



Investments and Finance Sub-Committee
Wednesday, September 25, 2024, 1:30 p.m.
124 West Capitol Avenue, Suite 400, Little Rock 72201

Hybrid Meeting: Arkansas Public Employees' Retirement System Board Room and Video Conference

AGENDA

1. Call to Order – Chair Bassett
2. Consideration of Securities Litigation Requests
 - Dexcom
 - Five Below
 - Salesforce
3. Discussion – Shareholder Derivatives Cases
4. Draft Securities Litigation Policy
5. Update on Domestic Equity Portfolio
6. New Business
7. Old Business

REPORT DATE	SECURITIES ACTION CLAIM	PREPARED BY
09/20/2024	Securities Class Action Against DexCom, Inc.	Labaton Keller Sucharow LLP

CLAIM SUMMARY

Briefly state the claim basis (Securities Act of 1933 or 1934 or other) and strength of the claim.

Violations of the Securities Exchange Act of 1934 ("Exchange Act"): The Exchange Act claims involve allegations that DexCom, a medical device company that manufactures continuous glucose monitoring systems ("CGMs") for diabetes management, lied to investors about the efficacy and sales success of its CGMs, claiming that the market's reaction to DexCom's latest CGM was "exceptional." Based on evidence obtained through the firm's proprietary investigation, these claims are strong. This evidence includes facts from confidential witnesses indicating that DexCom was internally aware of serious efficacy issues and mounting competition faced by DexCom's latest CGM before the start of the class period. Please refer to Addendum II for additional details of the firm's investigation.

Filing deadline for lead plaintiff status:

10/21/24

JUSTIFICATION

Briefly explain how APERS can increase recoveries for the class through lead plaintiff status.

As a sophisticated institutional investor with a substantial loss in this case, APERS is well-positioned to maximize the class's recovery as lead plaintiff. Retail investors lead a majority of shareholder class actions; this is not ideal for harmed investors in this case. If a retail investor or a less experienced institution oversees this Action, there is a risk that, even if the claims are sustained, the case will settle early for a smaller amount. Therefore, we advise that APERS act as lead plaintiff in this case to ensure that recoveries are maximized.

What expertise of your firm is specifically suited to the nature of the claim?

For more than half a century, the firm has successfully exposed corporate misconduct. The firm has been selected as court-approved lead or co-lead counsel for public pension funds and other institutional investors in more than 250 U.S. federal securities class actions. Through these actions, the Firm has recovered more than \$20 billion in the aggregate for investors. Please refer to Addendum II for additional details of the firm's litigation successes.

Will APERS have the ability in this case to negotiate a favorable contingency fee with your firm?

Yes No

INVESTMENT PROJECTED LOSS/CLASS PERIOD

CUSIP number:

Issuer:

252131107

DexCom, Inc.

Name of Investment Manager(s) who purchased the security for APERS during the class action period:

CastleArk Management, Stephens MCG, Intech Investments (common stock)
SSI Investment Management (bonds)

Projected class period start:

Projected class period end:

1/8/24

7/25/24

APERS loss for the class period - include calculated LIFO loss and loss using weighted average:

APERS' stock and bond loss is \$3,931,402 under last-in-first-out (LIFO) accounting methodology. This loss incorporates the "nominal loss" cap under the federal securities laws limiting damages to the difference between the purchase prices and the average trading price during the 90-day period after the class period.

Number of shares purchased by APERS during the class action period:

202,452.00

Number of shares sold by APERS during the class action period:

211,728.00

CONCLUSIONS/RECOMMENDATIONS - APERS USE ONLY - DO NOT COMPLETE SECTION BELOW



SECURITIES LITIGATION CASE SUMMARY

CASE: DEXCOM

LEAD PLAINTIFF DEADLINE: Monday October 21, 2024

CLASS PERIOD: January 8, 2024 through July 25, 2024

CUSIP #:252131107

SECURITIES LIT. FIRMS:

- Labaton Keller Sucharow – Recommend
- BLBG Bernstein Litowitz Berger Gross – Still under review
- Cohen Milstein – Do not Recommend

SUMMARY OF CASE/LOSS: \$3.6 million to \$8,171,492 (depending on class period)

Based in San Diego, California, Dexcom is a medical device company focused on the design and manufacturing of Continuous Glucose Monitoring (“CGM”) devices, which are implanted under the skin of diabetes patients. Throughout the relevant period, Dexcom had begun selling its next generation CGM, marketed as the “G7.” The sales were impressive, repeatedly outpacing Dexcom’s sales targets. Although Dexcom faced competition from Abbott Laboratories’ new CGM offering, it assured its investors that the superiority of G7 meant that its growth was sustainable.

