

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (FCERA)
SECURITIES MONITORING AND LITIGATION POLICY**

I. General Purpose

- 1) FCERA is a fiduciary for assets held in trust for the benefit of plan members and their beneficiaries, and to defray expenses of administration of the retirement fund.
- 2) In order to carry out its fiduciary duty to prudently invest and diversify the assets of the retirement fund, FCERA invests considerable assets in global public securities markets.
- 3) The efficient and effective deployment of plan assets requires that market risks in seeking returns must be prudently assumed and managed. Investing in publicly-traded securities in regulated markets under accounting, disclosure and business practice laws and regulations provides general, but not perfect assurance that the information forming the basis for investments is accurate, conforms with accepted accounting practices, and is not distorted due to misfeasance, malfeasance or nonfeasance, or the timing of information disclosures by persons or entities with the ability to affect market prices of the those investment securities.
- 4) Legal action is sometimes necessary to attempt to recover all or part of losses the fund may incur due to alleged improper action or inaction that results in the impairment of the value of the fund's security holdings.
- 5) Most such actions will be prosecuted by the class action bar whether or not FCERA takes an active role as a plaintiff or a passive role as a member of a certified class of plaintiffs. Any ultimate award or settlement from a class action filing will be ratably allocated among legitimate claimants.
- 6) FCERA will generally only pursue active participation in securities actions when such a role is expected to add value by enhancing the prospect for recovery, increasing the amount of recovery, or assuring more efficient and effective prosecution of the case.

For purposes of this Policy, "active participation" means seeking status as lead plaintiff, co-lead plaintiff, or filing separate legal action.

II. Non-Active Recovery and Filing

- 1) FCERA will require as part of its agreement with its custodial bank, that adequate securities class action monitoring is maintained on an ongoing basis, sufficient to assure that most of the actual awards and settlements for such cases are tracked and identified, and that proof of claim forms, including supporting documentation, will be properly and timely filed.
- 2) For claims with transaction periods that pre-date the current custodial relationship (in whole or in part) FCERA staff will work with the prior custodial bank or directly file proof of claim documents.

- 3) To augment and enhance coverage, identification and tracking of class-action cases (potential or actual) FCERA may engage one or more legal firms that specialize in monitoring and prosecuting security class-action cases. For these purposes only, such firm(s) may be granted ongoing access to security holdings information through the custodian bank.
 - a) A monitoring agreement with any law firm for monitoring service access and reporting will not commit FCERA to employing said firm in the event that it seeks to represent FCERA as an active participant in any securities related litigation. Such representation must be effected by a separate retainer agreement between FCERA and said firm, or another, depending on such factors as the potential monetary scope, the nature of the case and industry specialty that may be required, the allocation of current or past cases among candidate firms, the likely duration and cost of prosecuting such a case, retainer fees or contingency splits, the venue in which the case is to be filed, and other considerations.
- 4) The custodial bank will be required to provide FCERA with periodic reports that detail class action cases monitored, claims filed, and award or settlement distributions received. FCERA Administration will maintain and provide to the Board accounting information on distributions received on claims filed by the custodians and in-house staff.

III. Active Participation in Cases

- 1) The Retirement Administrator will initiate active participation in securities cases only upon prior review and approval of the Board. Before bringing any recommendations to the Board he will assess the merits and prospects for active participation by reference to the criteria and factors outlined in this section. In cases where the Administrator must act before the next Board meeting to secure FCERA's interests and status as an active participant where it seems advisable in his judgment, the decision must be reviewed, modified, ratified or rescinded when the Board can next agendaize and consider the case.
- 2) Decision Criteria and Factors
 - a) The decision to participate in an active capacity in security litigation should be based on the totality of the circumstances. Dollar loss amounts are important, but not the sole or overriding factor to consider in making such recommendations by the Administrator, or determinations by the Board of Retirement.
 - b) Potential losses to FCERA must be significant in order to warrant participation as a lead plaintiff, co-lead plaintiff, or separate "opt-out" litigant. Generally, in cases where the potential loss does not exceed \$500,000, FCERA will avoid active participation.
 - c) The prima facie merits of the claim for loss, and the factual basis for the action, recognizing that the full discovery process will not commence until the class has been certified by the court in which such case is to be filed.

- d) The availability of witnesses, and possible support that may be obtained from investment managers, consultants, and the custodial bank through discovery.
- e) The potential that any defendants or insurers will be able to pay an adequate recovery to the class, without impairing the value of any current security holdings FCERA may yet hold in the issuer in the portfolio.
- f) The ability of the law firm recommending action on the part of FCERA to prosecute the case effectively, in the venue where such case is likely to be filed, and the experience of the firm in managing such cases individually or in partnership with other firms.
- g) Potential long-term benefits from corporate governance changes from pursuing litigation.
- h) The ability of FCERA to serve as a fiduciary on behalf of all class members in the case, especially in relative terms to other institutional investors that may be considering the same case.
- i) Potential costs that may be incurred. Special consideration must be given to any case that must be filed in a non-U.S. venue under the “Morrison” criteria established by the U. S. Supreme Court in a 2010 decision, since costs of litigation and potential liabilities of unsuccessful claims may be significant.
- j) Current workload and staffing resources required for the fulfillment of FCERA’s primary member service functions, and whether participation might displace time and staff resources needed for core business functions.

IV. Roles in Managing and Monitoring Litigation

- 1) The Board will make the final determination of whether it is in FCERA’s best interest to pursue active participation in any case and whether to engage any law firm and the terms of such engagement.
- 2) Decisions regarding the conduct and implementation of the Board’s decision to participate will be the responsibility of the Administrator, or an approved member of the Investment Unit if he so delegates. When feasible and advisable, the Administrator shall seek advice and direction from the Board on strategic and legal issues that may arise in prosecuting the action on behalf of the Association. The Administrator shall timely report to the Board on the progress of the litigation.
- 3) The Administrator shall be responsible for management of the relationship with any portfolio monitoring law firm or organization for such purpose.

- 4) The Administrator will bring to the Board, during its policy review cycle, proposals from interested firms to help the Board determine whether any change in relationship with a portfolio monitoring law firm or organization is warranted.
- 5) Any agreement for portfolio monitoring services that includes a fee or subscription cost must first be approved by the Board before execution by the Administrator.
- 6) Any termination of agreement must first be approved by the Board before execution by the Administrator.

V. Policy Review

- 1) The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

VI. Policy History

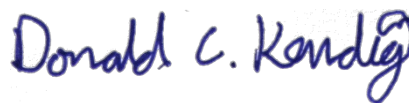
- 1) This policy was adopted by the Board on February 20, 2013.
- 2) The Board of Retirement reviewed and modified this policy on March 16, 2016 and June 19, 2019.

VII. Secretary's Certificate

I, Donald Kendig, the duly appointed Secretary of the Fresno County Employees' Retirement Association, hereby certify the adoption of this Policy.

June 19, 2019

Date of Action:



By: Retirement Administrator