



Report of Activities Pursuant to Act 44 of 2010

Annual Report
September 30, 2012



September 30, 2012

The Commonwealth of Pennsylvania has enacted legislation (Act 44 of 2010) requiring public funds to divest from companies doing business in Iran and/or Sudan that meet certain thresholds of activity. Additionally, Act 44 prohibits Pennsylvania's public funds from purchasing securities of a company once it appears on scrutinized business activities lists, regardless of whether the funds already have direct holdings in such company.

Act 44 requires that the public funds each year assemble and provide a report to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and each member of the boards of the Pennsylvania Municipal Retirement System, the State Employees' Retirement System, and the Public School Employees' Retirement System. Accordingly, we have prepared this report on the activities our funds have undertaken to comply with the requirements of Act 44 during the period July 1, 2011 to June 30, 2012.

This report includes:

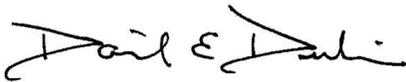
- The most recent scrutinized companies lists (Sudan and Iran).
- A summary of correspondence with scrutinized companies.
- All investments sold, redeemed, divested or withdrawn in compliance with Act 44, the costs and expenses of such transfers, and a determination of net gain or loss on account of such transactions incurred in compliance with the Act.
- A list of publicly traded securities held by the public funds.

A copy of the Act can be downloaded from the Internet by going to <http://www.legis.state.pa.us/cfdocs/legis/home/session.cfm> (Go to section entitled "by Bill," select the 2009-2010 Regular Session and enter SB 928).

Sincerely,



Robert M. McCord
Pennsylvania Treasurer



David Durbin
Executive Director
State Employees' Retirement System of Pennsylvania



Jeffrey Clay
Executive Director
Public School Employees' Retirement System of Pennsylvania



James Allen
Secretary
Pennsylvania Municipal Retirement System

Table of Contents

<i>Introduction</i> _____	4
<i>Primary Requirements of Act 44</i> _____	5
<i>Definition of a Scrutinized Company</i> _____	6
<i>Independence of South Sudan and Impact on Act 44</i> _____	8
<i>Activities Timeline</i> _____	9
Timeline A: Fund Activities Timeline _____	9
<i>Response of Certain Public Funds</i> _____	11
Methodology Used to Determine Scrutinized Companies _____	11
Table 1a: Most Recent List of Scrutinized Companies Determined as Having Involvement in Sudan. _____	11
Table 1b: Most Recent List of Scrutinized Companies Determined as Having Involvement in Iran. _____	12
Table 2: List of Prohibited Investments _____	14
Table 3: Change Log for Scrutinized Lists _____	17
<i>Engagement and Company Correspondence</i> _____	19
Table 4: Date of Written Notice Informing the Scrutinized Companies as to Their Status _____	19
Table 5: Correspondence from Companies Initially Determined as Directly Held by One or More of the Four Funds _____	20
Table 6: Correspondence from Companies Initially Determined as Not Directly Held by One or More of the Four Funds _____	20
<i>Divestment Process and Activities</i> _____	21
Timeline B: Scrutinized Company Divestment Timeline _____	21
Table 7: Current Divestment Schedule of Scrutinized Companies _____	22
<i>Investment Transactions Related to Scrutinized Companies</i> _____	24
Table 8: Investment Sales of Scrutinized Companies for the period ending June 30, 2012 _____	24
<i>Cost of Investments</i> _____	26
Table 9: Costs and Losses (Gains) of Investments for the period ending June 30, 2011, by category of expense _____	27
Table 10: Cost and Losses (Gains) of Investments for the period ending June 30, 2011, by fund _____	27
Table 11: Cost and Losses (Gains) of Investments for the period ending June 30, 2012, by category of expense _____	28
Table 12: Cost and Losses (Gains) of Investments for the period ending June 30, 2012, by fund _____	28
<i>Conclusion</i> _____	30
<i>Appendix A: Letter Sent to U.S. Attorney General Eric Holder and Acknowledgement</i> _____	31
<i>Appendix B: Letter Templates for Scrutinized Companies</i> _____	34
<i>Appendix C: Reimbursement Methodology</i> _____	38
<i>Appendix D: Securities Held by Funds</i> _____	40

Introduction

On July 2, 2010, Governor Ed Rendell signed Act 44 of 2010 (hereafter “the Act” or “Act 44”). Act 44 requires that Pennsylvania’s public funds compile and publish lists of “scrutinized companies.” These lists comprise companies identified as having prohibited business operations in Iran or Sudan (as defined by Act 44). Furthermore, the Act prohibits Pennsylvania public funds from acquiring the securities of scrutinized companies in the future and requires them to divest the securities of scrutinized companies that fail to take action required by the Act with respect to their scrutinized activities within a specified period of time.

Because they face the same responsibilities, the Pennsylvania Treasury Department, the State Employees’ Retirement System, the Public School Employees’ Retirement System, and the Pennsylvania Municipal Retirement System (“the Four Funds”) have chosen to work together to comply with the Act. The Four Funds are coordinating their activities through the Pennsylvania Treasury Department.

This report is submitted on behalf of the Four Funds and has been prepared pursuant to the reporting requirements found in Act 44.

Primary Requirements of Act 44

The Act imposes a number of primary requirements on the Four Funds:

- File a written report with the United States Attorney General detailing the requirements contained in the Act. ([Appendix A](#))
- Identify and publicly disclose the lists of all companies with scrutinized activities in Sudan or Iran. ([Table 1a](#), [Table 1b](#))
- Notify companies on the scrutinized lists of their status, that they may become subject to divestment by the public fund, and what they can do to avoid divestment. ([Table 4](#))
- Provide scrutinized companies with an opportunity to respond and provide additional information regarding their activities. ([Table 5](#), [Table 6](#))
- Refrain from new investment in any scrutinized company's securities. ([Table 2](#))
- Divest scrutinized companies' securities within 26 months if the companies do not announce, by public notification, significant action to cease scrutinized activities within 180 days of having been notified of their status. ([Table 7](#))
- Monitor scrutinized companies that announce substantial action (*i.e.*, cessation of prohibited business operations) in regards to Iran or Sudan to ensure compliance. ([Table 7](#))
- Provide an annual report to the Governor; the President Pro Tempore of the Pennsylvania Senate; the Speaker of the Pennsylvania House of Representatives; and each member of the boards of the Pennsylvania Municipal Retirement System, the State Employees' Retirement System and the Public School Employees' Retirement System.

Definition of a Scrutinized Company

Act 44 calls for the development of two lists of companies that meet specified statutory criteria. These companies are designated as "scrutinized companies" and are subject to the requirements detailed in the Act. A company can be designated as a scrutinized company for activities in either Iran or Sudan, or in both.

A scrutinized company is defined in the Act as:

- 1) Any foreign company that has:
 - i. Invested at least \$20,000,000 in oil-related activities in Iran in any 12-month period since August 5, 1996;
 - ii. Supplied military equipment to the government of Iran within the 12-month period prior to the effective date of the Act; or
 - iii. Knowingly and intentionally violated the United States export controls with respect to Iran during the 12-month period prior to the effective date of the Act.
- 2) Any foreign company that meets the criteria set forth either in subparagraph (i) or (ii), below:
 - i. The company has business activities 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 equity share, government of Sudan-commissioned consortiums or projects, or companies involved in government of Sudan-commissioned consortiums or projects; and
 - a) More than 10% of the company's revenue or assets linked to Sudan involve oil-related activities or mineral extraction activities; less than 75% 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
 - b) More than 10% of the company's revenues or assets linked to Sudan involve power production activities; less than 75% 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.

