



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 9B

MEETING DATE: October 15, 2025

SUBJECT: Securities Litigation Policy

SUBMITTED FOR: X Action Information

RECOMMENDATION

Approve amendments to the Securities Litigation Policy.

PURPOSE

This item supports Strategic Management Plan goals regarding transparency, compliance with laws and regulations, and effective oversight of Plan assets.

DISCUSSION

The Securities Litigation Policy was approved by the Board in April 2007, establishing guidelines and procedures for monitoring securities-related class action proceedings potentially associated with SCERS investments. It remained largely unchanged until February 2024, when the Board approved amendments both stylistic (e.g., formatting changes) and practical (e.g. clarification of Chief Executive Officer discretion over both domestic and international claims).

In the course of reviewing the policy in connection with various securities litigation matters this summer, Staff believes that additional amendments are appropriate, again for both stylistic and practical reasons. The stylistic changes include re-formatting the outline and relocating the "Background" information from the end of the policy to the more appropriately named "Guidelines" section at the beginning

The practical changes are directed at the required analysis of pending actions involving significant recognized damages to SCERS. The current threshold of \$2 million has not been changed since the policy was adopted in 2007. Adjusting for inflation, \$2 million then is closer to \$4 million now. Raising the threshold to \$4 million accounts for that adjustment, and also reflects SCERS' traditionally conservative approach to direct participation in securities litigation matters, which is driven by a several factors, such as: (1) the "dollars to dimes" recoveries that are typical in class action cases; (2) the impact of litigation on SCERS' finite time and resources for core business matters; and (3) reputational risk.

The other notable recommendations clarify the obligation of the Chief Executive Officer (CEO) to consult with the Board and Board President in those cases where SCERS is being recommended as lead plaintiff and shift the obligation of reporting on these matters from the CEO to the General Counsel.

ATTACHMENTS

- Board Order
- Redlined version of policy with proposed amendments
- Clean version of policy with proposed amendments

Prepared by:

/S/

Jason R. Morrish
General Counsel

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
October 15, 2025**

AGENDA ITEM:

Securities Litigation Policy

THE BOARD OF RETIREMENT hereby approves the Staff recommendation to approve amendments to the Securities Litigation Policy.

I HEREBY CERTIFY that the above order was passed and adopted on October 15, 2025, by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Chris Giboney
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



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 and participate in securities class action proceedings.

POLICY GUIDELINES

In furtherance of its fiduciary duties and strategic management goals, SCERS has a responsibility to determine and facilitate an appropriate level of participation in securities-related litigation intended to recover damages for investment losses caused by the malfeasance of persons and entities associated with a SCERS investment. The Board delegates the decision to participate in such securities-related domestic and international class action and claims-based litigation to the Chief Executive Officer (CEO).~~The CEO~~Chief Executive Officer is authorized to execute any and all documents necessary to effectively determine and facilitate the appropriate level of SCERS' participation in a given ~~class action~~ proceeding, subject to the retention, consultation, and reporting obligations set forth below.

APPLICATION PROCEDURES

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; and (4) consider the benefits and costs of alternative approaches to participation in a given case, including; ~~and (5) decide~~ whether SCERS should seek appointment as lead plaintiff.

A. Collection of Information

SCERS will retain a consultant to provide professional securities litigation monitoring, filing and recovery services ("Support Services Provider"). Such services shall include, at a minimum:

1. Identification, assertion and filing (when available) of claims in securities class actions and other securities, antitrust, and bankruptcy litigation-related matters for which SCERS is eligible;
2. Regular reporting to SCERS regarding any and all pending securities class actions for which SCERS may qualify as a class participant;
3. Estimated calculations of what, if any, recognized damages SCERS has incurred; and
4. Accountings for funds collected on SCERS' behalf and remittance of those funds

to SCERS in accordance with the terms of the consulting agreement.

