and the Republic of Sudan. The Bill was reported by the House Financial Institutions, Real Estate and Securities Committee with a recommendation for passage.

An alternative to mandated divestiture, according to House leadership, permits the Systems to adopt Iran and Sudan investment policies that detail the Systems' plans to divest, in a manner consistent with their fiduciary duties, active, direct holdings in certain non-U.S. publicly traded companies based on parameters set forth in the Bill.

### Policy

The School Employees Retirement Board of Ohio hereby adopts this Iran and Sudan investment policy with the intent of divesting, in a manner consistent with its fiduciary duties, direct holdings in companies with scrutinized [active business operations](#) in Iran and Sudan.

### Board's Fiduciary Duties

R.C. 3309.15(A) provides the [Board](#) shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries. Therefore, when considering whether divestment of direct holdings in a [company](#) with scrutinized active [business operations](#) shall occur, the Board shall require [the System](#) to divest only if doing so is consistent with the Board's fiduciary duties, and [replacement holdings](#) offer quality, return and safety comparable to the holdings subject to divestment.

Similarly, when the Board considers whether the System shall acquire direct holdings of a company with [scrutinized active business operations](#), the Board must act consistent with its fiduciary duties, and may not invest in replacement holdings unless it determines that replacement holdings offer quality, return and safety comparable to the holdings of the company with scrutinized active business operations.

## Timeline

The intent of the Board is to divest fifty percent of direct holdings in companies with scrutinized active business operations by December 31, 2007, with the ultimate goal of full divestiture from such holdings. However, divestment shall occur only to the extent that doing so does not violate the Board's fiduciary duties.

The System's direct holdings in companies as of June 30, 2007 shall be used as the starting point for the screening process, and the System's direct holdings in companies with scrutinized active business operations as of June 30, 2007 shall be used as the baseline to measure the percentage of divestment of such companies by December 31, 2007 and thereafter.

The System's [indirect holdings](#) (for example: those held in index or commingled funds, or private equity or real estate funds) are not subject to this policy.

## Screening Process

- a. The Chief Investment Officer (CIO) shall select an independent research provider, found through a due diligence search, to identify companies with scrutinized active business operations.
- b. The CIO will provide the selected independent research provider with a copy of this investment policy. The independent research provider will screen using the definitions set forth in section 8 below.
- c. The independent research provider shall provide the CIO a list of companies with scrutinized active business operations in Iran and Sudan not less than every six (6) months.
- d. The CIO will forward the list of companies with scrutinized active business operations in Iran and Sudan to all applicable investment managers with whom the Board has contracted.
- e. Investment managers shall review the System's direct holdings in the portfolio and compare those direct holdings to the list of companies with scrutinized active business operations in Iran or Sudan. The investment manager shall compile a list of companies with scrutinized active business operations in Iran and Sudan that are held in the portfolio ("[list of scrutinized companies](#)") and provide this list to the CIO and the Executive Director.

## Divestment

- a. Staff, the investment manager and/or a consultant shall send written notice ("the Notice") to each company on the list of scrutinized companies requesting the company cease their scrutinized active business operations or convert such active business operations to [inactive business operations](#). The company shall have ninety (90) days to respond and: (i) document that the company does not have scrutinized active business
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operations in Iran or Sudan and, therefore, should not be on the list of scrutinized companies; (ii) cease their scrutinized active business operations; or (iii) convert such active business operations to inactive business operations.

