

**COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM**

SERS # 09-013

**MANAGEMENT AGREEMENT FOR PENNSYLVANIA EQUITY
PORTFOLIO MANAGEMENT**

This Agreement made as of September 1, 2009, by and between the **COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM** (herein "SERS") and **MELLON CAPITAL MANAGEMENT CORPORATION**, a registered investment advisor, with its principal office and place of business at 500 Grant Street, Suite 4200, Pittsburgh, Pennsylvania 15258-0001 (herein "MANAGER"),

WITNESSETH:

WHEREAS, pursuant to Title 71, Sections 5101, *et seq.* of the Pennsylvania Consolidated Statutes (the "Retirement Code") and specifically Section 5931(a) thereof, SERS' Board has exclusive control and management of the Pennsylvania State Employees' Retirement Fund (herein the "Fund"), with full power to invest the same, subject to terms and conditions imposed by law; and

WHEREAS, pursuant to Section 5902(b) of the Retirement Code, SERS' Board has authority to contract for such professional services as it deems advisable in order to fulfill its duties; and

WHEREAS, SERS and MANAGER, have previously entered into a Management Agreement for Pennsylvania Equity Portfolio Management, M.E. #370139, dated as of September 1, 2004 ("Management Agreement"); and

WHEREAS, the Management Agreement is scheduled to expire on August 31, 2009; and

WHEREAS, it is deemed in the best interest of the Fund that SERS renew the services of MANAGER; and

WHEREAS, MANAGER possesses and will employ, in a fiduciary capacity, professional knowledge, experience, and expertise in equity portfolio management, and investment matters generally, to preserve and enhance the financial integrity of the Fund;

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be bound hereby, the parties hereto agree as follows:

1. Engagement. SERS hereby engages MANAGER and MANAGER hereby accepts SERS' engagement to serve as an investment advisor and manager for and on behalf of SERS with respect to Fund assets allocated to it, and to invest and reinvest such assets for and on behalf of SERS consistent with the terms of this Agreement and such other policies and directives as may be communicated in writing to MANAGER from time to time.

2. SERS Policies and Guidelines. MANAGER shall abide by SERS' Statement of Investment Policy and Investment Strategy Statement, attached hereto and incorporated herein as Exhibit A and Exhibit B, respectively. SERS may retitle, amend or supplement its Statement of Investment Policy from time to time in its sole discretion, and written notice thereof shall be furnished to MANAGER, provided, however, that Manager shall be given sufficient time to review and implement any changes to Exhibit B prior to effectuating any such amendments or supplements to Exhibit B. The Investment Strategy Statement may be amended from time to time upon the mutual written consent of SERS and MANAGER. Upon any such amendment, Exhibit A or Exhibit B, as applicable, shall be replaced by the amended document and a copy shall be mailed to MANAGER.

3. MANAGER's Services. MANAGER shall purchase, sell and exchange authorized securities and generally act as investment advisor and manager for and on behalf of SERS, as limited by law, for Fund assets allocated to it, provided, however, that SERS in its sole discretion may suspend MANAGER's execution, trading and other activities for SERS' account at any time by written notice transmitted pursuant to Section 18 of this Agreement, provided that Manager may complete any trades outstanding prior to receipt of such written notice. In performing services hereunder:

(a) *Power and Authority.* MANAGER shall have full power and authority on behalf of SERS to: (i) make purchases and sales of securities or other property consistent with SERS' policies and

guidelines in Exhibit A and Exhibit B; (ii) exercise or abstain from exercising any option, warrant, privilege or right with respect to the assets; (iii) issue orders for, or make purchases or sales of, securities or other property directly with a broker, dealer or other person; and (iv) in connection with the assets, take any other action and exercise any power or authority reasonably necessary in carrying out the investment activities authorized by SERS. SERS shall retain the right to vote all proxies for securities held in the fund.

