

Securities Litigation Policy

Adopted November 2020

I. SUMMARY

The Arkansas Public Employees' Retirement System (APERS) Board of Trustees (the Board), in fulfilling its fiduciary duty to manage APERS' assets for the primary purpose of providing benefits to members and their beneficiaries, adopts this policy to monitor losses in its portfolio that may trigger a securities litigation claim filed as either an individual or class action.

The Board recognizes that securities litigation is an optional and occasional tool to recover lost assets, and only appropriate in certain circumstances. The objectives of APERS in engaging in securities litigation include collecting losses in the portfolio, maximizing the net recovery, and effecting meaningful corporate governance reforms.

II. GOALS, PROCEDURES AND GUIDELINES

- Fulfill APERS' fiduciary duty to protect the trust by monitoring its investments and effectively managing securities litigation claims as assets of the trust fund.
- Recover losses of investment value through individual actions, opt-outs, or class actions.
- Increase recoveries in class action claims through lead plaintiff status.
- Reduce fees paid to obtain recoveries by negotiating favorable contingency fee arrangements and utilizing free securities monitoring services.
- Deter and reduce future fraud on the market and promote improvements in corporate governance.

III. SECURITIES CLASS ACTIONS AND MONITORING RECOVERY STRATEGIES

A. APERS may utilize the services of APERS' custodial bank as well as the services of any expert in the area of securities monitoring and asset recovery to evaluate a potential securities claim, file a valid proof of claim, or collect any settlement that results from the claim.

B. APERS may retain a law firm that specializes in securities class actions and asset recovery.

C. If APERS does not serve as lead plaintiff, APERS may 1) Participate as a co-lead plaintiff with other institutional investors; 2) Opt out of a class and file a separate securities action in state or federal court; 3) File a shareholder derivative claim in state or federal court; 4)

Formally intervene in pending litigation; and 5) Participate in actions before the Securities and Exchange Commission (SEC), including SEC rulemaking.

D. APERS will evaluate alternatives to litigation that may be as effective as litigation to rectify the underlying cause of the fraud.

IV. EVALUATION OF POTENTIAL CLAIMS

Considerations in weighing the merit of each claim to determine the level of participation, if any, in the claim, may include, but are not limited to the following:

- The significance of the holding or size of the claim for the investment activity.
- The projected use of APERS' staff time and resources.
- The legal rationale and justification for the claim.
- The increased recovery amounts for APERS and the class by serving as lead plaintiff.
- The availability of other appropriate lead plaintiffs.
- The actual or potential costs (if any) or other burdens associated with different strategies and outcomes.
- Whether the potential benefits justify the allocation of APERS' resources to case management, discovery, or other associated demands of the case.
- The heightened pleading standard of the Private Securities Litigation Reform Act (PLSRA).
- The effects upon APERS' investments, business dealings, or other interests.
- The potential reputational risks to APERS in pursuing an action.
- Whether the action could lead to corporate governance change to address the cause of the wrongful conduct or deter misconduct, foster market integrity, or improve company practices.
- The likelihood of success and successful recovery.

V. LOSS THRESHOLD

A. In order for APERS to seek lead or co-lead plaintiff status in a securities class action lawsuit, a loss threshold is established of at least one million dollars (\$1,000,000).

B. A loss threshold may be modified downward in instances where APERS believes there are important policy reasons for commencing a particular action even though the threshold amount has not been met.

VI. DELEGATION OF AUTHORITY

A. Prior to seeking lead plaintiff status or initiating securities litigation, the Executive Director will provide a recommendation for a securities litigation claim to the Board for approval.

B. The Board delegates to the Executive Director the authority to review and evaluate potential securities litigation, and the authority to make all administrative, procedural, or strategic decisions utilizing the procedure necessary to meet the goals and objectives of the Board.

VII. REPORTS

The Executive Director or his or her designee shall regularly report to the Board any participation in a securities litigation case as a lead plaintiff and update the case status, including the final resolution of the case and any settlements of record.

VIII. SELECTION OF SECURITIES MONITORING & ASSET RECOVERY LAW FIRMS

A. The Board delegates to the Executive Director and APERS staff the authority and responsibility to procure securities litigation and monitoring counsel through a request for qualifications (RFQ) process.

B. APERS may select qualified securities monitoring and litigation counsel to monitor APERS securities, evaluate potential securities litigation claims, file and litigate claims on behalf of APERS as requested, and collect any settlements that result from the claims.

C. Upon conclusion of the RFQ process, the APERS staff shall present their selections to the Board for approval by Board resolution.

D. A firm selected under this RFQ shall provide services to APERS on a contingency fee basis.

IX. SELECTION OF SECURITIES LITIGATION FIRM TO PROSECUTE CASE

The Executive Director shall provide a recommendation to the Board regarding the securities litigation counsel most appropriate for APERS' interests on a case-by-case basis. If several appropriate counsels are interested in representing APERS for a single case, the considerations for recommending the most appropriate counsel to represent APERS in an action include, but are not limited to:

- First to file or develop the theory for the case

- Expertise best suited to the nature of the claim
- Willingness to negotiate contingency fees and charge only reasonable and necessary costs (i.e., the American Bar Association Model Rules of Professional Conduct, Rule 1.5)
- Transparent billing practices and lodestar and willingness to maintain contemporaneous time records available at APERS' request
- Demonstrated reputation for ethical behavior and adherence to the spirit and letter of the PLSRA
- Willingness to abide by ABA Formal Ethics Opinion 08-451 (regarding outsourced attorney relationships)
- Public policy considerations in prosecuting cases
- Alignment with the interests and goals of APERS
- Strength of the communication and cooperation with APERS
- Resources necessary to successfully prosecute the case
- Joining with other securities litigation counsel if doing so increases the likelihood of success
- Successful prosecution of prior cases for APERS
- Rotation of interested firms

X. REVIEW OF POLICY

The Board may periodically review and make appropriate changes to this policy in keeping with its fiduciary standards and policy goals.

This internal policy is exempt from the requirements of the Administrative Procedure Act, § 25-15-201 and the promulgation of rules thereunder, and it may be amended by Board action. In the event of an inconsistency with this Board policy and any previous Board policy regarding securities litigation and monitoring, this policy shall control.