- b. If a company provides documentation to staff, the investment manager and/or a consultant that the company does not have scrutinized active business operations in Iran or Sudan and, therefore, should not be on the list of scrutinized companies, the CIO, in consultation with the Executive Director and staff, shall make a determination as to whether the company should remain on the list of scrutinized companies or be removed from the list. The basis for such determination shall be set forth in writing by the CIO and provided to the investment managers and the Board. The investment managers and the Board shall also be provided with a revised list of scrutinized companies prepared by the CIO.
- c. If a company that remains on the list of scrutinized companies does not cease their scrutinized active business operations or convert such active business operations to inactive business operations within ninety (90) days of receipt of the Notice, and if the investment manager determines that replacement holdings exist that offer quality, return and safety comparable to the direct holdings of the company on the list of scrutinized companies, the investment manager shall divest the System's direct holdings in the company on the list of scrutinized companies as soon as possible taking into account market conditions and transaction costs. The investment manager shall communicate to the CIO and the Executive Director, in writing, the basis for such determination, and acquire the replacement holdings.
- d. If a company on the list of scrutinized companies ceases their scrutinized active business operations or converts such active business operations to inactive business operations after the investment manager has divested the System's direct holdings in the company, the company may provide documentation to the CIO regarding their termination of scrutinized active business operations. If the CIO, in consultation with the Executive Director and staff, determines the company no longer engages in scrutinized active business operations, the basis for such determination shall be set forth in writing by the CIO and provided to the investment managers and the Board. The investment managers and the Board shall also be provided with a revised list of scrutinized companies prepared by the CIO. The company shall not be considered a company with scrutinized active business operations in Iran or Sudan and the investment managers may acquire direct holdings of the company.
- e. If the investment manager determines that replacement holdings do not exist that offer quality, return and safety comparable to the direct holdings of the company on the list of scrutinized companies, or that the direct holdings cannot be immediately divested, consistent with its fiduciary duties, due to current market conditions and/or costs the investment manager shall communicate to the CIO and the Executive Director, in writing, the basis for such determination.

## **Purchases**

When an investment manager is considering acquiring direct holdings of a company that appears on the list of companies with scrutinized active business operations in Iran or Sudan, the investment manager shall determine whether replacement holdings exist that offer quality, return and safety comparable to the direct holdings of the company with scrutinized active business operations. The investment manager shall communicate to the System, in writing, the basis for such determination, and proceed, in accordance with such determination, with the

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investment in either direct holdings of the company with scrutinized active business operations or replacement holdings.

## Reporting

The Executive Director shall file a report with the Ohio Retirement Study Council (the ORSC) at agreed upon intervals and in a form requested by the ORSC.

## Board May Rescind Policy

If any of the following occur, the Board may rescind this policy as it relates to addressing investments in companies with scrutinized active business operations in Iran:

- a. Congress or the president of the United States determines that the [government of Iran](#) has ceased to acquire weapons of mass destruction and support international terrorism.
- b. The federal government revokes all sanctions imposed against the government of Iran.
- c. Congress or the president of the United States, through legislation or executive order, declares that divestment of the type provided for in this policy interferes with the conduct of United States foreign policy.
- d. The Ohio General Assembly enacts legislation or adopts a resolution that in the Board's determination renders this policy moot.

If any of the following occur, the Board may rescind this policy as it relates to addressing investments in companies with scrutinized active business operations in Sudan:

- a. Congress or the president of the United States determines that the [government of Sudan](#) has sufficiently halted the genocide in the Darfur region.
- b. The federal government revokes all sanctions imposed against the government of Sudan.
- c. Congress or the president of the United States, through legislation or executive order, declares that divestment of the type provided for in this policy interferes with the conduct of United States foreign policy.
- d. Congress or the president of the United States declares that the government of Sudan has honored its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons.
- e. The Ohio General Assembly enacts legislation or adopts a resolution that in the Board's determination renders this policy moot.

## Definitions

(A) "Active business operations" means all business operations that are not inactive business operations.

(B) "Board" means the School Employees Retirement Board of Ohio.

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(C) "Business operations" means engaging in commerce in any form in Sudan or Iran, including by maintaining, selling, acquiring, developing, owning, possessing, operating, or leasing equipment, facilities, personnel, products, services, personal or real property, or any other apparatus of business or commerce.

(D) "Company" means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, business association, or other entity, including any wholly-owned subsidiary, majority-owned subsidiary, parent company, or affiliate of any of those types of entities, that exists for the purpose of making a profit and is headquartered, domiciled, and incorporated outside the United States.

(E) "Complicit" means taking actions during any preceding twenty-month period that directly support or promote the genocidal campaign in the Darfur region of Sudan, including, but not limited to, preventing members of the population of the Darfur region of Sudan negatively affected by genocide from communicating with each other; encouraging Sudanese citizens to speak against the internationally approved security force that provides aide to the Darfur region; actively working to deny, cover up, or alter the record on human rights abuses in Darfur; or other similar actions.

(F) "Direct holdings" means all stocks or bonds of a company held directly by the System or held in an account or fund of which the System owns all of the shares or interests.

(G) "Government of Iran" means the Islamic republic of Iran, its instrumentalities, and companies owned or controlled by the government of Iran.