(b) *Involvement with Brokers and Dealers.* In the performance of said services and subject to any directed brokerage obligations set forth herein, MANAGER shall execute investment decisions through brokers and dealers of its choice with a view to achieving best execution under the circumstances. MANAGER may utilize the execution, clearing and settlement services of a broker or dealer who is an Affiliate, provided that MANAGER has first obtained the approval of SERS. For purposes of this Agreement, an "Affiliate" shall be any Person controlling, controlled by or under common control with MANAGER providing services under this Agreement. "Person" shall mean an individual, partnership (general, limited or limited liability), a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity. MANAGER shall favor Pennsylvania-domiciled brokers and dealers in the performance of such activities whenever MANAGER can do so in a manner consistent with SERS' Statement of Investment Policy. MANAGER shall provide complete and timely disclosure of any introducing broker relationship by written notice to SERS. Notwithstanding the foregoing, (i) upon SERS' written request, MANAGER shall use its best efforts to execute a percentage of SERS' trades through directed brokers in a manner consistent with Exhibit A and any written instruction and (ii) SERS reserves the right to selectively limit trading with brokerage firms; provided, however, that SERS acknowledges that where SERS directs MANAGER to use particular broker(s) in respect of certain trades, it may not be possible for MANAGER to achieve best execution in respect of those trades.

(c) *Registration of Securities.* MANAGER, when purchasing registered securities for SERS, shall cooperate with the Custodian in the appropriate registration of such securities. When used in this Agreement, the term "Custodian" refers to the State Treasurer, the State Treasurer's subcustodian, and agents of the State Treasurer's subcustodian. The identity and address of the State Treasurer's subcustodian shall be furnished to MANAGER by SERS.

(d) *Meeting Attendance.* MANAGER shall attend SERS' Board meetings as SERS shall request to apprise SERS of its investment activities. MANAGER shall also attend special meetings and attend or conduct investment seminars when requested by SERS.

(e) *Reports.* MANAGER shall furnish to SERS, or others, as SERS shall more specifically direct in writing hereafter, periodic reports on the status, composition, and performance of the assets managed by MANAGER. MANAGER shall also cause to be forwarded to the State Treasurer's subcustodian, and upon request to the State Treasurer, copies of all trade confirmations promptly after execution of transactions for SERS' account.

(f) *Information to be Furnished.* MANAGER shall furnish to SERS upon request information concerning assets and asset classes in which MANAGER will invest for and on behalf of SERS, including, *inter alia*, identification of purchase or sale opportunities and an overview of specific market conditions.

(g) *Compliance with Laws.* MANAGER's conduct and actions for and on behalf of SERS shall be in compliance at all times with federal and state securities laws and regulations and all other applicable laws and regulations, including but not limited to those relating to the licensing of its personnel.

(h) *MANAGER's Investments for Own Account.* Except to the extent prohibited by the Employee Retirement Income Security Act of 1974 ("ERISA"), MANAGER, its Affiliates, and their respective partners, directors, officers, and employees shall be permitted to buy, sell or trade in any securities for its or their own account or accounts, pursuant to MANAGER's policy on employee trading included in its most current Code of Ethics as may be amended from time to time (a copy of which is attached hereto as Exhibit E and made a part hereof); provided, however, that none of MANAGER, its Affiliates or their respective partners, directors, officers, or employees that are deemed to be access decision makers per Exhibit E, subject to any applicable exemptions set forth in the aforementioned policy on employee trading, shall be permitted to buy, sell or trade in any securities held for SERS' account within less than seven (7) calendar days before and after the date such securities were bought, sold or traded by MANAGER for SERS' account, and all other employees within less than one (1) business day before and after the date such securities were bought, sold or traded by MANAGER for SERS' account as per Exhibit E. Any amendments to the aforesaid policy shall be promptly provided to

SERS. MANAGER shall have no obligation to acquire on behalf of SERS a position in any investment which MANAGER, its Affiliates, or their respective partners, officers, or employees may acquire for its or their own account, if in the sole discretion of MANAGER, it is not feasible or in the best interests of SERS to acquire a position in such investment.

