



# **SECURITIES LITIGATION POLICY**

## **PURPOSE**

The purpose of this policy is to establish guidelines and procedures for the Sacramento County Employees' Retirement System ("SCERS") to monitor securities class action proceedings, and determine and facilitate the appropriate level of participation by SCERS in securities class action litigation to recover damages for investment losses caused by the malfeasance of persons and entities associated with a SCERS investment.

## **POLICY**

SCERS will engage the services of a qualified pool of law firms ("Securities Litigation Counsel") with the experience and expertise required to properly evaluate, and if necessary, represent SCERS in securities litigation matters. While such firms frequently offer to provide securities litigation monitoring services at no cost, in order to ensure the independence and integrity of its assessment, SCERS will retain a separate company ("Support Service Provider") for that purpose. The Board of Retirement delegates the decision to participate in a class action to the Chief Executive Officer, subject to the obligation to report to the Board as provided below.

## **APPLICATION**

The following procedures will be used to: 1) collect objective information about potential cases that is timely, accurate, and comprehensive; 2) calculate SCERS' losses and potential recovery in a particular action; 3) evaluate the legal merits of individual cases; 4) consider the benefits and costs of alternative approaches to participation in the case; and 5) decide whether SCERS should seek appointment as lead plaintiff according to pre-determined criteria, including a threshold amount of estimated losses.

### **A. Collection of Information**

The Support Service Provider shall continuously monitor SCERS' investment portfolio with the assistance of its Custodial Bank, and shall regularly make available to the General Counsel current information and data in useable form, to include, at a minimum:

1. Description of any and all pending securities class actions for which SCERS may qualify as a class participant;
2. Calculation of what, if any, recognized damages SCERS has incurred;
3. Listing of any settlements for which SCERS should file a claim.

## **B. Review**

The General Counsel shall review the information on a weekly basis, and determine whether any pending action involves recognized damages to SCERS of \$2 million dollars or more. If so, the General Counsel will refer that particular action to each Securities Litigation Counsel in the pool for further review and legal analysis. Securities Litigation Counsel shall independently evaluate the action, and make a written recommendation to the General Counsel as to what, if any, level of participation in the litigation SCERS should consider.

## **C. Recommendation**

Upon receipt of the report(s) and recommendations from Securities Litigation Counsel, the General Counsel shall consult with the Chief Investment Officer and make a recommendation to the Chief Executive Officer as to the appropriate action to be taken by SCERS.

If the recommendation is for SCERS to petition to be lead plaintiff in an action, the recommendation shall include referral to a particular Securities Litigation Counsel for that purpose, together with the reasons for the recommendation, including legal strategies, possible conflicts of interest, and fee proposals.

## **D. Disposition**

The Chief Executive Officer shall consider the recommendation of the General Counsel and shall decide what, if any action, SCERS should pursue. If time permits, the matter shall be referred to the Board for action. In the event an immediate decision is necessary, the Chief Executive Officer is authorized to make the decision, but shall concurrently notify the Board President and shall include a summary of the action in his report to the Board at its next meeting.

## **E. Active Monitoring**

The General Counsel will also actively monitor every class action in which SCERS may have recognized damages. In addition, the General Counsel may recommend to the Chief Executive Officer at any time that SCERS should take further action, such as intervening or objecting as appropriate; filing amicus support; or, opting out of the class.

## **F. Lead Plaintiff**

In every case where SCERS is designated as a lead plaintiff, it shall take all actions consistent with its status as a fiduciary of the class. The Securities Litigation Counsel shall be required to provide in advance a projected time table, legal strategy, anticipated budget and expectations for the level of participation by SCERS. In addition the firm will be required to provide a monthly written report of its expenditure of time and money in the case. SCERS may, in its sole discretion, participate in any or all legal proceedings. The Securities Litigation Counsel shall

appear before the Board as reasonably requested to discuss progress in the case, and upon resolution of the case shall present a final report.

### **G. Asset Recovery**

The Custodial Bank shall continue to be responsible for filing all proofs of claim, including the supporting documents and information necessary to recover assets in every securities class action proceeding in which SCERS has damages. The General Counsel, in consultation with the Chief Investment Officer, shall monitor the performance of the Custodial Bank in that regard. The Custodial Bank shall submit quarterly reports on the securities litigation proceeds recovered, which information shall be shared with the Board.

## **BACKGROUND**

The federal Private Securities Litigation Reform Act of 1995 (“PSLRA”) permits institutional investors, such as SCERS, to seek lead plaintiff status in securities class action cases. It has been demonstrated that when institutional investors serve as lead plaintiffs it can facilitate the reduction of attorneys’ fees and costs, improve the amount and distribution of net recoveries for the class, deter individual wrongdoers, and effect structural governance reform.

However, being a lead plaintiff may involve certain costs, including, but not limited to, additional staff time required to respond to discovery requests and attend legal proceedings. Therefore, in assessing the appropriate role an institutional investor should take in any given case, it is important to carefully consider alternative approaches, including, but not limited to, active monitoring of a case; intervening or objecting as appropriate; filing amicus support; or opting out of the class to pursue recovery in another manner.

## **RESPONSIBILITIES**

Responsibility for the coordination and management of these procedures shall rest with the General Counsel, in consultation with the Chief Investment Officer, subject to the review and approval of the Chief Executive Officer.

Executive Owner: General Counsel

## **POLICY HISTORY**

<b>Date</b>	<b>Description</b>
08-01-2018	Renumbered from 043
01-17-2018	Board affirmed in revised policy format
04-19-2007	Board approved new policy