(H) "Government of Sudan" means the government in Khartoum, Sudan, that is led by the national congress party, formerly known as the national Islamic front, or any successor government formed on or after October 13, 2006, including the coalition national unity government agreed upon in the "2005 Comprehensive Peace Agreement," and does not include the regional government of southern Sudan.

(I) "Inactive business operations" means those business operations conducted by a company that involve only the continued holding or renewal of rights to property that, at one time, was used for the purpose of generating revenue for the company but is not presently used for such purpose.

(J) "Indirect holdings" means all stocks and bonds of a company that are not direct holdings and are held in an account or fund in which the System owns shares or interests together with other investors not subject to the provisions of this policy, as well as any private equity fund, private equity fund-of-funds, venture capital fund, hedge fund, hedge fund-of-funds, real estate fund or other investment vehicle that is not publicly traded, mutual funds, and pooled or securitized investment vehicles.

(K) "Iran" means the Islamic republic of Iran.

(L) "List of scrutinized companies" means the list compiled by an investment manager based on a comparison of the System's direct holdings in the portfolio managed by the investment manager with those companies on the list of companies with scrutinized active business operations in Iran and Sudan.

(M) "Marginalized populations of Sudan" includes, but is not limited to, all of the following:

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- (1) The portion of the population in the Darfur region that has been negatively affected by genocide;
- (2) The portion of the population of southern Sudan negatively affected by the civil war that occurred between the north and south regions of Sudan;
- (3) The Beja, Rashidiya, and other similarly underserved groups of eastern Sudan;
- (4) The Nubian and other similarly underserved groups in the Abyei, southern blue Nile, and Nuba mountain regions of Sudan;
- (5) The Amri, Hamadab, Manasir, and other similarly underserved groups of northern Sudan.

(N) "Military equipment" means weapons, arms, military supplies, and equipment including, but not limited to, radar systems, or military-grade transport vehicles, that readily may be used for military purposes; or supplies or services sold or directly or indirectly provided to any force actively participating in armed conflict in Sudan.

(O) "Mineral extraction activities" include exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides, also known as ore, including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc; and includes facilitating such activities, including by providing supplies or services in support of such activities.

(P) "Oil-related activities" includes, but is not limited to, owning rights to oil blocks; exporting, extracting, producing, refining, processing, exploring for, transporting, selling, or trading of oil; constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure; or facilitating such activities, including by providing supplies or services in support of such activities. "Oil-related activities" does not mean engaging in only the retail sale of gasoline and related consumer products.

(Q) "Petroleum resource" means petroleum, petroleum byproducts, or natural gas.

(R) "Power production activities" means any business operation that involves a project commissioned by the national electricity corporation of Sudan or other similar entity of the government of Sudan whose purpose is to facilitate power generation and delivery, including, but not limited to, establishing power-generating plants or hydroelectric dams, selling or installing components for a project, providing service contracts related to the installation or maintenance of a project, or facilitating any of these activities, including by providing supplies or services in support of such activities.

(S) "Replacement holdings" means direct holdings of companies that are not on the list of scrutinized companies or the list of companies with scrutinized active business operations in Iran or Sudan that an investment manager may consider in determining whether to divest or purchase.

(T) "Scrutinized active business operation" means active business operations that have resulted in a company becoming a scrutinized company.

(U) "Scrutinized business operations" means business operations that have resulted in a company that meets any of the following criteria:

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(1) The company has business operations that involve contracts with or provision of supplies or services to the government of Sudan, companies in which the government of Sudan has any direct or indirect equity share, consortiums or projects commissioned by the government of Sudan, or companies involved in consortiums or projects commissioned by the government of Sudan, and more than ten per cent of the company's revenues or assets linked to Sudan involve oil-related activities or mineral-extraction activities; less than seventy-five per cent of the company's revenues or assets linked to Sudan involve contracts with or provision of oil-related or mineral-extracting products or services to the regional government of southern Sudan or a project or consortium created exclusively by that regional government; and the company has failed to take substantial action specific to Sudan; or more than ten per cent of the company's revenues or assets linked to Sudan involve power-production activities; less than seventy-five per cent of the company's power-production activities include projects whose intent is to provide power or electricity to the marginalized populations of Sudan; and the company has failed to take substantial action specific to Sudan.

(2) The company is complicit in the Darfur genocide.