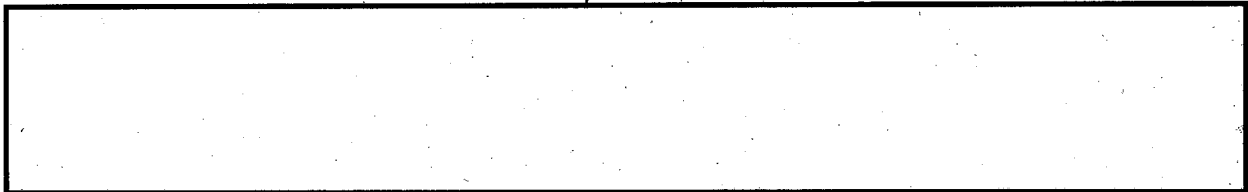
(i) *Proxy Voting and Class Actions.* MANAGER is expressly precluded from voting proxies or advising on proxies. MANAGER will have no obligation to initiate or take any other action on behalf of SERS relating to the securities comprising the Fund assets in any legal proceedings (including, without limitation, class actions). MANAGER will not file proofs of claims relating to the securities comprising the Fund assets and will not notify SERS or the custodian of the assets of class action settlements relating to the Fund assets.

(j) *ERISA Limitations.* References in the preceding subsections to restrictions or limitations on MANAGER's conduct imposed by ERISA shall be applied to MANAGER's conduct under this Agreement without regard to the general applicability of ERISA to the Fund.

(k) *Other Contracts.* To the extent it is necessary for contracts to be signed by SERS (whether signed directly by SERS or by MANAGER on behalf of SERS) pursuant to this Agreement, MANAGER acknowledges that such contracts must be approved in advance by all Commonwealth entities whose approvals are required in accordance with the Commonwealth of Pennsylvania's contract approval process.

4. Standard of Performance. MANAGER shall perform investment advisor and management services under this Agreement subject to the exercise of that degree of judgment and care under the circumstances then prevailing which persons of prudence, discretion, intelligence and investment expertise who are familiar with such matters exercise in the Management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income to be derived therefrom as well as the probable safety of their capital.

5. Compensation.



6. MANAGER's Insurance. MANAGER represents and warrants that the insurance coverage submitted to SERS prior to execution of this Agreement is in full force and effect and is unmodified and that such representation and warranty will survive execution of this Agreement. MANAGER shall maintain such insurance coverage, at a minimum, in effect throughout the term of this Agreement. MANAGER shall submit evidence of continued coverage as mutually agreed upon by SERS and MANAGER.

MANAGER shall be expected to comply with such procedures and requirements relating to insurance and bond coverage for the protection of SERS and the Fund as SERS may convey to MANAGER in writing. SERS may require changes to insurance coverage and bonding as it deems appropriate for the protection of SERS and the Fund by giving written notice of such changes to MANAGER at least one hundred twenty (120) days in advance of the effective date of such changes; provided, however, that if MANAGER does not wish to effectuate such changes to insurance coverage, MANAGER may terminate this Agreement within one hundred twenty (120) days in advance of the effective date of such changes.

7. Representations of MANAGER

(a) *General Representations.* MANAGER represents, warrants, confirms and agrees that:

(i) it is a "fiduciary" with respect to SERS and the Fund as that term is defined in Section 3(21)(A) of ERISA, and is not subject to any of the disqualifications described in Section 411 of ERISA, irrespective of the scope of ERISA application to the Fund;

(ii) (A) it is duly registered and in good standing as an investment adviser under the Investment Advisers Act of 1940, as amended, and shall maintain such registration in good standing at all times during the term hereof; (B) it shall timely furnish to SERS a complete and legible copy of Part II of its current Form ADV filed with the Securities and Exchange Commission pursuant to Section 203(c) of the Investment Advisers Act of 1940, as amended; (C) throughout the term hereof, it shall make any filings and pay any fees required by the Pennsylvania Securities Act of 1972, as amended (the "1972

Act"); and (D) any investment MANAGER representative employed by or associated with it who has a place of business in Pennsylvania and who at any time during the term hereof is providing services to SERS pursuant to this Agreement shall be duly registered and in good standing with the Pennsylvania Securities Commission in accordance with, and as may be required by, the 1972 Act; and

(iii) it has substantial experience and expertise making and managing the investments contemplated by this Agreement.

(b) *Evidence of Authority.* MANAGER shall furnish SERS from time to time with certified resolutions or other appropriate documentation evidencing the authority of its partners, officers, Affiliates and employees to act on behalf of MANAGER.

(c) *Reaffirmation.* MANAGER hereby reaffirms the reliability and accuracy of the written and oral representations made to SERS in the solicitation of this Agreement.