- ii. 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, for example, through 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.

The term does not include a foreign company that is a social development company, defined by Act 44 as: "A company whose primary purpose in Iran or Sudan is to provide humanitarian goods or services, including medicine or medical equipment; agricultural supplies or infrastructure; educational opportunities; journalism-related activities; information or information materials; spiritual-related activities; services of a purely clerical or reporting nature; food, clothing or general consumer goods."

Independence of South Sudan and Impact on Act 44

On July 9, 2011, the Republic of South Sudan became an independent and sovereign state, gaining independence from Sudan. The newly formed Republic of South Sudan consists of the regional government excluded from the Act 44 definition of the government of Sudan. The area constituting South Sudan has also been exempt from the trade embargo against Sudan originally declared by the U.S. government in 1997. The trade embargo was imposed due to Sudan's continued support for international terrorism, ongoing efforts to destabilize neighboring governments and multiple human rights violations.

Despite the creation of the new country, there remain several areas of concern regarding the region, including the reported ongoing violence in the Darfur region and the ongoing violence in the Southern Kordofan region.

Act 44 has a sunset clause that states:

A public fund shall have no obligations under this act with respect to a company engaged in business activities in Sudan upon the occurrence of any of the following:

- (1) The President or Congress of the United States declares Darfur genocide has been halted for at least 12 months.
- (2) Sudan does not appear on the list of State Sponsors of Terrorism.
- (3) The President or Congress 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 under the Sudan Accountability and Divestment Act of 2007 (P.L. 110-174, 121 Stat. 2516).
- (4) The President or Congress of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in this act interferes with the conduct of U.S. foreign policy.

On February 7, 2011, Secretary of State Hillary Rodham Clinton announced that the United States was initiating the process of removing Sudan from the State Sponsors of Terrorism list. The removal is contingent upon Sudan adhering to U.S. law and the 2005 Comprehensive Peace Agreement. The removal is also contingent upon resolution of the dispute over the Abyei region.

Sudan has not yet been removed from the State Sponsors of Terrorism list. Sudan's removal from the State Sponsors of Terrorism list would activate the 'sunset clause' found within Act 44 and the Four Funds would no longer have any obligations under the Act with respect to companies engaged in business activities in Sudan.

Activities Timeline

Act 44 stipulates a set of activities to be conducted by the Four Funds as well as time frames for the execution of the activities. The following table provides the deadlines for these activities and the dates on which they were completed by the Four Funds.

Timeline A: Fund Activities Timeline

REQUIRED ACTIONS	DUE DATE	ACTION TAKEN
Within 30 days of the passage of the Act, administrators of the public fund shall file a written report to the United States Attorney General detailing the requirements contained in the Act.	08/01/2010	07/28/2010
Within 90 days after the effective date of the Act, a public fund shall make its best effort to identify all scrutinized companies in which the public fund has direct holdings	09/30/2010	07/07/2010
By the first meeting of a public fund following the 09/30/2010 imposed deadline, the public fund shall assemble all scrutinized companies that fit the criteria of the definition of "scrutinized company" into a Scrutinized Companies with Activities in Iran and/or Sudan List(s).	Various dates depending upon fund	10/27/2010
Within 120 days after the effective date of the Act, a public fund will send a written notice to identified companies. This notification will contain an explanation as to the reason of the company's inclusion on the scrutinized companies list as well as the potential for any related securities held by the public fund to be divested. It will also include a notice informing the company of the opportunity to clarify its scrutinized business activities and encouraging the company to cease its scrutinized activities.	10/30/2010	10/29/2010
Within one year of the creation of its scrutinized lists, a public fund will provide a report to the Governor; the President Pro Tempore of the Pennsylvania Senate; the Speaker of the Pennsylvania House of Representatives; and each member of the boards of the Pennsylvania Municipal Retirement System, the State Employees' Retirement System and the Public School Employees' Retirement System.	10/27/2011	09/30/2011

REQUIRED ACTIONS	DUE DATE	ACTION TAKEN
A public fund shall annually update, based on evolving information under reporting requirements, and make publically available its Scrutinized Companies with Activities in Iran List and Scrutinized Companies with Activities in Sudan List	10/27/2012	09/30/2012

Response of Certain Public Funds

In response to the Act, the Four Funds agreed to coordinate their activities through the Pennsylvania Treasury Department. IW Financial, an independent third party research firm, was selected through a competitive bidding process to assist with various activities required by the Act.

Methodology Used to Determine Scrutinized Companies

IW Financial, in consultation with the Four Funds, developed a methodology for creating two lists of scrutinized companies (Iran and Sudan lists).

In order to determine whether a company meets the criteria for inclusion on one or both of the scrutinized company lists, IW Financial applies the criteria from Act 44 to perform a review of companies with potential ties to Sudan and/or Iran. In the review process, IW Financial utilizes a variety of public sources, including:

- SEC Filings
- U.S. Government Agency Information (OFAC, EDGAR, EIA, etc.)
- News Wires and Trade Publications
- Industry Analysis
- Company Disclosures
- Non-Governmental Organization Reports
- Any Other Publicly Available Information

IW Financial produced the first scrutinized companies lists derived from this methodology in October 2010, and has updated them quarterly. The lists serve as the basis for screening the direct holdings of the Four Funds, the corporate engagement process, and divestment should that ultimately prove to be required, as specified by the Act.

Table 1a: Most Recent List of Scrutinized Companies Determined as Having Involvement in Sudan.

The table below shows the list of scrutinized companies as of July 2012 and the reason for their inclusion on the list, regardless of when they were added.

COMPANY NAME	REASON FOR INCLUSION ON SUDAN SCRUTINIZED LIST
Arabian Pipes Co	Government; Oil-related Activity and Power Production
Aref Energy Holding Co. (K.S.C.C.).	Government; Oil-related Activity and Power Production
Asec Company for Mining	Government; Mineral Extracting Activity
Bharat Heavy Electricals Ltd.	Government; Power Production

COMPANY NAME	REASON FOR INCLUSION ON SUDAN SCRUTINIZED LIST
China Gezhouba Group Company Limited	Government; Power Production
China Petroleum & Chemical Corp	Government; Oil-related Activity
Citadel Capital Co SAE	Government; Oil-related Activity, Power Production, and Mineral Extracting Activity
Drake & Scull International PJSC	Government; Power Production
Egypt Kuwait Holding Co	Government; Oil-related Activity
El Sewedy Electric Company	Government; Power Production
Engineers India Ltd.	Government; Oil-related Activity
Gaz	Military Equipment
Hindustan Petroleum Corporation Ltd.	Government; Oil-related Activity
I.C.S.A (India) Ltd	Government; Power Production
Indian Oil Corporation Ltd.	Government; Oil-related Activity
Kencana Petroleum Bhd	Government; Oil-related Activity
La Mancha Resources Inc.	Government; Mineral Extracting Activity
Mitsubishi Corp.	Government; Oil-related Activity
Muhibbah Engineering (Malaysia) Bhd	Government; Oil-related Activity
Oil & Natural Gas Corporation Ltd.	Government; Oil-related Activity
Oil India Ltd	Government; Oil-related Activity
Pjbumi Bhd	Government; Power Production
Ranhill Bhd	Government; Oil-related Activity
Schneider Electric	Government; Power Production
Scomi Group Bhd	Government; Oil-related Activity
Shanghai Electric Group Co	Government; Power Production
Total S.A.	Government; Oil-related Activity
Videocon Industries Ltd.	Government; Oil-related Activity and Power Production

Table 1b: Most Recent List of Scrutinized Companies Determined as Having Involvement in Iran.