(3) The company supplies military equipment within Sudan, unless it clearly shows that the military equipment cannot be used to facilitate offensive military actions in Sudan or the company implements rigorous and verifiable safeguards to prevent use of that equipment by forces actively participating in armed conflict. Examples of safeguards include post-sale tracking of such equipment by the company, certification from a reputable and objective third party that such equipment is not being used by a party participating in armed conflict in Sudan, or sale of such equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.

(4)(a) The company has business operations that involve contracts with or provision of supplies or services to the government of Iran, companies in which the government of Iran has any direct or indirect equity share, consortiums, or projects commissioned by the government of Iran, or companies involved in consortiums or projects commissioned by the government of Iran, and one of the following apply:

(i) More than ten per cent of the company's total revenues or assets are linked to Iran and involve oil-related activities, mineral-extraction activities, or petroleum resources;

(ii) The company has, with actual knowledge, on or after August 5, 1996, made an investment of twenty million dollars or more, or any combination of investments of at least ten million dollars each, which in the aggregate equals or exceeds twenty million dollars in any twelve-month period, and which directly or significantly contributes to the enhancement of Iran's ability to develop the petroleum resources of Iran;

(iii) The company is engaged in business with an Iranian organization labeled as a terrorist organization by the United States government.

(b) Any company that takes substantial action specific to Iran with respect to divisions (U)(4)(a)(i) and (U)(4)(a)(ii) of this section shall not meet the criteria to be deemed a company involved in scrutinized business operations.

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(c) A social development company that is not complicit in the Darfur genocide shall not be deemed a company involved in scrutinized business operations.

(V) "Social development company" means a company whose primary purpose in Sudan is to provide only the following humanitarian goods or services to the people of Sudan:

- (1) Medicine or medical equipment;
- (2) Agricultural supplies or infrastructure;
- (3) Educational opportunities;
- (4) Journalistic activities;
- (5) Information or information materials;
- (6) Spiritual-related activities;
- (7) Services of a purely clerical or reporting nature;
- (8) Food, clothing, or general consumer goods that are unrelated to oil-related activities, mineral extraction activities, or power production activities.

(W) "Substantial action specific to Iran" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.

(X) "Substantial action specific to Sudan" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations; undertaking humanitarian efforts in conjunction with an international organization, the government of Sudan, the regional government of southern Sudan, or a nonprofit entity evaluated and certified by an independent third party to be substantially in a relationship to the company's Sudan business operations and of benefit to one or more marginalized populations of Sudan; or, through engagement with the government of Sudan, materially improving conditions for the genocidal victimized population in Darfur.

(Y) "Sudan" means the republic of the Sudan.

(Z) "System" means the School Employees Retirement System of Ohio.

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## Procedures None

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## Definitions

**Active business operation:** means all business operations that are not inactive business operations.

**Board:** means the School Employees Retirement Board of Ohio.

**Business Operations:** means engaging in commerce in any form in Sudan or Iran, including by maintaining, selling, acquiring, developing, owning, possessing, operating, or leasing

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equipment, facilities, personnel, products, services, personal or real property, or any other apparatus of business or commerce.

**Company:** means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, business association, or other entity, including any wholly-owned subsidiary, majority-owned subsidiary, parent company, or affiliate of any of those types of entities, that exists for the purpose of making a profit and is headquartered, domiciled, and incorporated outside the United States.

**Complicit:** means taking actions during any preceding twenty-month period that directly support or promote the genocidal campaign in the Darfur region of Sudan, including, but not limited to, preventing members of the population of the Darfur region of Sudan negatively affected by genocide from communicating with each other; encouraging Sudanese citizens to speak against the internationally approved security force that provides aide to the Darfur region; actively working to deny, cover up, or alter the record on human rights abuses in Darfur; or other similar actions.

**Direct holdings:** means all stocks or bonds of a company held directly by the System or held in an account or fund of which the System owns all of the shares or interests.

**Government of Iran:** means the Islamic republic of Iran, its instrumentalities, and companies owned or controlled by the government of Iran.

**Government of Sudan:** means the government in Khartoum, Sudan, that is led by the national congress party, formerly known as the national Islamic front, or any successor government formed on or after October 13, 2006, including the coalition national unity government agreed upon in the "2005 Comprehensive Peace Agreement," and does not include the regional government of southern Sudan.

**Inactive business operations:** means those business operations conducted by a company that involve only the continued holding or renewal of rights to property that, at one time, was used for the purpose of generating revenue for the company but is not presently used for such purpose.

