



RETIREMENT BOARD MEETING CALENDAR SHEET
August 14, 2024

To: Retirement Board

From: Alison Romano
CEO & CIO

Date: August 14, 2024

Agenda Item: Securities Litigation Policy and Placement Agent Policy

Recommendation:

Approve the proposed amendments to the Securities Litigation Policy and to the Placement Agent, Gifts and Campaign Contributions Policy.

Background – Securities Litigation Policy:

The Retirement Board last reviewed and amended the Securities Litigation Policy on September 12, 2018. This policy was due for Board review.

I, along with Staff and the City Attorney, reviewed this policy and suggest the attached changes. Generally, these changes reflect the following:

- Updates to the format to be consistent with current policies
- Clarification of the role of the City Attorney and Portfolio Monitoring and Securities Litigation Evaluation Counsel, consistent with current practices
- Lowering of the threshold for Foreign Claims, from \$5 million to \$1 million, for which potential claims may be evaluated with the City Attorney and SFERS staff to determine whether SFERS should take a more active role. We recommend lowering the threshold to provide greater flexibility in evaluating potential claims while continuing to take into account the potential monetary benefit relative to the risks, time and/or costs of pursuing such claims.

Background – Private Placement Policy

The Retirement Board last amended the Private Placement Agent, Gifts and Campaign Contributions Policy in February, 2013. The policy was due for a review. I, along with the City Attorney, reviewed this policy and suggest the attached changes.

Generally, these changes reflect the following:

- Updates to the format to be consistent with current policies

- Updates to include more current titles and to reflect partial investment delegation, and current practice and requirements

Attachments for Informational Purposes:

- Securities Litigation Policy – Redlined
- Securities Litigation Policy – Clean version, with amendments
- Placement Agent, Gifts and Campaign Contributions Policy - Redlined
- Placement Agent, Gifts and Campaign Contributions – Clean version, with amendments



SECURITIES LITIGATION POLICY

Background and Purpose

- 1) This ~~policy~~Policy provides a framework for monitoring ~~securities litigation~~Securities Litigation that relates to assets of the San Francisco Employees' Retirement System (~~"SFERS"~~) and for evaluating the alternatives available to SFERS when losses reach defined thresholds. The purpose of this Securities Litigation Policy is to assist the Retirement Board with its supervision and monitoring of litigation relating to SFERS' assets. ~~This Securities Litigation Policy will address the following issues:~~
 - ~~a) The objectives of this Policy.~~
 - ~~b) The policies and procedures for monitoring securities litigation that affects SFERS' assets.~~
 - ~~c) The policies and procedures for evaluating potential courses of action when losses relating to SFERS' assets reach designated thresholds.~~
 - ~~d) The policies and procedures to be implemented when SFERS obtains lead plaintiff status in U.S. securities litigation or join as a plaintiff in foreign securities litigation.~~
 - ~~e) Duties of the responsible parties.~~
 - ~~f) Review of performance.~~
- 2) By establishing this Securities Litigation Policy, the Retirement Board recognizes that the enactment by Congress of the Private Securities Litigation Reform Act (~~"PSLRA"~~) in 1995 encouraged institutional investors and other large shareholders to seek lead plaintiff status in securities class actions. In addition, the United States Securities and Exchange Commission, and leaders in the legal community, have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.
- 3) These declarations must be balanced against other, equally compelling, fiduciary principles, including the principle to act solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing contributions, and defraying reasonable expenses of administering the ~~Plan~~SFERS Defined Benefit Plan ("Plan"). The Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty.
- 4) This Securities Litigation Policy is designed to balance these principles by ensuring that all actions relating to SFERS' monitoring of ~~securities litigation~~Securities Litigation, and any action taken as a

result of losses to SFERS' assets, make prudent use of the plan's resources and are clearly designed to serve the interests of the Plan's participants.

Policy Objectives

- 5) The objectives of this Securities Litigation Policy are:
- a) To establish protocols for monitoring the Custodian's activities that pertain to protecting SFERS' rights to recovery in all ~~securities litigation~~Securities Litigation that impacts SFERS' assets, and for ensuring that all distributions are received timely and credited to SFERS' account.
 - b) To identify circumstances where the best interests of the Plan's participants may be served by SFERS taking an active role in ~~securities litigation~~Securities Litigation.
 - c) To provide guidelines for determining the appropriate course of action when a more active role in ~~securities litigation~~Securities Litigation appears to serve the best interests of the Plan's participants.
 - d) To establish guidelines for reporting ~~securities litigation~~Securities Litigation activities undertaken on behalf of the ~~SFERS~~ Plan.
 - e) To make all decisions relating to this Securities Litigation Policy in compliance with fiduciary standards.