According to research by securities litigation counsel, and unknown to investors at the time, Dexcom’s previous device, the G6, was suffering from high rates of errors, resulting potentially life-threatening issues. This spurred on the development and release of the G7, which did not have as fast of an adoption rate as the G6, necessitating increased rebating and leaving excess inventory in its distribution channels. On July 25, 2024, after the market closed, Dexcom reported its second quarter earnings. Despite having affirmed its guidance only two months prior, it reduced its full year revenue outlook by over \$250 million.

Although Dexcom attempted to blame the slashed guidance on seasonality, analysts quickly pointed out reports of the Company’s deteriorating relationships with its distribution partners and its competitors’ accelerating sales of CGM. On this news, Dexcom’s share price declined by \$45.35 per share, or 42%, wiping out \$18 billion in shareholder value.

The judge assigned to this case is on record as particularly unfavorable towards securities litigation cases and has granted a Motion to Dismiss filed by a different defendant in a previous securities litigation case. Also, APERS has learned that there are shareholders with larger losses than APERS that are being pursued as lead plaintiff for the Dexcom case.

REPORT DATE

SECURITIES ACTION CLAIM

PREPARED BY

CLAIM SUMMARY

Briefly state the claim basis (Securities Act of 1933 or 1934 or other) and strength of the claim.

Filing deadline for lead plaintiff status:

JUSTIFICATION

Briefly explain how APERS can increase recoveries for the class through lead plaintiff status.

What expertise of your firm is specifically suited to the nature of the claim?

Will APERS have the ability in this case to negotiate a favorable contingency fee with your firm?

Yes

No

INVESTMENT PROJECTED LOSS/CLASS PERIOD

CUSIP number: Issuer:

Name of Investment Manager(s) who purchased the security for APERS during the class action period:

Projected class period start: Projected class period end:

APERS loss for the class period - include calculated LIFO loss and loss using weighted average:

Number of shares purchased by APERS during the class action period:

Number of shares sold by APERS during the class action period:

CONCLUSIONS/RECOMMENDATIONS - APERS USE ONLY - DO NOT COMPLETE SECTION BELOW



REPORT DATE	SECURITIES ACTION CLAIM	PREPARED BY
09/20/2024	Sections 10(b) and 20(a) of the Securities Exchange Act	BLB&G

CLAIM SUMMARY

Briefly state the claim basis (Securities Act of 1933 or 1934 or other) and strength of the claim.

The claims against Five Below and its executives arise from Defendants’ misrepresentations concerning the strength of the Company’s business and other trends negatively impacting Five Below’s financial performance. In particular, the Company touted its “relentless” work “scouring the globe” for profitable trends using its “highly planned merchandise strategy,” and assured investors that Five Below “stay[ed] on top of hot trends, and swiftly move[d] to capitalize on them” – critical representations for a retailer whose business depends on riding trends by stocking in-demand products. The truth emerged through a series of disclosures beginning in March 2024, when the Company reported fourth quarter 2023 results and missed Earnings Per Share analyst consensus. Then, on June 5, 2024, the Company disclosed a 15% year-over-year decline in operating income. Finally, on July 16, 2024, Five Below unexpectedly announced the departure of its CEO and further reduced net sales and earnings guidance. All told, these disclosures erased \$3.8 billion in shareholder value.

Filing deadline for lead plaintiff status:

9/30/24

JUSTIFICATION

Briefly explain how APERS can increase recoveries for the class through lead plaintiff status.

APERS can increase recoveries for itself and the class by ensuring that the full scope of Five Below's misconduct is addressed. The initial securities class action filed against Five Below asserted a shorter class period and only alleged that the truth was disclosed in connection with the June and July 2024 announcements. Expanding the class period and adding the March 2024 disclosure will position APERS to recover a greater portion of its losses caused by the Company's misconduct.

What expertise of your firm is specifically suited to the nature of the claim?

BLB&G has recovered \$40 billion for investors since its founding and is perennially recognized as the top firm representing plaintiffs in securities litigation with a rate of success far exceeding that of any other firm. BLB&G conducted an extensive investigation of Five Below's misconduct and has already acted to protect APERS's interests by filing a complaint which asserts the proper class period to maximize potential recovery.