**Indirect Holdings:** means all stocks and bonds of a company that are not direct holdings and are held in an account or fund in which the System owns shares or interests together with other investors not subject to the provisions of this policy, as well as any private equity fund, private equity fund-of-funds, venture capital fund, hedge fund, hedge fund-of-funds, real estate fund or other investment vehicle that is not publicly traded, mutual funds, and pooled or securitized investment vehicles.

**Iran:** means the Islamic republic of Iran.

**List of scrutinized companies:** means the list compiled by an investment manager based on a comparison of the System's direct holdings in the portfolio managed by the investment manager with those companies on the list of companies with scrutinized active business operations in Iran and Sudan.

**Marginalized populations of Sudan:** includes, but is not limited to, all of the following:

- a. The portion of the population in the Darfur region that has been negatively affected by genocide;
  - b. The portion of the population of southern Sudan negatively affected by the civil war that occurred between the north and south regions of Sudan;
  - c. The Beja, Rashidiya, and other similarly underserved groups of eastern Sudan;
  - d. The Nubian and other similarly underserved groups in the Abyei, southern blue Nile, and Nuba mountain regions of Sudan;
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- e. The Amri, Hamadab, Manasir, and other similarly underserved groups of northern Sudan.

**Military equipment:** means weapons, arms, military supplies, and equipment including, but not limited to, radar systems, or military-grade transport vehicles, that readily may be used for military purposes; or supplies or services sold or directly or indirectly provided to any force actively participating in armed conflict in Sudan.

**Mineral extraction activities:** include exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides, also known as ore, including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc; and includes facilitating such activities, including by providing supplies or services in support of such activities.

**Oil-related activities:** includes, but is not limited to, owning rights to oil blocks; exporting, extracting, producing, refining, processing, exploring for, transporting, selling, or trading of oil; constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure; or facilitating such activities, including by providing supplies or services in support of such activities. "Oil-related activities" does not mean engaging in only the retail sale of gasoline and related consumer products.

**Petroleum resource:** means petroleum, petroleum byproducts, or natural gas.

**Power production activities:** means any business operation that involves a project commissioned by the national electricity corporation of Sudan or other similar entity of the government of Sudan whose purpose is to facilitate power generation and delivery, including, but not limited to, establishing power-generating plants or hydroelectric dams, selling or installing components for a project, providing service contracts related to the installation or maintenance of a project, or facilitating any of these activities, including by providing supplies or services in support of such activities.

**Replacement holdings:** means direct holdings of companies that are not on the list of scrutinized companies or the list of companies with scrutinized active business operations in Iran or Sudan that an investment manager may consider in determining whether to divest or purchase.

**Scrutinized active business operation:** means active business operations that have resulted in a company becoming a scrutinized company.

**Scrutinized business operations:** means business operations that have resulted in a company that meets any of the following criteria:

- a. The company has business operations that involve contracts with or provision of supplies or services to the government of Sudan, companies in which the government of Sudan has any direct or indirect equity share, consortiums or projects commissioned by the government of Sudan, or companies involved in consortiums or projects commissioned by the government of Sudan, and more than ten per cent of the company's revenues or assets linked to Sudan involve oil-related activities or mineral-extraction activities; less than seventy-five per cent of the company's revenues or assets linked to Sudan involve contracts with or provision of oil-related or mineral-extracting products or services to the regional government of southern Sudan or a project or consortium created exclusively by that regional government; and the company has failed to take substantial action specific to Sudan; or more than ten per cent of the company's revenues or assets linked to Sudan involve power-production activities; less than seventy-five per cent of the company's power-production activities include projects
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whose intent is to provide power or electricity to the marginalized populations of Sudan; and the company has failed to take substantial action specific to Sudan.