The table below shows the list of scrutinized companies as of July 2012 and the reason for their inclusion on the list, regardless of when they were added.

COMPANY NAME	REASON FOR INCLUSION ON IRAN SCRUTINIZED LIST
Bharat Petroleum Corporation Ltd.	Oil-related investment of US \$20 million since 1996
China Petroleum & Chemical Corp	Oil-related investment of US \$20 million since 1996
Daelim Industrial	Oil-related investment of US \$20 million since 1996
Gail (India) Ltd.	Oil-related investment of US \$20 million since 1996
Gazprom	Oil-related investment of US \$20 million since 1996
GS Engineering & Construction Corp	Oil-related investment of US \$20 million since 1996
GS Holdings	Oil-related investment of US \$20 million since 1996
Gubre Fabrikalari T.A.S.	Oil-related investment of US \$20 million since 1996
Indian Oil Corporation Ltd.	Oil-related investment of US \$20 million since 1996
Japan Petroleum Exploration Co., Ltd.	Oil-related investment of US \$20 million since 1996
L G International	Oil-related investment of US \$20 million since 1996
Liquefied Natural Gas Ltd	Oil-related investment of US \$20 million since 1996
Maire Tecnimont S.p.A.	Oil-related investment of US \$20 million since 1996
Mitsui & Co. Ltd	Oil-related investment of US \$20 million since 1996
Motor Sich	Government; Military Equipment (July 2, 2009 - July 2, 2010)
Nagarjuna Fertilizers & Chemicals Ltd.	Oil-related investment of US \$20 million since 1996
Oil & Natural Gas Corporation Ltd.	Oil-related investment of US \$20 million since 1996
PetroChina Co. Ltd.	Oil-related investment of US \$20 million since 1996
Petrofac	Oil-related investment of US \$20 million since 1996
Petronet LNG Ltd.	Oil-related investment of US \$20 million since 1996
Punj Lloyd Ltd.	Oil-related investment of US \$20 million since 1996
Saipem Spa	Oil-related investment of US \$20 million since 1996
Sasol Ltd	Oil-related investment of US \$20 million since 1996
Technip	Oil-related investment of US \$20 million since 1996
Total S.A.	Oil-related investment of US \$20 million since 1996
Toyota Tsusho Corporation	Oil-related investment of US \$20 million since 1996

Table 2: List of Prohibited Investments

Act 44 prohibits the Four Funds from acquiring the securities of companies identified on the lists of scrutinized companies. The Act also requires a list of prohibited investments to be included in this report, separate from the most recent lists of scrutinized companies found in Tables 1a and 1b.

IW Financial provides the lists of scrutinized companies to the Four Funds on a quarterly basis. The Four Funds disclose the lists as requested and annually in this report. The lists of scrutinized companies are likely to change from quarter to quarter. A company may appear on a list of scrutinized companies in a given quarter, indicating that any security of that company is a prohibited investment. That same company may then not appear on a list of scrutinized companies in subsequent quarters, indicating that any security of that company is no longer a prohibited investment.

On a quarterly basis, the Four Funds provide a list of prohibited investments to their investment managers with instructions prohibiting the managers from purchasing securities of companies on the prohibited investments list. The instructions also direct attention to the companies that were added to or removed from the list since the preceding quarter. The following table presents all companies that have been on a quarterly scrutinized list during the year and the quarter(s) in which they appeared.

COMPANY	IRAN	SUDAN	OCT 2011 LIST	JAN 2012 LIST	APRIL 2012 LIST	JULY 2012 LIST
Alstom		x	x			
Andritz AG		x	x	x	x	
Arabian Pipes Co		x	x	x	x	x
Aref Energy Holding Co. (K.S.C.C.).		x	x	x	x	x
Asec Company for Mining		x	x	x	x	x
Bauer AG.		x	x			
Bharat Heavy Electricals Ltd.		x	x	x	x	x
Bharat Petroleum Corporation Ltd.		x	x	x		
Bharat Petroleum Corporation Ltd.	x		x	x	x	x
China Gezhouba Group Company Limited		x	x	x	x	x
China Petroleum & Chemical Corp	x	x	x	x	x	x
Citadel Capital Co SAE		x	x	x	x	x
Daelim Industrial	x		x	x	x	x
Drake & Scull International Pjsc		x	x	x	x	x
Egypt Kuwait Holding Co		x	x	x	x	x

COMPANY	IRAN	SUDAN	OCT 2011 LIST	JAN 2012 LIST	APRIL 2012 LIST	JULY 2012 LIST
Egyptians Abroad for Investment & Development		X	X	X	X	
Egyptians Housing Development & Reconstruction		X	X	X	X	
El Sewedy Electric Company		X	X	X	X	X
Electricity Generating		X	X	X		
Energoinvest d.d.-Sarajevo		X	X	X		
Engineers India Ltd.		X		X	X	X
Essar Oil Ltd.		X	X	X		
Gail (India) Ltd.	X		X	X	X	X
Gaz		X	X	X	X	X
Gazprom	X		X	X	X	X
GDF Suez		X	X			
GS Engineering & Construction Corp	X		X	X	X	X
GS Holdings	X		X	X	X	X
Gubre Fabrikalari T.A.S.	X		X	X	X	X
Hindustan Petroleum Corporation Ltd.		X	X	X	X	X
I.C.S.A (India) Ltd		X	X	X	X	X
Indian Oil Corporation Ltd.	X	X	X	X	X	X
Inpex Corporation	X		X			
Japan Petroleum Exploration Co.,Ltd.	X		X	X	X	X
JGC Corporation	X		X	X		
KEC International Ltd.		X	X			
Kencana Petroleum Bhd		X	X	X	X	X
KEPCO Plant Service & Engineering		X	X	X		
Korea Electric Power		X	X	X		
L G International	X		X	X	X	X
La Mancha Resources Inc.		X	X	X	X	X
Linde AG	X				X	

COMPANY	IRAN	SUDAN	OCT 2011 LIST	JAN 2012 LIST	APRIL 2012 LIST	JULY 2012 LIST
Liquefied Natural Gas Ltd	x		x	x	x	x
LS Industrial Systems Co., Ltd		x	x	x	x	
Maire Tecnimont S.p.A.	x		x	x	x	x
Mangalore Refinery & Petrochemicals Ltd.		x	x	x	x	
Mitsubishi Corp.		x	x	x	x	x
Mitsui & Co. Ltd	x		x	x	x	x
Mitsui Engineering & Shipbuilding Co. Ltd.	x		x	x	x	
Motor Sich	x		x	x	x	x
Muhibbah Engineering (Malaysia) Bhd		x	x	x	x	x
Nagarjuna Fertilizers & Chemicals Ltd.	x		x	x	x	x
Nam Fatt Corporation Bhd		x	x	x		
Oil & Natural Gas Corporation Ltd.	x	x	x	x	x	x
Oil India Ltd		x	x	x	x	x
PetroChina Co. Ltd.	x		x	x	x	x
Petrofac	x		x	x	x	x
Petronet LNG Ltd.	x				x	x
Pjbumi Bhd		x	x	x	x	x
Progressive Impact Corporation Bhd		x	x	x		
Punj Lloyd Ltd.	x		x	x	x	x
Ranhill Bhd		x	x	x	x	x
Reliance Industries Ltd.		x	x			
Saipem Spa	x			x	x	x
Sasol Ltd	x		x	x	x	x
Schneider Electric		x	x	x	x	x
Scomi Group Bhd		x	x	x	x	x
Shanghai Electric Group Co		x	x	x	x	x
Sumatec Resources Berhad		x	x	x		