Will APERS have the ability in this case to negotiate a favorable contingency fee with your firm?

Yes No

INVESTMENT PROJECTED LOSS/CLASS PERIOD

CUSIP number:

Issuer:

33829M101

Five Below, Inc.

Name of Investment Manager(s) who purchased the security for APERS during the class action period:

The investment managers that purchased Five Below securities for APERS during the class period are CastleArk Management (Account No. AR4F10016002); Stephens Capital Management (Account No. AR4F10018002); and Stephens MCG (Account No. AR4F10026002).

Projected class period start:

Projected class period end:

12/1/22

7/16/24

APERS loss for the class period - include calculated LIFO loss and loss using weighted average:

We currently estimate that APERS incurred a loss of approximately \$2.4 million on a LIFO basis. This loss was calculated using the 90-day average for retained shares pursuant to the PSLRA.

Number of shares purchased by APERS during the class action period:

33,535.00

Number of shares sold by APERS during the class action period:

2,680.00

CONCLUSIONS/RECOMMENDATIONS - APERS USE ONLY - DO NOT COMPLETE SECTION BELOW



SECURITIES LITIGATION CASE SUMMARY

CASE: FIVE BELOW

LEAD PLAINTIFF DEADLINE: September 30, 2024

CLASS PERIOD: March 20, 2024, through July 29, 2024

CUSIP #: 33829M101 Ticker 5 NASDAQ

SECURITIES LIT. FIRMS:

- BLBG Bernstein Litowitz Berger Gross – Recommend
- Berger Montague– Recommend
- Cohen Milstein – Do not Recommend
- Labaton – Do not Recommend

SUMMARY OF CASE/LOSS: Approximately \$1.44 million loss

The claims against Five Below, headquartered in Philadelphia, arise from misrepresentations concerning the Company's ability to effectively execute on its market strategy, which depended on Five Below quickly identifying and capitalizing on trending products. Throughout the Proposed Class Period, Five Below repeatedly represented that it was able to identify "trend-right" products and market them successfully, and that the Company was taking effective measures to protect itself from the costs associated with lost and stolen inventory, known as "shrink" in the retail industry. While Defendants repeatedly blamed shrink as a significant cause of any disappointing financial results, this securities litigation case alleges the Company suffered from numerous "self-inflicted" wounds and failed to execute effectively on its business model.

Arkansas Teacher Retirement System also had losses in this case and BLBG has recommended that APERS become co-lead with ATRS.

REPORT DATE	SECURITIES ACTION CLAIM	PREPARED BY
9/19/2024	Salesforce, Inc.	Bleichmar Fonti & Auld

CLAIM SUMMARY

Briefly state the claim basis (Securities Act of 1933 or 1934 or other) and strength of the claim.

Investors have strong claims that Salesforce violated the securities fraud and insider trading provisions of the Securities Exchange Act of 1934. Salesforce provides customer relationship management software. In the wake of the COVID pandemic, the company experienced a measured buying environment characterized by relatively weak demand for its products. However, starting in late-November 2023, Salesforce told investors that the demand environment had improved. According to Salesforce, it was now “in a new normal” where “things are just better” and was a complete “180” as compared to the prior environment. In truth, the buying environment had not improved and Salesforce was stunted by sales execution issues that led to delayed and smaller deals. Importantly, during the time that the company made these misrepresentations, Salesforce’s most senior executives sold roughly \$843 million worth of stock to the unsuspecting public as the company’s stock price reached record highs.

Filing deadline for lead plaintiff status:

N/A

JUSTIFICATION

Briefly explain how APERS can increase recoveries for the class through lead plaintiff status.

APERS can increase the class’s recovery by asserting novel insider trading claims against Salesforce execs that sold roughly \$843M in stock, as it has legal standing from trading “contemporaneously” with them. If APERS does not lead this case, these claims might be left out as other investors may not have standing. APERS can also ensure aggressive and efficient litigation and negotiate fees to prevent excessive attorney windfalls if a settlement is reached. Institutional investors like APERS typically generate larger settlements and lower costs.

What expertise of your firm is specifically suited to the nature of the claim?