- b. The company is complicit in the Darfur genocide.
- c. The company supplies military equipment within Sudan, unless it clearly shows that the military equipment cannot be used to facilitate offensive military actions in Sudan or the company implements rigorous and verifiable safeguards to prevent use of that equipment by forces actively participating in armed conflict. Examples of safeguards include post-sale tracking of such equipment by the company, certification from a reputable and objective third party that such equipment is not being used by a party participating in armed conflict in Sudan, or sale of such equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.
- d. The company has business operations that involve contracts with or provision of supplies or services to the government of Iran, companies in which the government of Iran has any direct or indirect equity share, consortiums, or projects commissioned by the government of Iran, or companies involved in consortiums or projects commissioned by the government of Iran, and one of the following apply:
  - i. More than ten per cent of the company's total revenues or assets are linked to Iran and involve oil-related activities, mineral-extraction activities, or petroleum resources;
  - ii. The company has, with actual knowledge, on or after August 5, 1996, made an investment of twenty million dollars or more, or any combination of investments of at least ten million dollars each, which in the aggregate equals or exceeds twenty million dollars in any twelve-month period, and which directly or significantly contributes to the enhancement of Iran's ability to develop the petroleum resources of Iran;
  - iii. The company is engaged in business with an Iranian organization labeled as a terrorist organization by the United States government.
- e. Any company that takes substantial action specific to Iran with respect to divisions (U)(4)(a)(i) and (U)(4)(a)(ii) of this section shall not meet the criteria to be deemed a company involved in scrutinized business operations.
- f. A social development company that is not complicit in the Darfur genocide shall not be deemed a company involved in scrutinized business operations.

**Social development company:** means a company whose primary purpose in Sudan is to provide only the following humanitarian goods or services to the people of Sudan:

- a. Medicine or medical equipment;
  - b. Agricultural supplies or infrastructure;
  - c. Educational opportunities;
  - d. Journalistic activities;
  - e. Information or information materials;
  - f. Spiritual-related activities;
  - g. Services of a purely clerical or reporting nature;
  - h. Food, clothing, or general consumer goods that are unrelated to oil-related activities, mineral extraction activities, or power production activities.
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**Substantial action specific to Iran:** means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.

**Substantial action specific to Sudan:** means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations; undertaking humanitarian efforts in conjunction with an international organization, the government of Sudan, the regional government of southern Sudan, or a nonprofit entity evaluated and certified by an independent third party to be substantially in a relationship to the company's Sudan business operations and of benefit to one or more marginalized populations of Sudan; or, through engagement with the government of Sudan, materially improving conditions for the genocidal victimized population in Darfur.

**Sudan:** means the republic of the Sudan.

**System:** means the School Employees Retirement System of Ohio.

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## Related Documents and Information

Statutes: 3309.15

Rules: N/A

Document Links: [Purpose](#), [Policy](#), [Procedure](#), [Definitions](#), [Related Documents](#), [Policy History](#)

Forms: ---

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## Policy History

**Version 1 – September 27, 2007 – Created – Approved by Board**

**Schedule B**  
**To**  
**Agreement by and between**  
**School Employees Retirement System of Ohio**  
**And**

\*\*\*\*\*

**Fee Schedule**

Fees, payable by client, are billed quarterly in arrears and prorated on a daily basis for any quarter during which the Investment Manager Agreement is in effect for only a portion of the quarter and as to any redemption or additional subscription amounts occurring during any quarter. Investment Manager shall determine the market value of the Investment Account, including cash or its equivalent and accrued income held for investment, at the end of each quarter, applying the same valuation procedures and methods, which it uniformly uses in its quarterly appraisals of investment counsel client accounts.

Client's fee schedule shall not exceed the fees charged by the Investment Manager's other comparable sized retirement fund accounts with similar guidelines and objectives added after the Effective Date. If at any time the Client's fee schedule does exceed those of Investment Manager's other comparable sized retirement fund accounts, Investment Manager shall so notify Client, and upon approval of Client, Client's fee schedule shall be amended to be consistent with such other retirement fund account(s) that have a net lower cost, effective the first day of the month following the date the fee schedule became effective for such other retirement fund accounts.

Should Client request Investment Manager to travel to Columbus and provide services of an educational nature to Client, and Investment Manager agrees to provide such services, the parties agree that the cost for these services, including the cost of travel, is included in the fees set forth in this Schedule B.