COMPANY	IRAN	SUDAN	OCT 2011 LIST	JAN 2012 LIST	APRIL 2012 LIST	JULY 2012 LIST
Technip	x		x	x	x	x
Tecnicas Reunidas	x		x	x		
Total S.A.	x	x	x	x	x	x
Toyota Tsusho Corporation	x		x	x	x	x
Videocon Industries Ltd.		x	x	x	x	x

Table 3: Change Log for Scrutinized Lists

As explained in the previous table, the lists of scrutinized companies are updated on a quarterly basis. Table 3 explains changes to the lists of scrutinized companies since July 2011.

COMPANY NAME	IRAN	SUDAN	CHANGE: REASON FOR CHANGE*	DATE OF CHANGE
Gaz		x	Added to List: New Involvement	10/15/2011
Korea Electric Power		x	Added to List: New Involvement	10/15/2011
Petrofac	x		Added to List: New Involvement	10/15/2011
Toyota Tsusho Corporation	x		Added to List: New Involvement	10/15/2011
Harbin Power Equipment Co		x	Removed from List: Past Involvement	10/15/2011
MAN SE		x	Removed from List: Past Involvement	10/15/2011
Engineers India Ltd.		x	Added to List: New Involvement	1/15/2012
Saipem Spa	x		Added to List: New Involvement	1/15/2012
Alstom		x	Removed from List: Clarified Involvement	1/15/2012
Bauer AG.		x	Removed from List: Clarified Involvement	1/15/2012
GDF Suez		x	Removed from List: Clarified Involvement	1/15/2012
Inpex Corporation	x		Removed from List: Clarified Involvement	1/15/2012
KEC International Ltd.		x	Removed from List: Past Involvement	1/15/2012
Reliance Industries Ltd.		x	Removed from List: Past Involvement	1/15/2012
Linde AG	x		Added to List: New Involvement	4/15/2012
Petronet LNG Ltd.	x		Added to List: New Involvement	4/15/2012

COMPANY NAME	IRAN	SUDAN	CHANGE: REASON FOR CHANGE*	DATE OF CHANGE
Progressive Impact Corporation Bhd		x	Removed from List: Company was Delisted	4/15/2012
Bharat Petroleum Corporation Ltd.		x	Removed from List: Past Involvement	4/15/2012
Electricity Generating		x	Removed from List: Past Involvement	4/15/2012
Energoinvest d.d.-Sarajevo		x	Removed from List: Past Involvement	4/15/2012
Essar Oil Ltd.		x	Removed from List: Past Involvement	4/15/2012
JGC Corporation	x		Removed from List: Past Involvement	4/15/2012
KEPCO Plant Service & Engineering		x	Removed from List: Past Involvement	4/15/2012
Korea Electric Power		x	Removed from List: Past Involvement	4/15/2012
Nam Fatt Corporation Bhd		x	Removed from List: Past Involvement	4/15/2012
Sumatec Resources Berhad		x	Removed from List: Past Involvement	4/15/2012
Tecnicas Reunidas	x		Removed from List: Past Involvement	4/15/2012
Linde AG	x		Removed from List: Clarified Involvement	7/15/2012
Andritz AG		x	Removed from List: Past Involvement	7/15/2012
Egyptians Abroad for Investment & Development		x	Removed from List: Past Involvement	7/15/2012
Egyptians Housing Development & Reconstruction		x	Removed from List: Past Involvement	7/15/2012
LS Industrial Systems Co., Ltd		x	Removed from List: Past Involvement	7/15/2012
Mangalore Refinery & Petrochemicals Ltd.		x	Removed from List: Past Involvement	7/15/2012
Mitsui Engineering & Shipbuilding Co. Ltd.	x		Removed from List: Past Involvement	7/15/2012

*This column reports the nature of any change in the status of a company (i.e., that it was either added to or removed from the list of scrutinized companies) and briefly describes the reason for the change (e.g., the activity or involvement with the terror-sponsoring state's government initially supporting inclusion on the list was no longer occurring; additional information corrected the initial impression on which inclusion was based; etc.).

Engagement and Company Correspondence

Each company on the scrutinized lists was sent a written notice informing the company of its scrutinized company status, specifying the business activities responsible for that status, and explaining the implications of that status per the Act. Each company was invited to respond to this notification, either to clarify its activities or to inform the Four Funds of plans to cease its scrutinized involvement.

For the purposes of the correspondence there are two distinct categories of scrutinized companies: companies in which one or more of the funds have direct holdings and companies that are not held in any fund's portfolio. The principal difference in these two groups of companies is the consequences for their inclusion on a scrutinized list.

- The Four Funds are prohibited from any additional investment in companies that are directly held. In addition, these companies have 180 days following notification to announce significant action toward ceasing scrutinized activities or face divestment within 26 months after the 180-day period.
- The Four Funds are prohibited from initiating investment in companies that are not directly held.

Templates of the notice sent to the scrutinized companies in each of the above categories can be found in Appendix B.

Table 4: Date of Written Notice Informing the Scrutinized Companies as to Their Status

Companies identified during the reporting period as having scrutinized activities in countries of concern were notified of their inclusion on a scrutinized list through a correspondence process. The following table lists the companies, describes whether or not related securities were initially determined to be held by one or more of the Four Funds, and provides the date the notification was sent.

COMPANY NAME	IN HOLDINGS	NOT IN HOLDINGS	DATE OF NOTIFICATION
Gaz		x	11/16/2011
Korea Electric Power	x		11/16/2011
Petrofac	x		11/16/2011
Toyota Tsusho Corporation	x		11/16/2011
Engineers India Ltd.		x	2/15/2012
Saipem Spa	x		2/15/2012
Linde AG	x		5/29/2012
Petronet LNG Ltd.		x	5/29/2012

Table 5: Correspondence from Companies Initially Determined as Directly Held by One or More of the Four Funds

Companies notified of their inclusion on the lists of scrutinized companies have 180 days to respond and either clarify their involvement or submit a plan of substantial action for the cessation of scrutinized activities. Table 5 describes companies initially determined to be directly held by one or more of the Four Funds. It also shows when the companies responded to notification of their scrutinized status, whether the correspondence identified plans or actions to change their active involvement status, and what actions the Four Funds took (if any) due to the correspondence.

