

Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: August 9, 2007

SUBJECT: The Boston Company / Munder Capital Management Recommendation

TO: Members of the Board

FROM: Alan H. Van Noord, CFA
Chief Investment Officer



On Monday, August 6, 2007, The Boston Company's small cap international equity team left the firm and joined Munder Capital Management. This move included seven of the eight international equity team members that managed our portfolio. This team has been together at The Boston Company for over eight years.

At The Boston Company, this team managed over \$20 billion including over \$4 billion in this strategy. Munder Capital Management plans to close this product at \$3 billion. Given the strong track record of this product, we do not believe the product will remain open for long.

This investment team is an experienced team that has generated outperformance above their index over the long term. Given our experience with this investment team, the Investment Office Staff recommends that we move this mandate from The Boston Company to Munder Capital Management immediately.

At the Special Board meeting on August 17, 2007, we will therefore recommend the following:

- Terminate The Boston Company as the investment manager of a \$340 million Non-US small cap equity portfolio; and,
- Hire Munder Capital Management to take over the management of the same Non-US small cap equity portfolio.

If you have any questions or comments, please contact me at 717-720-4701.