(d) *No Finder's, Solicitor's or Similar Fee.* Neither MANAGER nor any Affiliate, nor any of their respective partners, directors, officers, or employees have employed or retained any company or person, other than a bona fide employee working solely for MANAGER, to solicit or secure this Agreement, and none of the aforementioned parties have paid or agreed to pay, and shall not pay, any company or person, other than a bona fide employee working solely for MANAGER, any fee, commission, percentage, brokerage fee, gift, or any other compensation contingent upon or resulting from the award or making of this Agreement, except where: (i) MANAGER has disclosed, in writing to SERS, that it has engaged such a company or person other than a bona fide employee to secure this Agreement, and (ii) the cost of such engagement is not charged to SERS under the terms of compensation under this Agreement or any subsequent agreement. For breach or violation of this representation, SERS shall have the right to void this Agreement without liability, entitling SERS to recover all monies paid hereunder, and MANAGER shall not make claim for, or be entitled to recover, any sum or sums due under this Agreement or for any services which it may have provided under this Agreement. This remedy, if effected, shall not constitute the sole remedy afforded to SERS for such breach or violation, nor shall it constitute a waiver of SERS' rights to claim damages or to take any other action provided for by law or pursuant to this Agreement.

(e) *MANAGER's Website.* MANAGER agrees that any provisions pertaining or related to indemnification, governing law or jurisdiction, confidentiality or a payment of money (whether as a fine, liquidated damage, levy, access fee or other similar imposition) contained in any current or future website or similar electronic forum/data transfer maintained or made available by or on behalf of MANAGER shall not apply to or have any force or effect on SERS and that this Agreement shall instead control the rights, obligations and duties of the parties hereto.

(f) *Reliance.* MANAGER acknowledges that SERS has relied and will continue to rely upon MANAGER's representations, warranties, confirmations and agreements.

(g) *Notice of Change.* MANAGER shall promptly notify SERS in the event any of the foregoing acknowledgments, representations, warranties or agreements herein shall no longer be true.

8. MANAGER as Independent Contractor. MANAGER shall perform its services hereunder as an independent contractor and shall provide worker's compensation insurance where the same is required. MANAGER accepts full responsibility for the payment of, and shall pay when due, taxes of any nature or jurisdiction upon MANAGER's property and income, premiums for worker's compensation insurance, Social Security taxes, all income tax deductions and any other taxes or payroll deductions required by law for its employees, servants or agents who perform services specified by this Agreement.

9. Changes in MANAGER's Status. In the event of any actual or proposed material change in MANAGER's status or event affecting MANAGER, including, without limitation, (a) change in or departure of directors, officers, partners, employees or Affiliates who exercise investment discretion over SERS' account, (b) material modification of corporate or partnership structure, (c) change in actual control or management of MANAGER, (d) material change in United States Securities and Exchange Commission ("SEC") requirements or other government or private registration, accreditation or licensing requirements affecting MANAGER, (e) alleged violations by MANAGER, any Affiliate, or any of their respective partners, directors, officers, or employees, of the Investment Advisers Act of 1940, as amended, the federal securities laws, or comparable state law, (f) material deterioration in MANAGER's financial condition, including but not limited to the filing of a petition in bankruptcy, (g) MANAGER's awareness that its representations and warranties herein cease to be true, and (h) litigation alleging negligence, fraud or breach of fiduciary duty by MANAGER, any Affiliate, or any of their respective partners, directors, officers, or employees, MANAGER shall immediately notify SERS in writing.

10. Indemnification of SERS. MANAGER shall indemnify and forever hold harmless the Commonwealth of Pennsylvania, the Fund, SERS and its Board members, officers, agents and employees, from and against any and all losses, claims, demands, actions, or liabilities of any nature, including, but not limited to, attorneys' fees, expenses and court costs, directly arising out of the negligent, reckless, willfully improper or illegal performance of services or failure to perform services under this Agreement, actions outside the scope of authority, or other breach of this Agreement, by MANAGER, an Affiliate, their respective partners, directors, officers and employees. At SERS' option, and in its sole discretion, MANAGER shall defend at its expense actions brought against the Commonwealth of Pennsylvania, the Fund, SERS and its Board members, officers, agents and employees directly arising out of any services performed or the failure to perform services, or other breach of this Agreement, by MANAGER, an Affiliate, their respective partners, directors, officers, employees and agents, and the costs of such defense shall be borne by MANAGER and shall not constitute an expense of, and shall not be paid out of, Fund assets invested and managed by MANAGER. Notwithstanding any provision to the contrary in this Agreement, the obligations of MANAGER under this Section 10 shall be applicable to brokers only to the extent that MANAGER negligently selected such persons to provide services under this Agreement or utilized such persons in a negligent, reckless, willfully improper or illegal manner.