We have performed an in-depth investigation of the claims, including contacting former employees with knowledge of the misconduct. When conducting similar investigations in securities cases, we have recovered over \$1B for investors. We also have extensive experience holding execs accountable for pocketing ill-gotten gains. This includes a \$919M resolution of a derivative action involving Tesla, through which its directors will return over 3.1M stock options for awarding themselves excessive compensation (pending court approval).

Will APERS have the ability in this case to negotiate a favorable contingency fee with your firm?

Yes No

INVESTMENT PROJECTED LOSS/CLASS PERIOD

CUSIP number:

Issuer:

79466L302

Salesforce, Inc.

Name of Investment Manager(s) who purchased the security for APERS during the class action period:

CastleArk Management, LLC; Wellington Management Company; William Blair Large Cap Growth

Projected class period start:

Projected class period end:

11/30/2023

5/29/2024

APERS loss for the class period - include calculated LIFO loss and loss using weighted average:

APERS incurred a LIFO loss using weighted avg. of approx. \$1.7M. We interpret “weighted avg.” to mean the 90-day lookback period, which averages the stock price following the corrective disclosure. We note that this figure differs from the loss presented in our June 2024 memo due to a recent increase in the stock price.

Number of shares purchased by APERS during the class action period:

56,175

Number of shares sold by APERS during the class action period:

9,496

CONCLUSIONS/RECOMMENDATIONS - APERS USE ONLY - DO NOT COMPLETE SECTION BELOW



SECURITIES LITIGATION CASE SUMMARY

CASE: SALESFORCE Case not filed yet

LEAD PLAINTIFF DEADLINE: Not applicable – no case filed

CLASS PERIOD: November 30, 2023 - May 29, 2024

CUSIP #: 79466L302 ticker CRM

SECURITIES LIT. FIRMS:

- BFA Bleichmar Fonti & Auld – Recommend
- Labaton Keller Sucharow – Still under review

SUMMARY OF CASE/LOSS: Approximately \$2.2 – 3.2 million loss

Founded in 1999, Salesforce is a cloud-based software provider of CRM technology. Salesforce’s customers use its CRM software to store data, monitor sales leads and deal progress, forecast business opportunities, and gain insights into customer behavior through analytics. Salesforce derives approximately 93% of its revenue from customer subscription fees and support revenue, which allows customers to access the company’s cloud computing services, software license revenue, and sales support and updates beyond the basic subscription or software license.

As a result of Salesforce’s subscription-based model, the bulk of the revenue the company recognizes stems from contracts it entered months or years ago. Accordingly, analysts closely follow financial metrics that represent future revenue under contract that has not yet been recognized, but should be realized as revenue in the following 12 months.

This case involves a scheme perpetrated by Salesforce’s most senior executives that allowed them to sell roughly \$843 million worth of Salesforce stock at artificially inflated prices. CEO Marc R. Benioff alone sold \$663 million during the six-month Class Period—roughly 50% more than he sold during the six months that preceded the Class Period. COO Brian Millham sold all his Salesforce stock during the Class Period, amounting to nearly \$140 million in proceeds. And CFO Amy E. Weaver garnered over \$40 million by selling almost 76% of her total Salesforce holdings during the Class Period. That the company’s most senior executives, including the CEO, CFO, and COO, sold such a significant amount of stock during this relatively short period—inconsistent with their prior trading histories—and prior to a 21% decline in the stock price, strongly indicates fraudulent intent for purposes of the proof standard under securities litigation laws.

Beginning on November 29, 2023—around the time that the executives’ insider sales accelerated—the company gave investors the false impression that it had turned the corner from the languid sales cycles which occurred during the pandemic. According to Salesforce, the customer buying environment had improved and bookings increased on the back of the company’s sales execution abilities and “operational excellence.” CEO Benioff told investors on November 29 that “we see a lot of green shoots. There’s -- just a lot of opportunities. . . .” In response to this news, Salesforce’s stock price surged almost 10% from \$230.35 per share on November 29, 2023, to \$251.90 per share on November 30, 2023.

Executives continued to project a rosy outlook to investors while they sold their stock. Investors learned on May 29, 2024, when Salesforce reported its fiscal Q1 2025 financial results, that revenues were disappointing for fiscal Q1 2025 and that its current Remaining Performance Obligation growth rate—a key current indicator of incoming revenue—came in at just 9.5%, well below the company’s forecasted 11%. On this news, the price of Salesforce stock declined 20.8%, wiping out roughly \$53 billion in shareholder value.