COMPANY NAME	IRAN	SUDAN	DATE RESPONDED	STATUS CHANGE	ACTIONS TAKEN
Korea Electric Power		x	2/23/2012	Past Involvement	Removal from List
Korea Plant Service & Engineering Co Ltd		x	2/23/2012	Past Involvement	Removal from List
Linde AG	x		6/28/2012	Past Involvement	Removal from List

Table 6: Correspondence from Companies Initially Determined as Not Directly Held by One or More of the Four Funds

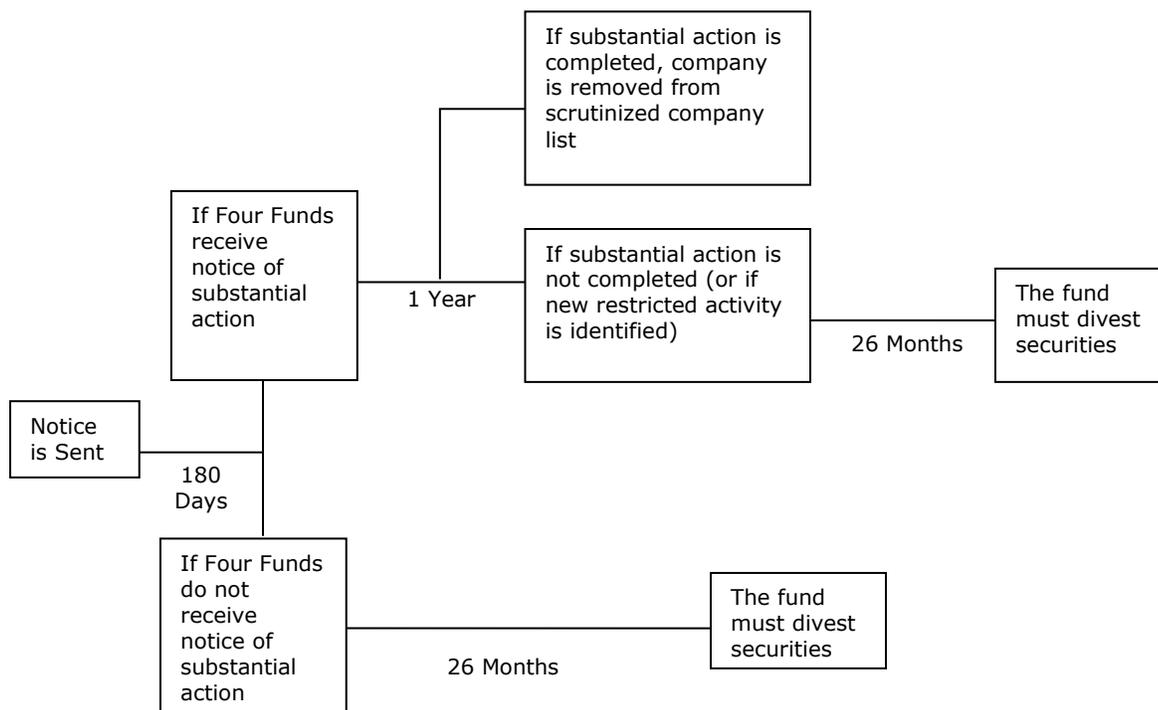
Table 6 lists companies that were initially determined to not be directly held by one of the Four Funds that have responded to the notification of scrutinized status, and what actions were taken (if any) due to their correspondence.

COMPANY NAME	IRAN	SUDAN	DATE RESPONDED	STATUS CHANGE	ACTIONS TAKEN
There Was no Correspondence from Companies Initially Determined as Not Directly Held by One or More of the Four Funds					

Divestment Process and Activities

The Act lays out a process and timeline for divestment from any directly-held scrutinized company that fails to take significant action with regard to its involvement.

Timeline B: Scrutinized Company Divestment Timeline



- When a scrutinized company is identified, a notice is sent advising the company as to its status. The notification provides an explanation of the reason for the company's inclusion on a list of scrutinized companies and of the potential for any related securities held by the public fund to be divested. The notice also informs the company of the opportunity to clarify its scrutinized business activities and encourages the company to cease its scrutinized activities.
- If within 180 days of the date of receipt of this notice the company announces by public disclosure that the company will take substantial action (*i.e.*, publicizing and implementing a formal plan to cease scrutinized business activities within one year and refrain from any such new business activities), the public fund may maintain its holdings in securities relating to the scrutinized company. The company, however, will remain on the scrutinized company list(s) until the actual cessation of scrutinized business activities.
 - If the company fails to follow through with disclosed substantial action within one year, or if the company engages in new scrutinized business activities within a country of concern, then the fund must divest securities related to

the scrutinized company within 26 months after expiration of the one-year period.

- If, however, the company does not announce by public disclosure within 180 days of the date of receipt of this notice that the company will take substantial action (*i.e.*, publicizing and implementing a formal plan to cease scrutinized business activities within one year and refrain from any such new business activities), then the fund must divest securities related to the scrutinized company within 26 months.

Table 7: Current Divestment Schedule of Scrutinized Companies

Certain companies have either not responded to the notices sent on behalf of the Four Funds by the Treasury Department or their responses have not yet met the requirements for removal from the Scrutinized Lists. The following table lists companies directly held by one or more of the Four Funds that are subject to being divested based upon this failure to respond or to provide an adequate response. The table also shows the date of the original notice, the date that an adequate response to the notice needed to be received, and the date by which all related securities held by one or all of the Four Funds must be divested.

This list also includes companies that have submitted a plan of substantial action to cease scrutinized activities in the country of concern. The Four Funds will monitor the companies' progress over the course of a year. If a company ceases all scrutinized activities within one year after receipt of a plan of substantial action, it will be removed from the scrutinized lists. If a company fails to follow through with disclosed substantial action within one year, or if a company engages in new scrutinized business activities within a country of concern, then the fund will divest securities related to that scrutinized company by the date indicated.

COMPANY NAME	IRAN	SUDAN	NOTICE SENT	180 DAY DEADLINE	DATE OF RESPONSE REGARDING SUBSTANTIAL ACTION	DIVESTMENT DEADLINE
Gazprom	x		10/29/2010	4/27/2011		6/24/2013
Japan Petroleum Exploration Co. Ltd.	x		10/29/2010	4/27/2011	5/16/2011	6/24/2014
Mitsubishi Corp.		x	10/29/2010	4/27/2011		6/24/2013
Mitsui & Co. Ltd.	x		10/29/2010	4/27/2011		6/24/2013
PetroChina Co. Ltd.	x		10/29/2010	4/27/2011		6/24/2013
Petrofac	x		11/16/2011	5/14/2012		7/12/2014
Saipem Spa	x		2/15/2012	10/11/2014		10/11/2014

COMPANY NAME	IRAN	SUDAN	NOTICE SENT	180 DAY DEADLINE	DATE OF RESPONSE REGARDING SUBSTANTIAL ACTION	DIVESTMENT DEADLINE
Technip	x		10/29/2010	4/27/2011		6/24/2013
Total S.A.	x	x	10/29/2010	4/27/2011	3/29/2011 (Iran)	5/29/2014
Toyota Tsusho Corporation	x		11/16/2011	5/14/2012		7/12/2014

Investment Transactions Related to Scrutinized Companies

Since October 2010, the Four Funds have advised their investment managers to make no new investments in the securities of any scrutinized company in order to comply with the Act's restrictions on new investments. The Act also requires the Four Funds to divest within 26 months their direct holdings in securities of companies that have not announced, by public disclosure, substantial action regarding cessation of their scrutinized activities within 180 days of notification. Act 44 directs the Four Funds to report all investments sold, redeemed, divested, or withdrawn in compliance with the Act.

At the time of preparation of this report, a number of companies announced substantial actions and anticipate a timely cessation of scrutinized activities. A number of other companies, however, have failed to announce substantial action regarding cessation of scrutinized activities. Although the statutory deadline for making such an announcement has passed for many of these companies, the deadline for divestment of these scrutinized companies has not been reached. Accordingly, the Four Funds have not, to this point, directed any investment manager to divest the securities of any scrutinized company.