FEE CALCULATION

**Exhibit 1  
To  
Agreement by and between  
School Employees Retirement System of Ohio  
And**

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MANAGER: ("firm") **Type Management Company Name Here**

FUND OR ACCOUNT NAME: ("fund") **Type Fund Name Here**

**REQUIRED ANNUAL DISCLOSURE FOR INVESTMENT MANAGERS**

For Compliance Period: 1 January 20xx – 31 December 20xx

Please Complete this form and return it to:

Investment Compliance Analyst  
The School Employees Retirement System of Ohio  
300 East Broad Street, Suite 100  
Columbus, Ohio 43215  
<mailto:kbloomfield@ohsers.org>

**Section A. CONFLICTS**

1.	Please list all services your firm, its principals, or any affiliate provide that generate revenues for the firm and indicate the applicable percent of your firm's total revenue during the compliance period.	Consulting with Plan Sponsors Investment Management activities Services to Money Investment Managers Services to Plan Sponsors Service to Others (e.g., Funds of Funds) Broker-Dealer Affiliates or Subsidiaries	0% 0% 0% 0% 0% 0%
2.	Did these services produce 100% of your firm's revenue during the reporting period? If no, explain in the space below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If no, explain in this space or in an addendum.</b>		
3.a.	Is your firm owned, in whole or in part, by an investment consulting firm or an affiliate of such firm?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>		
3.b.	Do you manage money for your parent or affiliate? If so, explain in the space below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>		
3.c.	Has your firm received loans from any consulting firms, their subsidiaries, or principals? If so, explain in the space below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>		
4.	Does your firm, its principals or an affiliate have a strategic alliance with any broker or investment consulting firm? If yes, please disclose the name(s) and describe the nature of the alliance in the space below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>		
5.a.	Do you offer a broker/dealer facility to sponsor clients to pay for or offset your fees?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
5.b.	What conversion ratio ranges are clients paying when using directed brokerage to satisfy your fees?	<b>Enter % range here</b>	
6.	Are there additional services you offer plan sponsors through your broker/dealer?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
7.a.	Within the last year has your firm, its principals or any affiliate been the focus of a Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization? If yes, provide details in the space below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>		
7.b.	Within the last year has your firm received a deficiency letter from the Securities and Exchange Commission (SEC) or similar federal, state or self-regulatory body or organization? If yes, please attach a copy of the letter to this form.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>		
7.c.	Within the last year has your firm, its principals or any affiliate been a party to any litigation concerning fiduciary responsibility or other investment related matters? If yes, provide details in the space below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>		
7.d.	Within the last year has your firm, its principals or any affiliate submitted a claim to your errors & omission, fiduciary liability and/or fidelity bond insurance carrier(s)? If yes, provide details in the space below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>		
8.	Within the last year, has your firm, an officer or principal been involved in litigation or other legal proceedings relating to your investment assignments? If yes, provide an explanation and indicate the current status or disposition in the space below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

*(Form continues)*

	<b>If yes, explain in this space or in an addendum.</b>	
9.	Within the last year, has any officer, principal or employee at your firm been involved in any legal proceedings or investigations for insider trading?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>	
10.	Has your firm or any officer, principal or employee given any remuneration or anything of value directly or indirectly to SERS or any of its board members, officers or employees? If yes, identify the recipient and remuneration or thing of value in the space below.	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>	
11.	Does your firm use placement agents or third party marketers?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<b>If yes, explain in this space or in an addendum.</b>	
12.	Within the last year, has your firm paid commissions, finders fees, soft dollars, or other compensation or fees to the consulting firms, Aksia, LLC or Wilshire Associates, Inc.? If Yes, please complete sections a – c, below. If No, please proceed to question 13.	<input type="checkbox"/> Yes <input type="checkbox"/> No