Despite Salesforce’s disappointing disclosure in the May 29, 2024 report, stock analysts continued to be bullish and recommend that investors buy, indicating that company fundamentals may still be strong. Additionally, APERS has learned that there are other investors with significantly larger losses that are being pursued as lead plaintiff for this case.

SHAREHOLDER DERIVATIVE CASE SUMMARY

What is a shareholder derivative case?

Shareholder derivative cases compensate a *company* (as opposed to shareholders) for harm to the company because of severe mismanagement by the company's board of directors and senior executive officers, such as consciously disregarding warnings or other red flags about the company's operations, i.e. fraud, egregious behavior towards consumers or employees, or health and human safety. A plaintiff shareholder must assert a state law breach of fiduciary duty claim against the corporation's directors and officers.

Recent successful derivative actions were brought against Boeing's directors for their failure to oversee the safety of the 737 MAX airplane, Blue Bell Creamery's directors for a deadly *listeria* outbreak in its ice cream, and Wells Fargo's directors for the 2016 sales practices scandal.

What do derivative actions achieve?

Shareholders themselves do not recover in derivative actions, but the shareholder plaintiff may request compensation from the court for time spent prosecuting the case (usually around \$25,000). *The recovery in a derivative action goes to the company from insurance proceeds to compensate it for harm suffered at the hands of corporate mismanagement.* Financial recovery of illicit gains by the directors and management can also be recovered.

Derivative settlements strengthen the company to improve shareholder value, such as reconstituting the board to mandate specific director expertise, implementing necessary board-level reporting, and using internal auditors or ombudspersons.

Why are derivative actions different than securities litigation cases?

Derivative cases are brought because the company may not have violated either the Securities Act of 1933 or 1934 but have still broken the law by violating their fiduciary duty and damaged the shareholder and the company.

Who can bring derivative actions?

Only a plaintiff who has continuously held the company's stock for the entire relevant period and continues holding stock throughout the litigation has standing to sue. A shareholder that used a broker to purchase stock has standing to sue, but holdings in pooled funds such as mutual funds or ETFs are not sufficient. Derivative cases are filed where the corporation is incorporated or headquartered.

What is the plaintiff's role in derivative litigation?

The plaintiff is responsible for reviewing court filings, participating in litigation strategy and discussions and settlement negotiations with counsel. The discovery obligations are modest and include preserving certain documents.

Securities Litigation Policy

~~Adopted November 2020~~

DRAFT PROPOSED
AMENDMENTS 2024

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.

VI. V. DELEGATION OF AUTHORITY

A. The APERS Board of Trustees (Board) created the Investment Finance Subcommittee (subcommittee) in 2023 and delegated the oversight of lead plaintiff status in a securities litigation action to the subcommittee. The subcommittee approves or disapproves lead plaintiff status in a securities litigation action as set forth under this policy.

B. The Executive Director, in consultation and discussion with the Deputy Director of Investments & Finance (Chief Investment Officer) and General Counsel, shall evaluate each proposed case according to this policy and recommend those cases which meet the

objectives of the Board under this policy and report those findings to the subcommittee.

~~_____ 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. C. The Once a decision is made for APERS to pursue lead plaintiff status in a securities litigation action, 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 procedures to effectively meet the goals and objectives of the Board lead plaintiff status.~~

~~_____ D. Where time is of the essence and a case meets the objectives of the subcommittee policy, the Executive Director may seek approval from the chair of the subcommittee, and the case will be placed upon the next regular agenda of the subcommittee for review.~~

~~_____ E. All action taken by the subcommittee to pursue lead plaintiff status in a securities litigation action will be reported to the full board of trustees at the next regular board meeting.~~

V. VI. 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)~~ five million dollars (\$5,000,000).

~~B. A In the event there are important policy reasons for APERS to seek lead plaintiff status in a particular case, then for those reasons the 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 to allow APERS to consider the case.~~

VII. REPORTS

The Executive Director or his or her designee shall regularly report to the subcommittee, and then to the Board any ~~participation activity~~ 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~~ Board subcommittee, for final 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 select and report to the ~~Board~~ Board subcommittee 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~~ subcommittee 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~~ subcommittee action. In the event of an inconsistency with this ~~Board~~ subcommittee policy and any previous ~~Board~~ subcommittee policy regarding securities litigation and monitoring, this policy shall control.