11. Confidentiality. All reports and documents relating to SERS and the Fund which MANAGER may prepare and deliver hereunder shall be confidential and shall become the property of SERS and shall not be published, circulated, or used in any manner by MANAGER without SERS' prior written approval, except as required by law. All information relating to SERS, whether in written or spoken form, that SERS provides to MANAGER or that is learned by MANAGER in connection with providing services to SERS, shall be confidential and shall not be disclosed, published, circulated, or used in any manner by MANAGER without SERS' prior written approval, except as required by law. MANAGER shall require the Affiliates, and its and the Affiliates' partners, directors, officers and employees to comply with the provisions of this Section 11 to the same extent as MANAGER.

12. Conflict of Interest. MANAGER covenants on behalf of itself, all Affiliates, and their respective partners, directors, officers and employees, that none of the aforementioned parties has an interest and shall not acquire any interest, direct or indirect, that would conflict in any material manner or degree with the performance of the services hereunder. MANAGER further covenants that in the

performance of this Agreement, that neither it nor any of the aforementioned parties will knowingly employ any person having any such conflicting interest.

13. Soft Dollars.

14. Other Business. SERS acknowledges that MANAGER provides investment advisor services for other clients, and that such services do not, in and of themselves, constitute a conflict with the performance of MANAGER's services hereunder. Provided the covenants of Section 12 above are not breached, and further provided that MANAGER and its partners, officers, employees and Affiliates comply with the "prohibited transaction" rules of ERISA, nothing in this Agreement shall prohibit MANAGER from rendering services similar to those provided herein for other clients. When investment opportunities occur which are consistent with the investment objectives of more than one client, MANAGER shall not favor any one client over another. Such investment opportunities shall be allocated in a manner deemed equitable to the particular clients involved based on such factors as their respective investment objectives and then current investment and cash positions. In the event two or more clients seek identical investments at the same time, MANAGER shall apply standardized allocation policies consistent with MANAGER's status as a fiduciary with respect to SERS and the Fund. A copy of such policies shall be furnished to SERS within a reasonable time after execution of this Agreement.

15. Assignment or Other Transfer. The rights and obligations of MANAGER under this Agreement, including any interest herein or any claim arising hereunder, may not be assigned by it, in whole or in part, whether to any Affiliate of MANAGER or to any other party or parties, and whether voluntarily or by operation of law, and whether by sale, merger, division, consolidation, encumbrance or sale of stock, or otherwise, without the prior written consent of SERS, which consent SERS may grant or withhold in its sole and absolute discretion. Any assignment or attempted assignment in contravention of this Section 15 shall be null and void *ab initio*.

16. Commonwealth Contract Provisions. In performing services hereunder, MANAGER shall comply with the Commonwealth contract provisions attached hereto and incorporated herein as Exhibit D. For purposes of Exhibit D, MANAGER shall be the "Contractor."

17. Maintenance, Preservation and Review of Records. MANAGER shall maintain such records, books and accounts pertaining to services and payments hereunder in accordance with generally

accepted accounting principles consistently applied. All such records, books and accounts shall be maintained and preserved for the longer of: (a) the term of this Agreement, or (b) four (4) years after their creation. During such period, SERS or any other department or representative of the Commonwealth of Pennsylvania, from time to time upon reasonable notice, shall have the right to inspect, duplicate and audit such records, books and accounts for all purposes authorized and permitted by law. MANAGER may preserve such records, books and accounts in original form or on microfilm, magnetic tape, CD-ROM or any other generally recognized and accepted process.