Nonetheless, investment managers for one or more of the Four Funds subsequently sold some securities of scrutinized companies that failed to announce substantial action by their applicable deadlines. Each applicable date marked both the expiration of the 180 day deadline for these companies to announce such action and, consequently, the commencement of the 26 month window for mandatory divestment under Act 44. The Four Funds are unable to definitively attribute these sales to efforts intended to achieve divestment within the statutory scheme as opposed to market timing or other traditional considerations. Additionally, one or more of the Four Funds changed investment managers during the reporting period. Some scrutinized securities may have been sold in the process of liquidating the terminated accounts. In the interest of comprehensive disclosure, the Four Funds have chosen to provide these transactions in this report.

The table below shows the name of each scrutinized company sold that failed to announce substantial action, and the net proceeds realized from those transactions, for the period between July 1, 2011 and June 30, 2012. It is important to note that the appearance of a scrutinized company on this table may signify only that one (or more) managers for one public fund chose to sell such securities. It does not mean that such public fund and/or another public fund does not continue to hold a position in any of the listed companies.

Table 8: Investment Sales of Scrutinized Companies for the period ending June 30, 2012

SCRUTINIZED COMPANY	AMOUNT
Andritz AG	\$177,614.52
China Petroleum & Chemical Corp	\$499,229.73
Daelim Industrial	\$1,015,508.66

SCRUTINIZED COMPANY	AMOUNT
Gazprom	\$8,442,951.11
GS Holdings	\$183,684.09
Mitsubishi Corp.	\$241,706.00
Mitsui & Co. Ltd	\$7,466,232.81
Mitsui Engineering & Shipbuilding Co. Ltd.	\$314,925.44
Oil & Natural Gas Corporation Ltd.	\$2,152,173.63
PetroChina Co. Ltd.	\$1,169,305.83
Saipem Spa	\$730,005.03
Sasol Ltd	\$3,774,248.97
Schneider Electric	\$118,662.23
Total S.A.	\$4,397,686.47
Total	\$30,683,934.52

Cost of Investments

In addition to the investments sold, redeemed, divested or withdrawn in compliance with its Section 4(c) (concerning divestment requirements), Act 44 also requires this report to disclose the "costs and expenses of such transfers and a determination of net gain or loss on account of such transactions incurred in compliance with the provisions of this act." The prior section of this report and Table 8 describe certain transactions the Four Funds conducted that involved companies with scrutinized activities. As the prior section also explains, however, the Four Funds are unable to characterize all of these transactions as having been conducted for the purpose of achieving compliance with Section 4(c).

The Four Funds are provided the opportunity to make a claim for reimbursement for net losses, costs, and expenses incurred as a result of compliance with the Act. The Act directs the Secretary of Budget, in consultation with public funds, to establish annually a uniform method to be used to calculate gains and losses incurred as a result of compliance with the Act. The Four Funds then have until November 1st each year to submit a claim for reimbursement to the Secretary of the Budget.

The Secretary of the Budget issued a methodology to be used by the Four Funds to determine this amount for the period ending June 30, 2011 after the publication of last year's report. As such, the Four Funds have elected to present the reimbursement information that could not be included in last year's report. Table 9 presents investment costs for the period ending June 30, 2011 by category of expense. Table 10 presents investment costs for the period ending June 30, 2011 by each fund. The General Assembly appropriated these costs to Treasury for allocation among the Four Funds based upon their respective costs.

The Secretary of the Budget has instructed the Four Funds to continue utilizing the methodology he issued for the period ending June 30, 2011 in order to calculate gains and losses incurred as a result of compliance with the Act for the period ending June 30, 2012. Table 11 presents investment costs for the most recent fiscal year by category of expense. Table 12 presents investment costs from the most recent fiscal year by each fund, for which each will seek reimbursement from the general fund according to the methodology issued by the Secretary of the Budget.

A copy of the methodology issued by the Secretary of the Budget for the calculation of gains and losses as a result of compliance with Act 44 is presented in Appendix C of this report.

Table 9: Costs and Losses (Gains) of Investments for the period ending June 30, 2011, by category of expense

EXPENSE	AMOUNT
Consulting Services	\$121,000.00
Investment Losses (Gains)	(\$255,107.30)
Postage	\$87.00
Salaries of Staff	\$104,179.28
Supplies	\$9.00
Technology	\$1,188.00

Table 10: Cost and Losses (Gains) of Investments for the period ending June 30, 2011, by fund

EXPENSE	AMOUNT
PMRS	
Consulting Services	\$27,000.00
Salaries of Staff	\$2,645.00
PMRS Total Expenses Reimbursed by the General Fund	\$29,645.00
PSERS	
Consulting Services	\$27,500.00
Investment Losses (Gains)	(\$255,107.10)
Salaries of Staff	\$34,257.64
PSERS Total Expenses Reimbursed by the General Fund*	\$ -
SERS	
Consulting Services	\$27,500.00
Salaries of Staff	\$14,013.72
SERS Total Expenses Reimbursed by the General Fund	41,513.72
Treasury	
Consulting Services	\$39,000.00
Postage	\$87.00
Salaries of Staff	\$53,262.92

EXPENSE	AMOUNT
Supplies	\$9.00
Technology	\$1,188.00
Treasury Total Expenses Reimbursed by the General Fund	\$93,546.92
Four Funds' Total Expenses Reimbursed by the General Fund	\$164,705.64

*Since investment gains from PSERS's transactions exceeded its administrative costs of compliance, Act 44 does not authorize reimbursement for PSERS.

Table 11: Cost and Losses (Gains) of Investments for the period ending June 30, 2012, by category of expense

EXPENSE	AMOUNT
Consulting Services	\$90,000.00
Investment Losses (Gains)	\$1,746,242.00
Postage	\$49.41
Salaries of Staff	\$53,792.33
Supplies	\$20.63
Technology	\$1,188.00

Table 12: Cost and Losses (Gains) of Investments for the period ending June 30, 2012, by fund

EXPENSE	AMOUNT
PMRS	
Investment Losses (Gains)	\$137,203.16
Salaries of Staff	\$700.00
Total Expenses Incurred by PMRS During the Reporting Period	\$137,903.16
PSERS	
Investment Losses (Gains)	\$504,517.79
Salaries of Staff	\$9,757.69
Total Expenses Incurred by PSERS During the Reporting Period	\$514,275.48

EXPENSE	AMOUNT
SERS	
Investment Losses (Gains)	\$1,104,827.03
Salaries of Staff	\$994.00
Total Expenses Incurred by SERS During the Reporting Period	\$1,105,821.03
Treasury	
Consulting Services	\$90,000.00
Investment Losses (Gains)	(\$305.98)
Postage	\$49.41
Salaries of Staff	\$42,340.64
Supplies	\$20.63
Technology	\$1,188
Total Expenses Incurred by Treasury During the Reporting Period	\$133,292.70
Total Expenses Incurred by the Four Funds During the Reporting Period	\$1,891,292.37

Conclusion

This report has been prepared in accordance with the requirements contained in Act 44 of 2010. The information found in this report is derived from a variety of data sources. IW Financial and the Four Funds believe this information to be accurate at the time of publication. Any discrepancies discovered after the publication of this report will be addressed in subsequent reports.