DRAFT



Chief Investment Officer Update – Domestic Equities

September 25, 2024

APERS Benchmark Returns Quilt - Public Markets

Fiscal Year Returns for Key Indices Ranked in Order of Performance (2010 - 2024)

FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Bberg HY 26.77%	RU2000G 43.50%	Bberg Agg 6.00%	RU1000V 25.32%	RU1000G 26.92%	RU2000G 12.34%	Bberg Agg 6.00%	RU2000V 24.86%	RU1000G 22.51%	RU MCG 13.94%	RU1000G 23.28%	RU2000V 73.28%	RU1000G 18.77%	RU1000G 27.11%	RU1000G 33.48%
RU2000V 25.07%	RU MCG 43.25%	Bberg HY 7.27%	RU2000V 24.76%	RU MCG 26.04%	RU1000G 10.56%	S&P 500 3.99%	RU2000G 24.40%	RU2000G 21.86%	RU1000G 11.56%	RU MCG 11.91%	RU2000G 51.36%	RU1000V (6.82%)	RU MCG 23.13%	S&P 500 24.56%
RU MCG 21.30%	RU1000G 35.01%	RU1000G 5.76%	RU2000G 23.67%	RU3000 25.22%	RU MCG 9.45%	RU1000G 3.02%	ACWixUS 20.45%	RU MCG 18.52%	S&P 500 10.42%	Bberg Agg 8.74%	RU3000 44.16%	Bberg Agg (10.29%)	S&P 500 19.59%	RU3000 23.13%
RU2000G 17.96%	APERS 33.64%	S&P 500 5.45%	RU MCG 22.88%	RU2000G 24.73%	S&P 500 7.42%	RU1000V 2.86%	RU1000G 20.42%	APERS 16.27%	RU3000 8.98%	S&P 500 7.51%	RU MCG 43.77%	S&P 500 (10.62%)	RU3000 18.95%	APERS 18.49%
RU1000V 16.92%	RU3000 32.37%	RU3000 3.84%	RU3000 21.46%	S&P 500 24.61%	RU3000 7.29%	RU3000 2.14%	EAFE 20.27%	RU3000 14.78%	RU1000V 8.46%	RU3000 6.53%	RU1000V 43.68%	Bberg HY (12.81%)	EAFE 18.77%	RU MCG 15.05%
RU3000 15.72%	RU2000V 31.35%	RU1000V 3.01%	APERS 20.99%	APERS 24.48%	APERS 7.25%	Bberg HY 1.62%	RU3000 18.51%	S&P 500 14.37%	APERS 8.12%	APERS 6.06%	APERS 43.65%	RU3000 (13.87%)	RU2000G 18.53%	RU1000V 13.06%
APERS 15.69%	S&P 500 30.69%	APERS 2.30%	S&P 500 20.62%	RU1000V 23.81%	RU1000V 4.13%	APERS (0.38%)	S&P 500 17.90%	RU2000V 13.10%	Bberg Agg 7.87%	RU2000G 3.48%	RU1000G 42.50%	APERS (14.22%)	APERS 15.24%	ACWixUS 11.62%
S&P 500 14.43%	EAFE 30.36%	RU2000V (1.44%)	EAFE 18.62%	EAFE 23.57%	Bberg Agg 1.86%	RU MCG (2.14%)	APERS 17.52%	ACWixUS 7.28%	Bberg HY 7.48%	Bberg HY 0.03%	S&P 500 40.79%	RU2000V (16.28%)	ACWixUS 12.72%	EAFE 11.54%
RU1000G 13.62%	ACWixUS 29.73%	RU2000G (2.71%)	RU1000G 17.07%	RU2000V 22.54%	RU2000V 0.78%	RU2000V (2.58%)	RU MCG 17.05%	EAFE 6.84%	ACWixUS 1.29%	ACWixUS (4.80%)	ACWixUS 35.72%	EAFE (17.77%)	RU1000V 11.54%	RU2000V 10.90%
ACWixUS 10.42%	RU1000V 28.94%	RU MCG (2.99%)	ACWixUS 13.63%	ACWixUS 21.75%	Bberg HY (0.40%)	EAFE (10.16%)	RU1000V 15.53%	RU1000V 6.77%	EAFE 1.08%	EAFE (5.13%)	EAFE 32.35%	ACWixUS (19.42%)	Bberg HY 9.06%	Bberg HY 10.44%
Bberg Agg 9.50%	Bberg HY 15.63%	EAFE (13.83%)	Bberg HY 9.49%	Bberg HY 11.73%	EAFE (4.22%)	ACWixUS (10.24%)	Bberg HY 12.70%	Bberg HY 2.62%	RU2000G (0.49%)	RU1000V (8.84%)	Bberg HY 15.37%	RU MCG (29.57%)	RU2000V 6.01%	RU2000G 9.14%
EAFE 5.92%	Bberg Agg 3.90%	ACWixUS (14.57%)	Bberg Agg (0.69%)	Bberg Agg 4.37%	ACWixUS (5.26%)	RU2000G (10.75%)	Bberg Agg (0.31%)	Bberg Agg (0.40%)	RU2000V (6.24%)	RU2000V (17.48%)	Bberg Agg (0.33%)	RU2000G (33.43%)	Bberg Agg (0.94%)	Bberg Agg 2.63%