MANAGER shall maintain an adequate system of controls to ensure that any transactions entered into on SERS' behalf comply with all applicable laws and regulations, that the financial information reported to SERS is accurate and complete and that MANAGER is in compliance with the terms of this Agreement at all times. At the request and in the sole discretion of SERS, MANAGER shall produce an annual report on its policies and procedures describing MANAGER's control structure for fiduciary and investment activities and provide MANAGER's written assertion of effectiveness of its control structure over said matters. At the sole discretion of SERS, MANAGER may be requested annually to provide either of the following or a similar report:

(a) An examination of MANAGER's written assertion about the effectiveness of MANAGER's internal control structure provided by an independent certified public accountant knowledgeable in such matters, or

(b) An independent auditor's report prepared in accordance with the provisions of Statement on Auditing Standards No. 70 – Reports on the Processing of Transactions by Service Organizations (“SAS 70”). The report will examine both the design and effectiveness of the control environment.

18. Notices. Any notice, demand, direction, instruction and other communications required or permitted hereunder shall be confirmed in writing and shall be sufficiently given for all purposes when sent (a) by certified or registered U. S. mail, postage prepaid, (b) by a nationally recognized courier service that maintains written verification of actual delivery, (c) by facsimile or email with a copy of the communication sent by first class U.S. mail, postage prepaid (provided that if the date of dispatch is not a business day, the facsimile or email shall be deemed to have been received at the opening of business of the addressee on the next business day) or, (d) by delivering the same in person to any party at the following addresses or such other addresses as may be designated from time to time by the parties:

If to SERS: COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101-1716
Attn: Executive Director
Facsimile: (717) 783-7300

With copies to: COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101-1716
Attn: Chief Investment Officer
Facsimile: (717) 772-3741

And

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101-1716
Attn: Director of Global and Developed Market Stocks
Facsimile: (717) 772-3741

And

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101-1716
Attn: Chief Counsel
Facsimile: (717) 787-5751

If to MANAGER: Diane M. Hallett
Vice President
MELLON CAPITAL MANAGEMENT CORPORATION
500 Grant Street, Suite 4200
Pittsburgh, PA 15258-0001

19. Expiration and Termination.

(a) *Expiration.* This Agreement's initial term shall be five (5) years from the date first written above and this Agreement shall continue automatically for subsequent five (5) year terms for each extension at SERS' option unless terminated earlier as provided herein.

(b) *Termination.* MANAGER may terminate this Agreement by furnishing written notice to SERS not less than one hundred twenty (120) days prior to the effective date of termination, and SERS reserves the right to terminate this Agreement at any time, for any reason, by furnishing written notice to MANAGER, whereupon, and in either of such events MANAGER's fees for services under this Agreement shall be prorated and paid, provided that notwithstanding any other provision of this Agreement, SERS may withhold such payment of fees until MANAGER has fully complied, in SERS' sole discretion, with subsection (d) below.

(c) *Liability.* The termination or expiration of this Agreement shall not relieve MANAGER of any liability that may be incurred in connection with its performance or failure to perform its obligations under this Agreement which liability shall survive termination or expiration.

(d) *Final Report.* MANAGER shall furnish to SERS, within thirty (30) days of the effective date of termination or expiration of this Agreement or the avoidance of this Agreement pursuant to Section 7(d), a final report on its investment activities and the status of the Fund's assets allocated to MANAGER in such form and format as requested by SERS' staff. Any and all of the Fund's assets in MANAGER's possession at the effective date of termination, expiration or avoidance shall be returned to SERS, or transferred as directed by SERS, immediately upon termination, expiration or avoidance or as soon thereafter as is practicable considering MANAGER's obligations to preserve and enhance the financial integrity of the Fund.

20. Applicable Law. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania (without regard to any conflict of laws provisions) including Pennsylvania's Right-to-Know Law, 65 P.S. §§ 67.101-3104. MANAGER hereby (a) consents to exclusive jurisdiction in any court of the Commonwealth of Pennsylvania, any federal courts in Pennsylvania, and the Board of Claims ("Board of Claims") of the Commonwealth of Pennsylvania, hereby waiving any claim or defense that such forum is not convenient or proper and (b) agrees that any claim asserted against SERS shall only be brought before and subject to the exclusive jurisdiction of the Board of Claims pursuant to Section 1721 *et seq.* of Title 62 of Pa. Statutes. MANAGER agrees that the Board of Claims and any such court shall have *in personam* jurisdiction over it, and consents to service of process in any manner authorized by Pennsylvania law.

