

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM'S
POLICY ON INDEMNIFICATION**

Section 1.1 Indemnification and Insurance.

(a) Indemnification of Board Members, Designees, Officers and Employees.

(i) Each Indemnitee (as defined below) shall be indemnified and held harmless by the Pennsylvania Municipal Retirement System ("PMRS") for all actions taken by such Indemnitee and for all failures to take action (regardless of the date of any such action or failure to take action) to the fullest extent permitted by Pennsylvania law against all expense, liability and loss (including without limitation attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding (as defined below). No indemnification pursuant to this Policy shall be made, however, in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted criminal conduct or willful misconduct.

(ii) The right to indemnification provided in this Policy shall include the right to have the expenses reasonably incurred by the Indemnitee in defending any Proceeding paid by PMRS in advance of the final disposition of the Proceeding upon the receipt by PMRS of a written agreement by the Indemnitee to refund the amounts so advanced if it is ultimately determined that the Indemnitee is not entitled to indemnification under this Policy.

(iii) Indemnification pursuant to this Policy shall continue as to an Indemnitee who has ceased to be a Board member, designee of a Board member, officer, or employee of PMRS and shall inure to the benefit of such person's legal representatives, heirs, executors and administrators.

(iv) For purposes of this Policy, (A) "Indemnitee" shall mean each current or former Board member, former or current duly-appointed designee of a Board member, officer or employee (including, without limitation, the attorneys in PMRS' Office of Chief Counsel) of PMRS who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that such person is or was a Board member, designee of a Board member, officer or employee of PMRS or is or was serving in any capacity at the request or for the benefit of PMRS as a director, officer, employee, agent, partner, or fiduciary of, or in any other capacity, for any corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise; and (B) "Proceeding" shall mean any threatened, pending or completed action,

suit or proceeding (including, without limitation, an action, suit or proceeding by or in the right of PMRS), whether civil, criminal, administrative, investigative or through arbitration.

(b) Defense of Proceedings. Two or more law firms (“Standing Counsel”) shall be duly appointed in accordance with the Commonwealth Attorneys Act, 71 P.S. §§732-101 - 732-506, (i) to provide advice on coverage under this Policy, and (ii) to defend claims covered by this Policy. Standing Counsel shall be in place and available for assignment at all times. Upon an Indemnitee’s receipt of notice of the commencement of any Proceeding for which such Indemnitee intends to seek indemnification under this Policy, such Indemnitee shall give prompt written notice to PMRS (to the attention of the Secretary), whereupon PMRS shall (i) assume the defense of such Proceeding and shall advise such Indemnitee of the identity of Standing Counsel appointed to represent the Indemnitee, or (ii) issue a written denial of coverage under this Policy, which shall state the reasons for denial. If PMRS does not respond to the Indemnitee within thirty (30) days after receipt of a notice of Proceeding from the Indemnitee, an Indemnitee may retain counsel at reasonable prevailing market rates and PMRS shall advance the fees and expenses of such counsel. If PMRS does appoint Standing Counsel to represent an Indemnitee, the Indemnitee may engage other counsel to participate in the defense of such Proceeding, but the fees and expenses of such other counsel shall be paid solely by the Indemnitee and shall not be reimbursed by PMRS unless PMRS shall otherwise agree. PMRS shall have authority to settle any claim involving only monetary relief to be paid solely by PMRS. PMRS shall not settle any other claim without the prior written consent of the Indemnitee.

(c) Claims for Indemnification and Advancement of Expenses. To the extent that an Indemnitee has been successful on the merits or otherwise in defense of any Proceeding or in defense of any claim, issue or matter therein, PMRS shall indemnify such person against expenses (including attorneys' fees, but subject to the limitation in subsection (b) above) actually and reasonably incurred by such person in connection therewith. If indemnification under this Policy or advancement of expenses are not made or paid by PMRS, or on its behalf, within 90 days after a written claim for indemnification or a request for an advancement of expenses by an Indemnitee has been received by PMRS, such Indemnitee may, at any time thereafter, bring suit against PMRS to recover the unpaid amount of the claim and/or the advancement of expenses. The right to indemnification and advancement of expenses provided hereunder shall be enforceable by an Indemnitee in the Board of Claims, and if indemnification and/or advancement of expenses is obtained by an Indemnitee in whole or in part, the expenses reasonably incurred by such Indemnitee in connection with obtaining such indemnification and/or advancement of expenses shall also be indemnified by PMRS.

(d) Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses provided in this Policy shall not be exclusive of any other rights that any person may have or hereafter may acquire under any statute, regulation, management directive or otherwise.

(e) Insurance. PMRS may self insure or purchase and maintain insurance, or both, at its expense, for the benefit of any person on behalf of whom insurance is permitted to be purchased by Pennsylvania law against any expense, liability or loss, in whole or in part, whether or not PMRS would have the power to indemnify such person under Pennsylvania law. PMRS may also self insure or purchase and maintain insurance to insure its indemnification obligations whether arising hereunder or otherwise.

(f) Fund for Payment of Indemnification Obligations. To the extent permitted by law, PMRS may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure in any manner its indemnification obligations under this Policy.

(g) Limitations on Indemnification. Notwithstanding the foregoing provisions,

(i) the total amount of indemnification for any one calendar year or for any one claim or series of related claims based on the same action or failure to take action shall be limited to fifteen million (\$15,000,000) dollars or such other amount as may be designated from time to time by resolution of the Board,

(ii) for the avoidance of doubt, the limit of liability under this Policy and the limit of liability under a self-insurance plan that the Board may establish shall be a single, combined limit of fifteen million (\$15,000,000) dollars or such other amount as may be designated from time to time by resolution of the Board,

(iii) no indemnification shall be provided to the extent an Indemnitee receives reimbursement under insurance policies or a self-insurance program established by the Commonwealth of Pennsylvania,

(iv) in the event that a such claim is covered under an insurance policy maintained by PMRS or a self-insurance program established by the Commonwealth of Pennsylvania (other than a self-insurance plan established by PMRS), the fifteen (\$15,000,000) dollar limit of indemnification stated in this subsection (g) shall be applied to cover any liability that is in excess of the limit of liability of such insurance policy or self-insurance program,

(v) no indemnification shall be provided in cases involving personal profit or advantage to which an Indemnitee was not legally entitled.

(h) Reservation of Immunities. PMRS reserves all immunities, defenses, rights, or actions arising out of its sovereign status or from the Eleventh Amendment to the United States Constitution. No provision of this Policy shall be construed as a waiver of any such immunities, defenses, rights, or actions.

Section 1.2. Amendment. The provisions of this Policy shall constitute a contract between PMRS and each Indemnitee that may be modified as to any Indemnitee only with that person's consent or as specifically provided in this Section 1.2. This Policy may be repealed or amended without the consent of an Indemnitee for whom such repeal or amendment is adverse so long as such repeal or amendment applies to such Indemnitee only on a prospective basis and does not limit the rights of such Indemnitee to indemnification or to the advancement of expenses with respect to any action or failure to act occurring prior to the time of such repeal or amendment.

Adopted at the May 20, 2004 meeting of the Pennsylvania Municipal Retirement Board.

James B. Allen, Secretary

5/21/04
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