Any questions about this report should be directed to:

Pennsylvania Treasury Department
101 Finance Building
Harrisburg, PA 17120
717.772.1830

Appendix A: Letter Sent to U.S. Attorney General Eric Holder and Acknowledgement



TREASURY DEPARTMENT
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PA 17120

THE STATE TREASURER

July 28, 2010

Attorney General Eric H. Holder, Jr.
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

Dear Attorney General Holder:

I write to you pursuant to the Protecting Pennsylvania's Investments Act (Act 44 of 2010, hereinafter cited as "Act 44"), a state divestment law that controls direct holdings by public funds in companies that have a prohibited association with the nations of Sudan or Iran. I am providing this report in accordance with Act 44 and with the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (H.R. 2194, 111th Cong. Title II) § 202(e) and the Sudan Accountability and Divestment Act of 2007 (P.L. 110-174) §3.

Please accept this report from Pennsylvania Treasury, which is also acting on behalf of the other affected public funds that are required to provide you with a written report, namely the Pennsylvania State Employees' Retirement System, the Pennsylvania Public School Employees' Retirement System, and the Pennsylvania Municipal Retirement System. Each of these public funds has authorized me to act on its behalf in this regard.

The Pennsylvania Treasurer is statutorily designated as custodian of various funds deposited with the Commonwealth and is also authorized to invest on behalf of certain funds. Among the larger funds under the custody of the Treasurer is the Public School Employees' Retirement Fund, with assets currently of about \$46 billion, the State Employees' Retirement Fund, with assets currently of about \$25 billion, and the Pennsylvania Municipal Retirement Fund, with assets currently of about \$1.4 billion. The investments of each of these funds are managed and controlled by separate retirement boards that stand in a fiduciary relationship to their beneficiaries and are subject to a prudent investor standard of care.

Attorney General Eric H. Holder, Jr.
Page Two
July 28, 2010

Act 44 regulates and limits the Treasurer's and the pension boards' investment authority pertaining to investments in certain companies defined by the statute as "scrutinized companies" based upon their involvement or association with Sudan and Iran. In particular, Act 44 directs the Treasurer, the pension boards, and other public funds, as follows:

- Within 90 days, identify all scrutinized companies having business activities with either Sudan or Iran in which public funds are invested;
- Following the initial 90 day period, develop lists of all such scrutinized companies in each country;
- Provide written notice to each company on the scrutinized company lists advising the business that its business activities have resulted in a determination that it may become subject to divestment;
- Within 180 days of receipt of such written notice, if the notified company makes a public announcement indicating the intention of the company to cease activities with either Sudan or Iran, determine whether to remove the company from the scrutinized company list and maintain its investment; however,
- Within 180 days of receipt of such written notice, if the company has not made any public announcement concerning its intention to cease activities with either Sudan or Iran, the public fund shall completely divest its investment in the company within 26 months following the 180 day period.

Act 44 mandates additional monitoring and reporting requirements applicable to each Commonwealth public fund custodian. In addition, Act 44 permits scrutinized investments to continue or be reinstated under specific circumstances related to each nation's status as a state sponsor of terrorism pursuant to the federal Foreign Relations Authorization Act of 1988 and 1989.

A complete copy of Act 44 is attached for your consideration. Please do not hesitate to get in touch with me if you have questions or if we can be of assistance.

Sincerely,



Robert M. McCord
State Treasurer



U.S. Department of Justice

Office of Intergovernmental and Public Liaison

950 Pennsylvania Avenue, NW, Room 1629
Washington, DC 20530

2010 AUG 11 AM 10:24
http://www.usdoj.gov/oipl/
ROOM 129

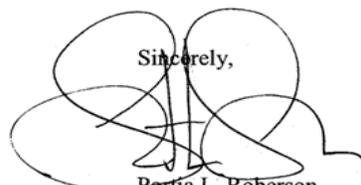
August 9, 2010

Mr. Robert M. McCord
State Treasurer
Treasury Department
Commonwealth of Pennsylvania
129 Finance Building
Harrisburg, PA 17120

Dear Mr. McCord:

This is to acknowledge receipt of your letter to the Attorney General dated July 28, 2010 and the attached report on behalf of the Pennsylvania State Employees' Retirement System, the Pennsylvania Public School Employees Retirement System, and the Pennsylvania Municipal Retirement System. This report is in accordance with Act 44 and with the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (H.R. 2194, 111th Cong. Title II) and the Sudan Accountability and Divestment Act of 2007 (P.L. 110-174) 3.

Thank you for the information. If our office can be of assistance to you on this or other matters involving the Department, please do not hesitate to contact us. For more information about the Department of Justice, please visit our web site at www.usdoj.gov.

Sincerely,

Portia L. Roberson
Director

Appendix B: Letter Templates for Scrutinized Companies



Date

XXXXX

XXXXX

Dear Sir or Madam,

The Commonwealth of Pennsylvania has enacted legislation (Act 44 of 2010) requiring the divestment of public funds from companies doing business in Iran and/or Sudan that meet certain thresholds of activity. Additionally, the legislation prohibits Pennsylvania's public funds from purchasing securities from companies that appear on the scrutinized business activities list regardless of the funds' direct holdings in such companies.

IW Financial is assisting these four public funds in their efforts to comply with this legislation. As a consequence, IW Financial has developed a list of companies that satisfy the statutory definition of "scrutinized business activities" in Iran and/or Sudan. These ties may be through the activities of a subsidiary.

(Company) appears on the list as having scrutinized business activities in (Country), (Reason). Pennsylvania's public funds, specifically the Pennsylvania Treasury Department, the Public School Employees' Retirement System, the State Employees' Retirement System, and the Pennsylvania Municipal Retirement System have combined assets of over \$80 billion. Your status on the scrutinized business activities lists for Iran and/or Sudan prohibits the funds from purchasing securities in your company. Should your company wish to clarify its scrutinized activities, please contact IW Financial; contact information is provided below.

Whether or not you seek to clarify your involvement, we encourage you either to cease scrutinized business activities in (Country) or convert such operations to inactive business activities in order to be removed from the scrutinized list, thereby enabling the funds to purchase your securities. The Pennsylvania public funds' scrutinized lists are updated quarterly. In addition, the funds are required to publicly disclose our findings in an annual report to the Governor, the Pennsylvania legislature, the public funds' boards, and the general public.

Should you have any questions regarding the Act and the criteria used to develop the list, you may access a copy of the statute at <http://www.legis.state.pa.us> (search under Bill # SB 928).

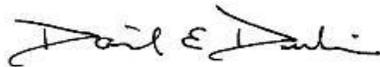
Joseph I. Williams
300 E. Main Street, Suite 301
Johnson City, TN, 37604
JosephWilliams@iwfinancial.com

Thank you for your cooperation.

Sincerely,



Robert M. McCord
Pennsylvania Treasurer



David Durbin
Executive Director
State Employees' Retirement System of Pennsylvania



Jeffrey Clay
Executive Director
Public School Employees' Retirement System of Pennsylvania



James Allen
Secretary
Pennsylvania Municipal Retirement System



Date

XXXXX

XXXXX

Dear Sir or Madam,

The Commonwealth of Pennsylvania has enacted legislation (Act 44 of 2010) requiring the divestment of public funds from companies doing business in Iran and/or Sudan that meet certain thresholds of activity. Additionally, the Act prohibits Pennsylvania's public funds from purchasing securities from companies that appear on the scrutinized business activities lists regardless of the funds' direct holdings in such companies.