*Source: Callan

Sources:

ACWixUS	EAFE	Bberg HY	Bberg Agg	RU1000V	RU2000V	RU3000	S&P 500	RU MCG	RU2000G	RU1000G	APERS
MSCI ACWI ex US Index	MSCI EAFE Index	Bloomberg High Yield	Bloomberg Aggregate	Russell 1000 Value	Russell 2000 Value	Russell 3000	S&P 500	Russell Mid Cap Growth	Russell 2000 Growth	Russell 1000 Growth	APERS Equity Portfolio

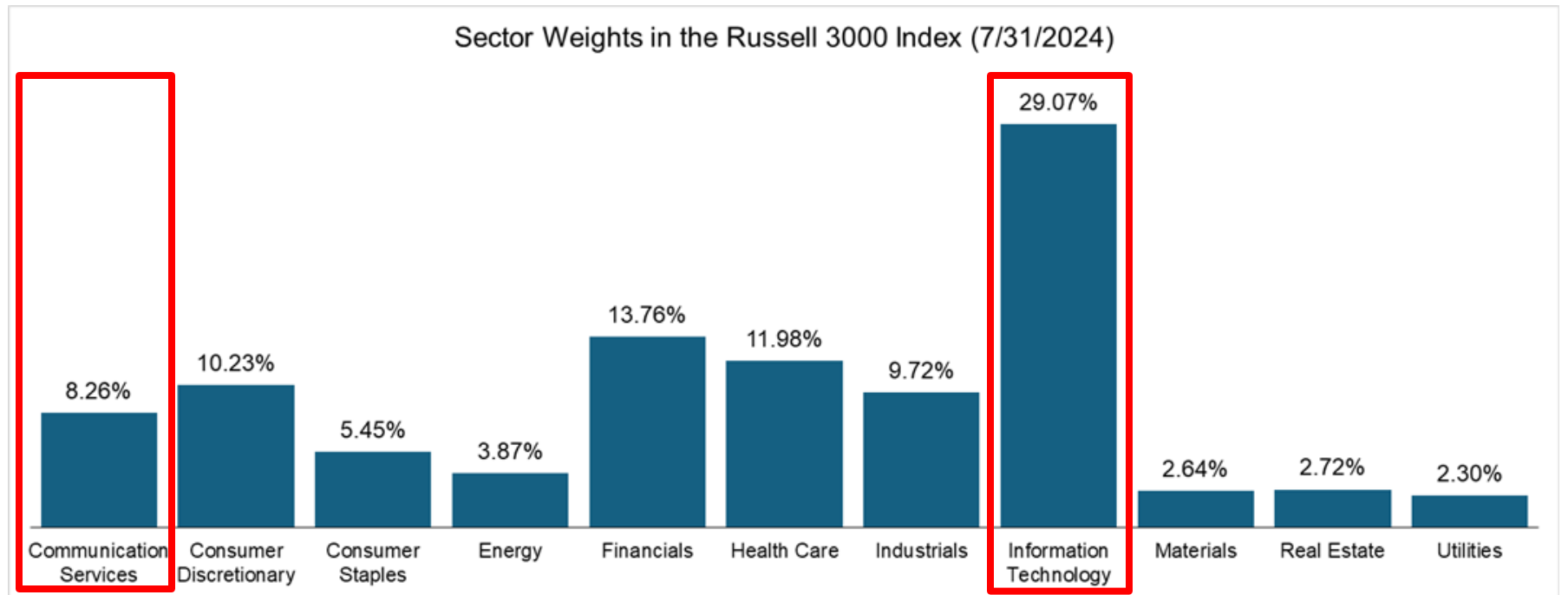
APERS Domestic Equity Portfolio

January 2024					RU3000
Actual	Growth	Core	Value	TOTAL	Index
Large Cap	24.81%	24.45%	26.84%	76.10%	73.00%
Mid Cap	0.00%			0.00%	22.00%
Small Cap	13.24%		10.66%	23.90%	5.00%
	38.05%	24.45%	37.50%		

