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## **Securities Litigation Policy**

### **PURPOSE**

The Board of Retirement of the KCERA adopts this policy to establish procedures and guidelines for monitoring and participating in securities class actions when appropriate to protect KCERA's interests.

### **PRINCIPLE**

As a public pension plan and institution shareholder, KCERA is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others.

The enactment by Congress of the Private Securities Litigation Reform Act ("PSLRA") in 1995 allows institutional investors and other large shareholders to seek lead plaintiff status in securities class actions. Since enactment of the PSLRA, it has been demonstrated that participation as lead plaintiff by large, sophisticated shareholders (particularly institutional shareholders) has resulted in lower attorney's fees and larger recoveries on behalf of shareholders. In addition, institutional shareholders frequently negotiate corporate governance improvements in a troubled company that may serve to reduce a recurrence of wrongful activity.

The United States Securities and Exchange Commission has commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.

### **POLICIES**

1. The Board of Retirement has determined that generally there is little or no value added to the pension fund from being a lead plaintiff in securities litigation. The Board of Retirement shall consider becoming a lead plaintiff in a particular securities litigation case where: (1) the estimated loss to the KCERA exceeds \$2 million; (2) no institutional investor has petitioned the court to become lead plaintiff; and (3) lead plaintiff status is recommended by KCERA's General Counsel and a Securities Litigation Monitoring Firm (SLMF) retained by KCERA.
2. The Board of Retirement shall retain at least one Securities Litigation Monitoring Firm to assist its Custodian in monitoring and identifying those

cases in which the KCERA has a direct interest as owner of the underlying securities. The SLMF(s) retained to perform such monitoring services shall be solely responsible for any and all attorney time, expenses and other costs incurred to fulfill its duties under a monitoring agreement. Such agreement will not authorize the initiation of any litigation on KCERA's behalf, and will acknowledge that KCERA retains sole discretion regarding whether to pursue litigation and which securities litigation firm will initiate such litigation on KCERA's behalf.

3. For those investment managers with which KCERA invests Fund monies through an investment vehicle placing direct ownership of securities in a name other than the KCERA's, the Staff shall include, as part of its due diligence process in the selection and monitoring of such managers, an inquiry as to the manager's policies and procedures regarding securities litigation to ensure that KCERA's interests are being protected.

### **ADMINISTRATION OF THE SECURITIES LITIGATION POLICY**

#### Responsibilities of KCERA's Custodian – U.S. and Non-U.S. Securities

1. Maintenance of Records - Custodian shall maintain records of all Class Action documentation received by Custodian, and all documents generated by Custodian relating to a Class Action.
2. Opting Out of the Class - Custodian shall review all Class Action notices received by Custodian and report to the KCERA any deadlines for opting out of the Class. Custodian shall not opt out of any class, but rather take whatever action is necessary to include KCERA in the class, unless otherwise instructed by the KCERA's Executive Director, on advice of counsel.
3. Submittal of Claims - Custodian shall timely submit claims on KCERA's behalf in all Class Actions where KCERA is a member of the class at issue and the class action claims administration is handled by a U.S. Claims Administrator. Custodian shall notify KCERA of each claim submitted in a format acceptable to KCERA. For class actions involving non-U.S. securities for which Custodian does not have the authority to file, Custodian will send KCERA's Investment Manager informational notifications for "Opt In" or "Group Action" events.
4. Disposition of Recovered Monies - Custodian shall return any monies recovered in class action securities litigation on KCERA's behalf to the account holding the security that was the subject of the litigation. If such account is no longer open, Custodian shall place recovered monies into KCERA's STIF account.
5. Reports - Custodian shall provide KCERA with a quarterly report that provides the following for each Class Action:
  - a. The name of the action;
  - b. The claim deadlines for filing claims, objections, and opting out)

- c. The claim status (i.e., filing date, date claim will be filed);
  - d. The account number and account name;
  - e. The class period;
  - f. The account number and account name paid;
  - g. The amount paid in satisfaction of the judgment or in accordance with settlement; and
  - h. The date monies distributed in satisfaction of a judgment or settlement and the date monies deposited.
6. Coordination with KCERA's Securities Litigation Monitoring Firm(s) - Custodian will work with and provide information to KCERA's Securities Litigation Monitoring Firm(s) for purposes of securities litigation monitoring as directed by KCERA's Executive Director or his/her designee.

Monthly reports shall include all Class Actions in which KCERA has not opted out of the class for which funds under a judgment or settlement have not been received.

