

Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: February 26, 2009

SUBJECT: Modifications to the U.S. and Non-U.S. Proxy Voting Policies

TO: Members of the Corporate Governance Committee

FROM: Robert E. Little, CPA
Senior Investment Analyst

At the March 12, 2009, Corporate Governance Committee meeting, we will ask the Committee to adopt the U.S. Proxy Voting Policy and the Non-U.S. Proxy Voting Policy. These policies adopt the standard Glass, Lewis & Co., Inc. (Glass Lewis) U.S. and International Proxy Paper Policy Guidelines.

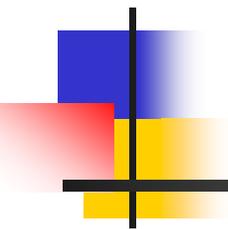
For your reference, I have attached black-lined versions of the following documents:

- the U.S. Proxy Voting Policy;
- the Glass Lewis U.S. Proxy Paper Policy Guidelines;
- the Non-U.S. Proxy Voting Policy; and,
- the Glass Lewis International Proxy Paper Policy Guidelines.

Significant changes to the Glass Lewis U.S. Proxy Paper Policy Guidelines and International Proxy Paper Policy Guidelines are as follows:

- Glass Lewis believes that companies, particularly financial firms, should have a dedicated risk committee, or a committee of the board, as well as a chief risk officer. The chief risk officer should report on risk controls and exposure directly to the risk committee. Glass Lewis will recommend a vote for or against board members according to the perceived levels of oversight, disclosure, and financial risk exposure.
- Glass Lewis will review a company's compensation practices and disclosures as outlined in their CD&A and other company filings to evaluate compensation vote proposals. Glass Lewis will focus on disclosure adequacy relative to compensation programs, the extent to which compensation is tied to performance, the performance metrics selected by the company, and the level of compensation in comparison to performance and that of its peers. In general, Glass Lewis will support proposals to allow shareholders an advisory vote on compensation.

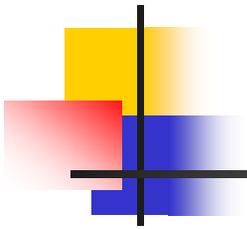
If you have any questions or concerns, please contact me at 717-720-4707.



2009 Proxy Update

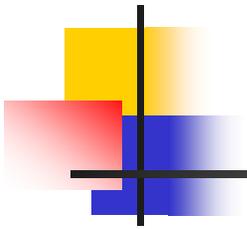
Robert E. Little, CPA
Senior Investment Analyst
March 12, 2009

Proxy Background



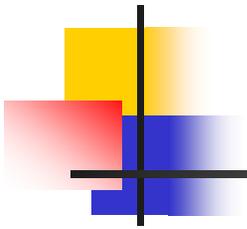
- PSERS retained Glass, Lewis and Co., Inc. (Glass Lewis) to provide analysis of proxy issues, vote recommendations, and vote execution beginning January 1, 2006
- In 2007, Glass Lewis became an independent wholly-owned subsidiary of the Ontario Teachers' Pension Plan.

Proxy Background



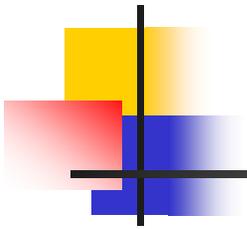
- Glass Lewis serves more than 400 institutional clients worldwide
- Glass Lewis provides research and analysis on more than 16,000 public companies based in 65 countries around the world
- Glass Lewis employs more than 100 people in six offices around the world

The Glass Lewis Approach



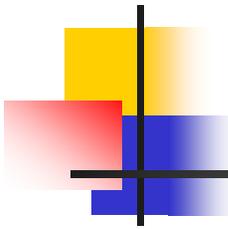
- Focus on the economic and financial implications of each proposal
- Each company is different – sometimes different solutions are warranted
- Exercise independent judgment while staying true to their philosophy and the best practices in each market

PSERS Proxy Vote History



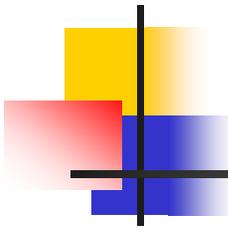
- PSERS proxy votes are available to be viewed online from a link on PSERS website to Glass Lewis' web site
 - Vote information is available the day after a meeting at www.psers.state.pa.us

PSERS Proxy Voting Policy



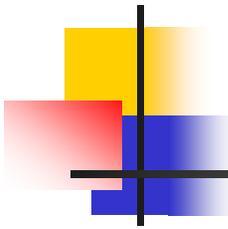
- Since the mid-1990's, PSERS' proxy policies have been modeled after our proxy research and voting service's standard guidelines with specific policies as an overlay.

PSERS Proxy Voting Policy

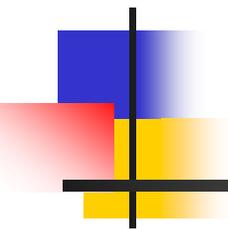


- PSERS' proxy voting policies incorporate the Glass Lewis policy guidelines with overrides for:
 - Reincorporation proposals;
 - MacBride Principles; and,
 - Certain other shareholder initiatives.
- There have been no material changes made to PSERS proxy voting policies.

PSERS Proxy Voting Policy



- In regards to the Glass Lewis policy guidelines, there were two changes:
 - Companies should have a risk committee as well as a risk officer that reports directly to the risk committee; and,
 - Compensation proposals will be evaluated for disclosure adequacy, linkage to performance, performance metrics, and the level of compensation in comparison to performance and peer group.



2009 Proxy Update

Robert E. Little, CPA
Senior Investment Analyst
March 12, 2009

PSERB Resolution 2009-09
Re: U.S. and Non-U.S. Proxy Voting Policies
March 12, 2009

RESOLVED, that the Public School Employees' Retirement Board adopt the proposed U.S. and Non-U.S. Proxy Voting Policies pursuant to the recommendation of Robert E. Little, Senior Investment Analyst, dated February 26, 2009.