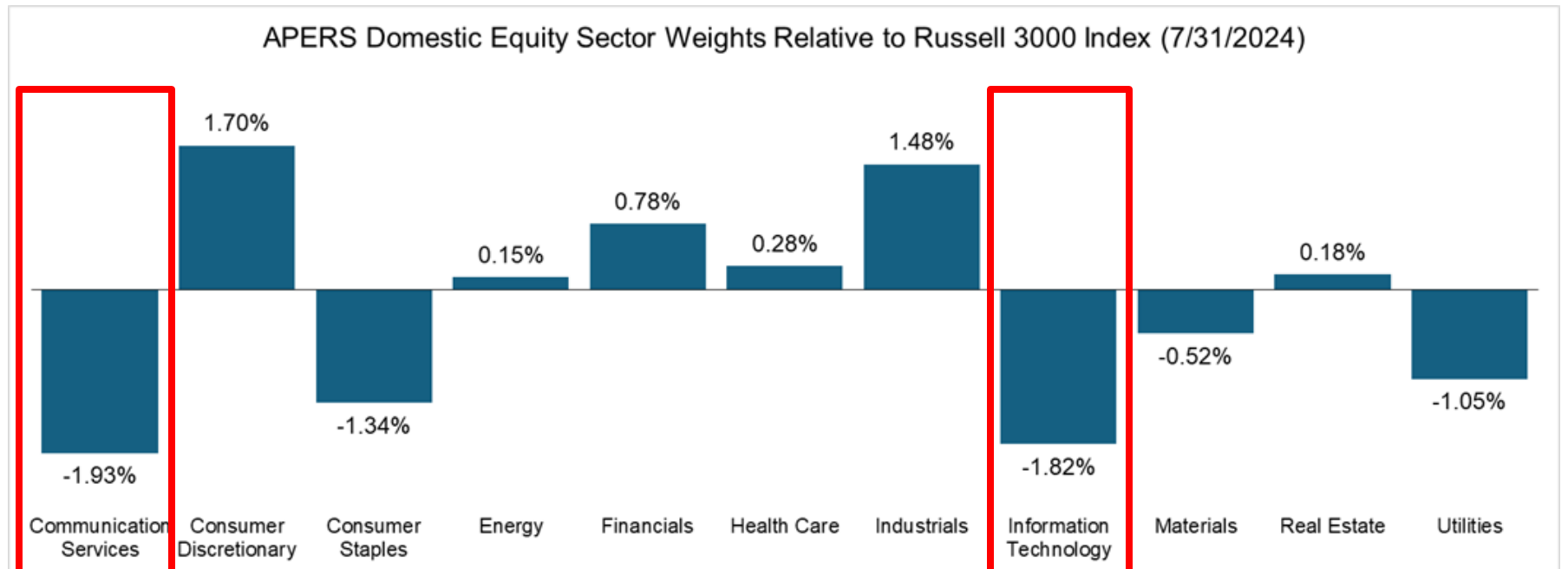
RECOMMENDED February 2024					RU3000
	Growth	Core	Value	TOTAL	Index
Large Cap	35.00%	26.00%	20.00%	81.00%	73.00%
Mid Cap	10.00%			10.00%	22.00%
Small Cap	4.00%		5.00%	9.00%	5.00%
	49.00%	26.00%	25.00%		

As of June 30, 2024					RU3000
Actual	Growth	Core	Value	TOTAL	Index
Large Cap	33.16%	21.45%	24.62%	79.23%	73.00%
Mid Cap	9.91%			9.91%	22.00%
Small Cap	4.13%		6.74%	10.87%	5.00%
	47.20%	21.45%	31.36%		

Russell 3000 Index



APERS Domestic Equity Portfolio



APERS Domestic Equity Portfolio vs. the Russell 3000

June 30, 2024