B. Review and Analysis of Threshold Cases

General Counsel (GC) shall review the Support Service Provider's reports at least quarterly to determine whether any pending action involves recognized damages to SCERS of \$42 million dollars or more. If so, the ~~G~~General Counsel will refer that particular action to a qualified law firm ("Securities Litigation Counsel") for further review and legal analysis. Securities Litigation Counsel shall independently evaluate the action and make a written recommendation to the ~~G~~General Counsel as to what, if any, additional level of participation in the litigation SCERS should consider.

C.1. Recommendation

Upon receipt of the report(s) and recommendations from Securities Litigation Counsel, the ~~General Counsel~~ shall consult with the ~~CEO~~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.2. Disposition

The ~~CEO~~Chief Executive Officer shall consider the recommendation of the ~~General Counsel~~ and shall decide what, if any, action, SCERS should pursue. In cases where the recommendation includes a petition to be lead plaintiff, if time permits, the CEO should consult with matter shall be referred to the Board regarding the decision, but if for action. If in the event an immediate decision is necessary, the Chief Executive Officer shall at a minimum consult with is authorized to make the decision, but shall concurrently notify the Board President. The GC and shall provide include a summary of the action and the decision in a report to the Board within 30 days at its next meeting.

3. Lead Plaintiff

In any case where SCERS is designated as a lead plaintiff, it shall take all actions consistent with its status as a fiduciary of the class. Securities Litigation Counsel shall be required to provide in advance a projected timetable, 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. 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.

E.C. Active Monitoring

The ~~GC~~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 ~~CEO~~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.A. Lead Plaintiff

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~~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.D. Asset Recovery

The Support Service Provider shall continue to be responsible for filing all proofs of claim, including the supporting documents and information necessary to recover funds in every securities class action or other claims-based proceeding in which SCERS has damages. The ~~General Counsel~~C, in consultation with the Chief Investment Officer (CIO), shall monitor the performance of the Support Service Provider and Custodial Bank in that regard.

The ~~CEO~~Chief Executive Officer is authorized to file or execute documents necessary to support SCERS' claim for damages in any case subject to this policy where Securities Litigation Counsel or the Support Service Provider are not permitted to do so. Further, in cases where a recovery amount is negotiable or discretionary, the ~~CEO~~Chief Executive Officer is authorized to accept recovery or settle claims up to \$75,000 individually and up to \$150,000 with the approval of the Board President.

Recovery of funds under this policy shall be reported annually to the Board.

BACKGROUND

~~In furtherance of its fiduciary duties and strategic management goals, SCERS has a responsibility to determine and facilitate an appropriate level of participation in securities-related class action litigation intended to recover damages for investment losses caused by the malfeasance of persons and entities associated with a SCERS investment.~~

RESPONSIBILITIES

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

Executive Owner: General Counsel

POLICY HISTORY

Date	Description
<u>10-15-2025</u>	<u>Board amended policy</u>
02-21-2024	Board amended policy
01-15-2020	Board reviewed policy
08-01-2018	Renumbered from 043
01-17-2018	Board affirmed in revised policy format
04-19-2007	Board approved new policy



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 and participate in securities class action proceedings.

GUIDELINES

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PROCEDURES

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; and (4) consider the benefits and costs of alternative approaches to participation in a given case, including whether SCERS should seek appointment as lead plaintiff.

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1. Recommendation

Upon receipt of the report(s) and recommendations from Securities Litigation Counsel, the GC shall consult with the CEO and make a recommendation 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.

2. Disposition

The CEO shall consider the recommendation of the GC and shall decide what, if any, action SCERS should pursue. In cases where the recommendation includes a petition to be lead plaintiff, if time permits, the CEO should consult with the Board regarding the decision, but if an immediate decision is necessary, the Chief Executive Officer shall at a minimum consult with the Board President. The GC shall provide a summary of the action and the decision in a report to the Board within 30 days.

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RESPONSIBILITIES

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