The Pennsylvania Treasury Department is acting in conjunction with the state's other major public funds, specifically the Public School Employees' Retirement System, the State Employees' Retirement System, and the Pennsylvania Municipal Retirement System. In the aggregate, these four public funds have combined assets of over \$80 billion. IW Financial, assisting these four public funds in this effort, has developed a list of companies that satisfy the statutory definition of "scrutinized business activities" in Iran and/or Sudan. These ties may be through the activities of a subsidiary.

(Company) appears on the list as having scrutinized business activities in (Country), specifically (Involvement). Pursuant to the Act, we are sending you this written notice to inform you of your company's status as a scrutinized company and the fact that the securities of your company or a subsidiary may be subject to divestment by Pennsylvania's public funds. Should your company wish to clarify its scrutinized activities, please contact the Pennsylvania Treasury Department; contact information is provided below.

To avoid divestment, your company must either cease scrutinized business activities in (Country) or convert such operations to inactive business. If no action is taken within 180 days of receipt of this notice, your company will remain on the list of scrutinized companies with active ties to Country and be subject to divestment. The Pennsylvania public funds' scrutinized lists are updated quarterly. In addition, the funds are required to publicly disclose our findings in an annual report to the Governor, the Pennsylvania legislature, the public funds' boards, and the general public.

Should you have any questions regarding the Act and the criteria used to develop the list, please refer to the enclosed copy of the legislation, also available online at <http://www.legis.state.pa.us> (search under Bill # SB 928).

Please send all correspondence and any inquiries to:

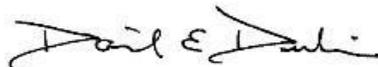
Joseph I. Williams
300 E. Main Street, Suite 301
Johnson City, TN, 37604
JosephWilliams@iwfinancial.com

Thank you for your cooperation.

Sincerely,



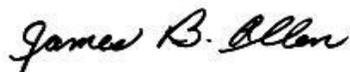
Robert M. McCord
Pennsylvania Treasurer



David Durbin
Executive Director
State Employees' Retirement System of Pennsylvania



Jeffrey Clay
Executive Director
Public School Employees' Retirement System of Pennsylvania



James Allen
Secretary
Pennsylvania Municipal Retirement System

Appendix C: Reimbursement Methodology

Uniform Method for Determining Net Losses and Gains From Divestitures Required by the Act of July 2, 2010 (P.L. ____, No. 44) for the period July 1, 20__ through June 30, 20__

Section 9(2) of the Act of July 2, 2010 (P.L. ____, No. 44) (Act 44 of 2010), 72 P.S. § 3837.9(2), requires the Secretary of the Budget to annually establish, in consultation with each of the public funds that are subject to Act 44 of 2010 (State Employees' Retirement Fund; Public School Employees' Retirement Fund; Pennsylvania Municipal Retirement Fund; any fund of which the State Treasurer is the custodian), a uniform method for determining each fund's net gains, net losses, costs, and expenses when the funds sell, redeem, divest, or withdraw from the funds' direct holdings in the securities of companies that are on the Scrutinized Companies with Activities in Iran List, or on the Scrutinized Companies with Activities in Sudan List.

Each fund subject to Act 44 of 2010 shall calculate its itemized budget request for reimbursement for the period July 1, 20__ through June 30, 20__ as follows:

- Each fund's actual realized net gain or net loss during the reporting period from any sale, redemption, divestiture, or withdrawal of each of the fund's direct holdings in the securities of companies that are on the Scrutinized Companies with Activities in Iran List, or are on the Scrutinized Companies with Activities in Sudan List, or both, during the 26 month divestiture period mandated by Section 4(c) of Act 44 of 2010 shall be calculated for each trade of such a company's securities by subtracting the fund's actual cost basis in the security from the price at which the fund sold, redeemed, divested, or withdrew from the security. The net gain or net loss of each trade shall be reported in chronological order from oldest to most recent trade on the form marked Attachment 1, "Actual Amount Realized on the Sale of Securities." The funds shall report the trades of each company in U.S. dollars, and shall group together each company's trades in alphabetical order.

In the event that a trade was not conducted in U.S. dollars and that the fund has not previously converted that trade into U.S. dollars, the fund must convert the amount of the trade from the currency in which the trade took place into U.S. dollars on the date of the trade. The fund shall first convert its actual costs basis in the security on the date(s) of purchase into U.S. dollars, shall next convert the price received on the date of sale into U.S. dollars, and shall then compute in U.S. dollars the net gain or net loss on the sale in the manner set out above.

If the securities of a company sold on a given date were acquired or purchased by the fund on different dates with different acquisition or purchase prices, the fund may average the original acquisition or purchase prices of that company's security sold on that given date, and then use that average as the fund's actual cost basis in the security to determine its net gain or net loss resulting from the trade of that security.

- Each fund shall report on a form marked Attachment 2, "Actual Expenses Incurred Related to the Administration of Act 44," each transaction fee it directly incurred for each security trade reported on Attachment 1.
- Each fund shall report on a form marked Attachment 2, "Actual Expenses Incurred Related to the Administration of Act 44," the personnel costs the fund directly incurred by each employee that performed duties and responsibilities connected to Act 44 of 2010 for the fund. The fund may

report each employee's personnel cost either as a percentage of the gross salary paid to the employee, or by multiplying the number of hours or parts of hours that the employee worked to further the fund's duties and responsibilities under Act 44 of 2010 by the employee's hourly rate of pay.

- Each fund may report on a form marked Attachment 2, "Actual Expenses Incurred Related to the Administration of Act 44," the cost of postage, office supplies, and other similar office administration costs incurred by the fund to carry out its duties and responsibilities under Act 44 of 2010.
- Each fund shall report on a form marked Attachment 2, "Actual Expenses Incurred Related to the Administration of Act 44," the amounts paid by the fund to consultants and other third parties retained by the fund to assist the fund: in identifying companies that must be placed on the Scrutinized Companies with Activities in Iran List, or on the Scrutinized Companies with Activities in Sudan List; with monitoring the business activities of companies on the Scrutinized Companies with Activities in Iran List, or on the Scrutinized Companies with Activities in Sudan List; and, in determining when a company must be removed from the Scrutinized Companies with Activities in Iran List, or the Scrutinized Companies with Activities in Sudan List. The fund shall report the name of the consultant or other third party, and shall report the amount paid to the company or their party during the reporting period per invoice issued by the company or third party to the fund. In the event that payments were not made to a consultant or third party in U.S. dollars and that the fund has not previously converted that payments into U.S. dollars, the fund must convert the amount of each payment from the currency in which the trade took place into U.S. dollars on the date of each payment.

The amount of each fund's itemized budget request for reimbursement under Act 44 of 2010 for the period July 1, 20__ through June 30, 20__ submitted by each fund to the Office of the Budget by November 1, 20__ for transmission to the General Assembly shall be the total amount of the fund's actual losses plus the fund's costs and expenses for the reporting period offset by any actual gains experienced by the fund.

Appendix D: Securities Held by Funds

The Four Funds hold thousands of publicly and privately traded securities. Given the size of the list, and in the interest of saving paper, the Four Funds have chosen to include Appendix D in the online version of this report. The online version of this report can be found at www.patreasury.gov. The list can also be obtained by contacting the Pennsylvania Treasury Department at 717-772-1830.