21. Reservation of Immunities. SERS hereby reserves all immunities, defenses, rights or actions arising out of its status as an instrumentality of a sovereign state or entity, or under the Eleventh Amendment to the United States Constitution, and no waiver of any such immunities, defenses, rights or actions shall be implied or otherwise deemed to exist by its entry into this Agreement, by any express or implied provision of this Agreement or by any actions or omissions to act of SERS or any representative or agent of SERS, whether taken pursuant hereto, prior to or after the entry by SERS into this Agreement.

22. Binding Effect. This Agreement shall inure to the benefit of and bind the parties hereto and their respective successors and assigns.

23. Amendment. No amendment or modification of this Agreement, other than as set forth in Section 2 hereof, shall have any force or effect unless it is in writing and signed by the parties hereto.

24. Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original, but the several counterparts shall together constitute but one and the same instrument.

25. Severability. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held contrary to any express provision of law, or contrary to the policy of express law though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the remainder of this Agreement or the rights of the parties hereto.

26. Headings. The headings and captions in this Agreement are for convenience and reference purposes only and shall not be construed or deemed to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions hereof.

27. Entire Agreement. Except as hereinabove expressly provided, this Agreement supersedes all prior contracts and undertakings, written or oral, between the same parties concerning the same subject matter.

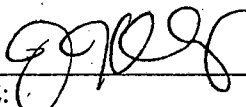
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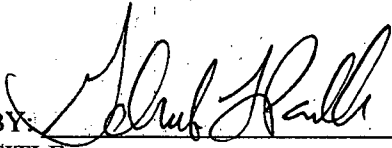
IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have caused this Management Agreement for Pennsylvania Equity Portfolio Management to be executed as of the date first above written.

ATTEST:

MELLON CAPITAL MANAGEMENT CORPORATION

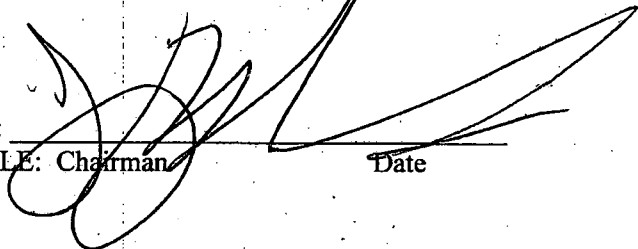
Federal Tax Identification Number:

BY:  8/28/09
TITLE: _____ Date
Senior Counsel

BY:  8/28/09
TITLE: _____ Date
**Gabriela Franco Parcella
EVP & Chief Operating Officer**

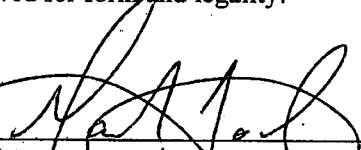
**COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM**

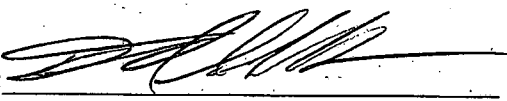
Federal Tax Identification Number:

BY: 
TITLE: Chairman _____ Date

Approved for form and legality:

Approved:

BY: 
TITLE: Martin A. Toth _____
Office of Attorney General BY DELEGATION

BY: 
TITLE: SERS Counsel _____ Date

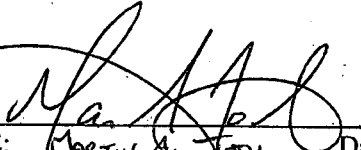
BY: 
TITLE: Martin A. Toth _____ Date
Office of General Counsel BY DELEGATION

EXHIBIT A

**Commonwealth of Pennsylvania State Employees' Retirement Board Statement of Investment
Policy
*Effective September 1, 2009***

Exhibit A provided under separate cover.

EXHIBIT B

Investment Strategy Statement
Effective September 1, 2009



EXHIBIT C

Fee Schedule
Effective September 1, 2009



EXHIBIT D

Commonwealth of Pennsylvania Contract Provisions
Effective September 1, 2009

Exhibit D provided under separate cover.

EXHIBIT E

***MANAGER Code of Ethics
As of September 1, 2009***

