



SAMPLE SECURITIES LITIGATION POLICY

USA Employees' Retirement System (USA) Securities Litigation Policy Adopted April __, 20 __

I. PURPOSE

Institutional investors, including public pension plans, may be eligible to recover losses from their investments in publicly traded companies when such losses result from the violation of the federal and state securities laws. Investors who traded the relevant security during the relevant time period (the so called "Class Period") are potential class members for litigation and settlement purposes.

For a plan to meet its fiduciary responsibilities, it should seek to maximize asset recoveries resulting from securities fraud. To that effect, a plan needs outside expertise as well as internal systems designed to help find, track and manage securities litigation recoveries. This Securities Litigation Policy ("Policy") aims to establish guidelines for the **USA Employees Retirement System ("USA")** to monitor and participate in securities litigation related to its publicly traded securities investments. Additionally, this Policy provides guidelines to determine the appropriate level of participation by **USA** in pending litigation, which may include acting in the role of a lead plaintiff, remaining a passive class member, or opting-out and filing a separate individual claim (i.e., a "direct action"). Finally, this Policy provides guidance regarding **USA's** recovery of funds via settlements achieved in securities class action lawsuits that **USA** is eligible to claim.

II. POLICY OBJECTIVES

A. The objectives of this Policy are to:

1. Provide guidelines that the Board of Trustees ("Board") will adhere to when assessing and determining the appropriate level of involvement in securities litigation and settlement process.
2. Offer guidance and direction to **USA's** staff regarding procedures for monitoring securities litigation and settlements.

III. ROLES AND RESPONSIBILITIES

A. The Board has a fiduciary duty to recover, as reasonably practicable, funds lost due to corporate mismanagement or fraud related to **USA's** public equity investments. The Board will determine **USA's** level of participation in securities litigation and settlements based on recommendations from **USA** staff, internal and external legal counsel, and consultants, as appropriate. Active litigation will only be pursued if expressly authorized by the Board.



The implementation of this policy should not place a burden on USA legal staff. Existing resources should be used to keep the Board apprised of the status of the filing and settlement of securities class action cases or other class action litigation impacting USA's investment portfolio.

B. USA's Executive Director/CIO and investment staff (collectively "Staff") will:

1. Monitor securities litigation cases and settlements where USA may be eligible to participate and claim recovery of its losses, including claims filed by the custodian bank;
2. Evaluate recommendations from Securities Litigation Firms ("SLFs") to determine the optimal course of action; and
3. Provide recommendations to the Board regarding USA's involvement in securities litigation, guided by recommendations and advice from its staff, SLF, and other consultants, as appropriate.

C. The custodian bank has the primary responsibility to:

1. Keep trading records and documentation for each security's purchase and sale transactions for a minimum of 10 years;
2. Make such trading records and documentation accessible and available to SLF for purposes of identifying financial losses and eligibility to participate in settlements in securities litigation;
3. File proofs of claim on behalf of USA in a timely manner; and
4. Deposit settlement funds appropriately as directed by Staff.

D. Security Litigation Firms (SLF's) will:

1. Identify and monitor securities litigation and settlements in which USA may be eligible to participate, including non-U.S. litigation;
2. Assess USA's potential losses;
3. Evaluate pending class action lawsuits and provide recommendation to USA as to its participation as a lead plaintiff, passive class member, or an individual opt-out;
4. Identify settlements achieved in securities class action lawsuits in which USA is eligible to file proof of claim;



5. Provide reports on the merit of those class action cases in which **USA** is recommended to participate as a lead plaintiff or to opt out (and file a direct claim); and
6. Provide periodic reports to **USA** on the SLF's monitoring efforts.

E. Fiduciary Counsel will:

1. Assist SLFs in preparing **USA** to serve in lead plaintiff role, including, but not limited to, the following:
 - a) Review pertinent legal documents and materials; and
 - b) Review and assess risks and benefits related to **USA's** active participation in the litigation.

IV. POLICY GUIDELINES

A. SLFs are retained to assist in monitoring securities litigation cases, which includes:

1. Monitoring potential cases and settlements involving **USA** assets;
2. Assessing the size of recoverable losses to **USA**; and
3. Evaluating **USA's** recommended level of involvement in the litigation.

B. **USA** is potentially a passive class member in any given class action lawsuit by virtue of trading the relevant security during the Class Period. Situations may arise when it is in the best interest of **USA** to be an active member and serve as a lead plaintiff or to opt out of the pending class action lawsuit and file a direct claim as an individual plaintiff.

C. In general, **USA** will not consider active participation in securities litigation unless its potential losses exceed \$XXX,000.

D. The following factors will be assessed by Staff in consultation with consultants and appropriate legal counsel when making a recommendation to the Board regarding active participation in a litigation:

1. Magnitude of loss incurred by **USA**.
2. Strengths and weaknesses of the underlying claims.
3. **USA's** unique position to serve as lead plaintiff as compared to other potential institutional investors.



4. Benefits and risks of serving as lead plaintiff or pursuing a separate legal action as opposed to serving as a passive class member.
5. Location of the litigation and feasibility of participation.
6. Participation, or lack thereof, by other institutional investors.
7. Time commitment that will directly impact Staff resources or divert Staff from their main responsibilities.
8. Costs to USA for active participation in litigation.
9. Other factors, as appropriate.

E. Non-U.S. Securities Litigations

1. In 2010, the United States Supreme Court in *Morrison v. National Australia Bank*, 561 U.S. 247 (2010), held that investor losses stemming from corporate wrongdoing on securities purchased outside the United States cannot be pursued under U.S. federal securities laws.
2. Unlike U.S. securities litigation, where passive class members can recover losses, most foreign countries require active election (i.e., “opting-in”) to participate in pending litigation or case settlements.
3. Staff will collaborate with SLFs to evaluate opportunities for foreign litigation.
4. In addition to the factors listed in section IV.D above, the following factors will be considered in reviewing foreign litigation opportunities:
 - a) Whether the ability to recover damages will be lost if the litigation is not pursued;
 - b) Out of pocket expenses for USA related to pursuing the litigation, including, but not limited to, legal fees and costs incurred if the Court decides in favor of the defendants; and
 - c) Different litigation procedures for each country.

F. Considering that securities litigation can take several years to conclude, trading records and other documentation for each holding should be maintained for at least 10 years.

G. If after evaluating the factors described above, the Board determines that it is in the best interest of members and beneficiaries for USA to pursue active litigation because the potential recovery outweighs the cost and any risks related to active participation in a U.S.



or non-U.S. litigation matter, Staff will work with SLFs and Fiduciary Counsel to pursue the claim and will report periodically, as appropriate, to the Board on the status of the litigation.

- H. Staff will regularly report to the Board the status of eligible claims and recoveries.
- I. Proceeds from settlements will be deposited by the custodian bank to the applicable account. If the applicable account is closed and unable to receive funds, the custodian bank will notify Staff and request direction on where to deposit the proceeds.

V. POLICY REVIEW

The Board will review this Policy at least every three (3) years to ensure it remains relevant and appropriate.

VI. POLICY HISTORY

- A. This Board adopted the policy on [Month], 202[x]
- B. The Board reviewed and adopted this policy, with revisions, on _____
[Month, Date], 202__