#### **RESPONSIBILITIES OF KCERA'S SECURITIES LITIGATION MONITORING FIRM(S) (SLMF)**

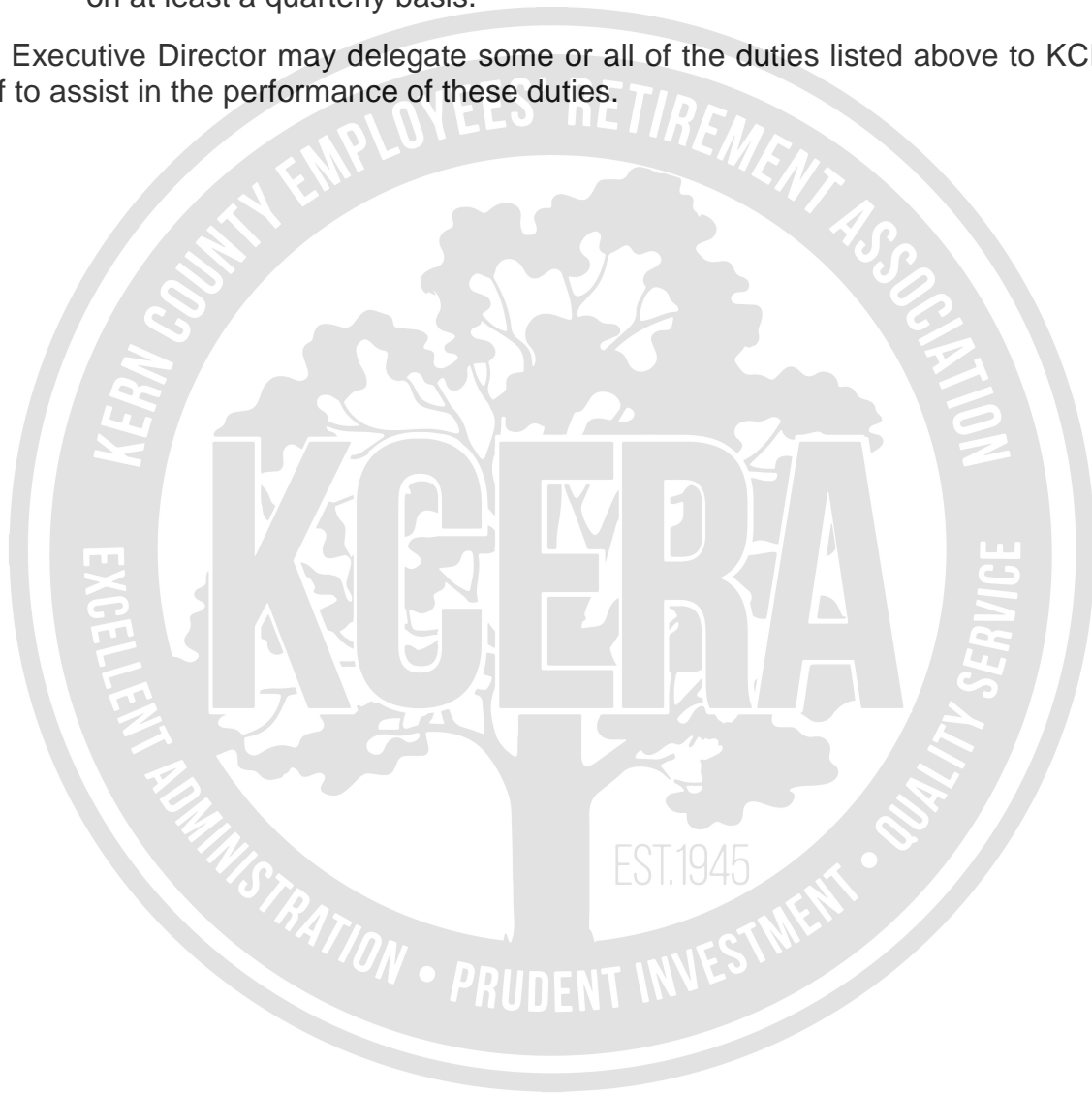
1. Coordination with KCERA's Custodian – A SLMF retained by KCERA will work with and coordinate with KCERA's Custodian for purposes of securities litigation monitoring as directed by KCERA.
2. Case Evaluation and Recommendation – A SLMF retained by KCERA, upon KCERA's request, will provide an evaluation of any case identified by KCERA, including an evaluation as to the legal merits of the case, adverse impacts on KCERA, and a recommendation as to what action, if any should be taken by KCERA.
3. Verify Filing of Claims – A SLMF, retained by KCERA, will verify that Custodian has timely submitted claims on KCERA's behalf in all Class Actions in which KCERA is a member of the class.
4. Case Monitoring – SLMF will monitor KCERA's investment portfolio in securities traded on all global stock exchanges in connection with claims for damages against such persons, entities, companies or associations who may be liable for damages suffered by KCERA as a result of breach of fiduciary duty, fraud, misrepresentation, or other violations of applicable laws.
5. Reports - SLMF shall provide the Executive Director or his/her designee with a quarterly report describing the status of each case the SLMF evaluated KCERA's holdings for that quarter and other monitoring efforts the SLMF has taken on KCERA's behalf.

#### **RESPONSIBILITIES OF KCERA'S EXECUTIVE DIRECTOR**

Executive Director shall:

1. review reports provided by Custodian and SLMF(s);
2. direct Custodian when to opt out of a class;
3. present and make recommendations to the Board of Retirement regarding whether to consider lead plaintiff status in securities litigation;
4. review and monitor Custodian's compliance with filing and reporting duties;
5. review SLMFs compliance with the monitoring and reporting duties; and
6. submit reports to the Board of Retirement on class action securities litigation on at least a quarterly basis.

The Executive Director may delegate some or all of the duties listed above to KCERA staff to assist in the performance of these duties.



## **POLICY REVIEW AND HISTORY**

- 1) This policy was:
  - a) Adopted by the Board on March 13, 2019.