**MANAGER: ("firm") Type Management Company Name Here**

**FUND OR ACCOUNT NAME: ("fund") Type Fund Name Here**

<b>12.a</b>	<b>Cash Payments.</b> List services received and cost.	Service Received	Cost	
	Name of provider	Name of Service	\$0.00	
	Name of provider	Name of Service	\$0.00	
	Name of provider	Name of Service	\$0.00	
<b>12.b.</b>	<b>Client-Directed Brokerage.</b> Identify total plan sponsor-directed brokerage commissions resulting from trades through Consultant(s) (listed on previous page) or its/their agent(s) for accounts in which you have a specific direction from a plan sponsor, and the percentage these commissions represent of your total commissions. Please provide a separate list of plan sponsors which have directed you to trade through Consultants or Agents.	Brokerage	Commission(\$)	% of Total
	Name of plan sponsor	Name of provider	\$0.00	0%
	Name of plan sponsor	Name of provider	\$0.00	0%
	Name of plan sponsor	Name of provider	\$0.00	0%
<b>12.c.1.</b>	<b>Non-Client-Directed Brokerage.</b> Identify total gross brokerage commissions resulting from trades through Consultant or its agent for accounts in which you do not have a specific letter of direction from a plan sponsor, and the percentage these commissions represent of your total commissions	Brokerage	Commission(\$)	% of Total
	Name of plan sponsor	Name of provider	\$0.00	0%
	Name of plan sponsor	Name of provider	\$0.00	0%
	Name of plan sponsor	Name of provider	\$0.00	0%
<b>12.c.2.</b>	What services were received for the non-client-directed trades? Please list each service and the gross commission amount paid for each service.	Services	Commissions(\$)	
	Name of plan sponsor	Name of Service	\$0.00	
	Name of plan sponsor	Name of Service	\$0.00	
	Name of plan sponsor	Name of Service	\$0.00	
<b>12.c.3.</b>	Relating to Questions 12.b. and 12.c., at what conversion rate are you credited toward payment for the preceding services?	12.b. 0%	12.c. 0%	
<b>12.d.</b>	Do the itemized listings in 12.a., 12.b., and 12.c. reflect all compensation Consultants or their agents received from your firm over the last year? If no, please detail payments in the space below.	<input type="checkbox"/> Yes <input type="checkbox"/> No		
	<b>If yes, explain in this space or in an addendum.</b>			
13.	If any officer, principal or employee of your firm, or any agent for your firm has registered as a Retirement System Lobbyist per Section 101.92 of the Ohio Revised Code, attach copies of registration forms filed during the last year.			
14.	Within the last year, has your firm or any Covered Associate made any Contribution to, or coordinated or solicited any person or political action committee to make any Contribution to, the following Officials (or candidates for such office), other than as permitted by Rule 206(4)-5 under the Advisers Act:  (i) Governor of the State of Ohio; (ii) Treasurer of the State of Ohio; (iii) Speaker of the Ohio House of Representatives; or (iv) President of the Ohio Senate.	<input type="checkbox"/> Yes <input type="checkbox"/> No		
	<b>If yes, explain in this space or in an addendum.</b>			

**Section B. REPRESENTATIONS (Answer all applicable items)**

<b>1.a.</b>	Please indicate the date of the latest version of, or amendment to, the Agreement between Fund and/or Firm and SERS.	Name of document and date
<b>1.b.</b>	Please indicate the date of the latest Offering Memorandum for Fund.	Name of document and date
<b>2.</b>	Over the last year the firm has been in compliance with all terms and conditions of the Agreement with SERS, including, but not limited to the Representations and Warranties and Investment Guidelines. If you respond No, please explain in the space below when the firm was not in compliance, why it occurred, and what action was taken to return to compliance.	<input type="checkbox"/> Yes <input type="checkbox"/> No

<b>If no, explain in this space or in an addendum.</b>
<b>Section C. ATTESTATION</b>
I hereby attest that all information submitted for Fund/Firm, its principals and affiliates is accurate and complete. As a (circle any applicable) Registered Investment Advisor/NASD member firm/subscriber to the CFA Code of Ethics and Standards of Professional Conduct, I am familiar with the issues and standards of disclosure and confirm that our responses to the previous questions contain no material omission or misrepresentation by or on behalf of the firm.
Submitted by: _____
Printed Name: <b>Type Authorized Signer's Name Here</b>
Title: <b>Type Authorized Signer's Title Here</b>
Date: _____

**Schedule D To  
Agreement by and between  
School Employees Retirement System of Ohio  
And**

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**Persons authorized to act on behalf of Client:**

The Client hereby certifies that each of the two persons named below have full authority to enter into this Agreement as well as provide instructions in respect to this Agreement and that Investment Manager may rely on this authorization until it receives written notice to the contrary.

Name: Richard Stensrud  
Title: Executive Director  
Signature: \_\_\_\_\_

Name: Farouki Majeed  
Title: Chief Investment Officer  
Signature: \_\_\_\_\_

THE FOLLOWING STAFF PERSONNEL HAVE AUTHORITY TO DIRECT THE DAILY OPERATIONS OF THE PLACEMENT AND REMOVAL OF FUTURES' CONTRACTS:

*{Information to be provided by Investments upon engagement}*

Name:  
Title:  
Signature: \_\_\_\_\_

Name:  
Title:  
Signature: \_\_\_\_\_

Name:  
Title:  
Signature: \_\_\_\_\_

Name:  
Title:  
Signature: \_\_\_\_\_