Definitions

~~6) The~~

6) The terms below as used in this Policy shall have the following meanings:

- a) "Outside Securities Litigation Counsel" means any of the attorneys and/or law firms the City Attorney's Office retains to represent SFERS when the System takes an active role in Securities Litigation.
- b) "Portfolio Monitoring and Securities Litigation Evaluation Counsel" means any of the attorneys and/or law firms the San Francisco City Attorney's Office retains to provide professional legal services for portfolio monitoring and Securities Litigation monitoring, evaluation and reporting, and related legal services, on behalf of SFERS.
- c) "Securities Litigation" means any existing or potential case or legal action brought before a court, administrative agency, arbitrator, or similar authority, in which plaintiff(s) seek to recover damages for the diminution in value of a security caused by the defendant(s) or responding party(ies).

Roles and Responsibilities

~~7) — The responsibilities of the SFERS Board~~

~~7) The Retirement Board's primary responsibility is include, but are not limited to set, the following:~~

- ~~a) Setting the policy framework in which implementation of this Securities Litigation Policy will take place. ~~SFERS staff,~~~~
- ~~b) Providing oversight of the effectiveness of the implementation of this Securities Litigation Policy and monitoring SFERS staff's performance in carrying out their duties.~~

~~8) The responsibilities of the Executive Director include, but are not limited to, the following:~~

~~a) Assisting the City ~~Attorney's~~Attorney's Office ~~where appropriate, will be responsible for implementing and administering the policy decisions in evaluating whether SFERS should take an active role in Securities Litigation.~~~~

~~b) The Retirement Board shall approve the retention of outside evaluation counsel when the City Attorney's Office determines that specialized expertise is needed to evaluate a claim where the potential loss to SFERS reaches or exceeds defined thresholds.~~

~~e)b) When it is in SFERS' interests to take an active role in securities litigation, the Retirement Board shall approve Securities Litigation, providing input regarding the retention of ~~outside counsel~~Outside Securities Litigation Counsel to assist the City Attorney's Office in representing SFERS in the litigation.~~

~~d) The Retirement Board shall review, at least annually, the results of implementing this Securities Litigation Policy to ensure that the guidelines are met, and to evaluate whether changes to the Policy are appropriate.~~

~~e) The Retirement Board shall provide oversight of the effectiveness of the implementation of this Securities Litigation Policy.~~

~~8) — SFERS Staff~~

~~c) SFERS Staff, as designated by the Retirement Board, is responsible for managing and Requesting that the City Attorney's Office retain counsel to file any types of claims not covered by the Custodian, e.g. antitrust actions.~~

~~9) The responsibilities of SFERS staff include, but are not limited to, the following:~~

~~a) Managing and providing general oversight of this Securities Litigation Policy, in coordination with the City Attorney's Office. ~~The Retirement Board will monitor SFERS Staff's performance in carrying out their duties, which include:~~~~

~~b)~~ With the City Attorney's Office where appropriate, implementing and administering Board policy decisions.

~~b)c)~~ Monitoring the Custodian to ensure that it adheres to SFERS' policies and guidelines regarding the filing of appropriate and timely proofs of claim and prompt deposit of all distributions when ~~securities litigation~~ Securities Litigation matters are settled.

~~e)d)~~ Reviewing ~~monitoring emails/reports from~~ the ~~activities of the~~ Portfolio Monitoring and Securities Litigation Monitoring Firm to ensure that it is providing SFERS with timely notification of significant securities Evaluation Counsel, which includes litigation events claims due, on a regular basis.

~~e)e)~~ Working with the City Attorney's Office to evaluate all potential claims that meet or exceed the threshold amounts set forth ~~above~~ below.

~~e)f)~~ Monitoring the City Attorney's Office activities relating to the evaluation of potential claims to ensure compliance with the Retirement Board's guidelines.

~~f)g)~~ ~~Preparing reports that evaluate the effectiveness of this Securities Litigation Policy and offer~~ Offer recommendations for appropriate changes to this Policy.

~~g)h)~~ Coordinating with the City Attorney's Office to ensure that the reporting requirements of the City Attorney's Office and ~~outside securities litigation counsel~~ Outside Securities Litigation Counsel are met.

~~9)~~ Custodian

~~10)~~ The Custodian shall be responsible for processing The responsibilities of the Custodian include, but are not limited to, the following:

- a) Processing securities class action claims on behalf of SFERS, ~~including the following:~~
- b) Notifying SFERS, and the Portfolio Monitoring and Securities Litigation Evaluation Counsel as needed, of securities class action proceedings in which it is a member of the class.
- c) Assembling and providing all necessary transaction data to ensure that appropriate claims can be assessed and that SFERS' ability to participate in a settlement of the claim is protected.
- d) Properly and timely filing all proofs of claim where SFERS is a member of the class.
- e) On a timely basis, receiving all settlements due to SFERS and crediting the settlements to the appropriate account.
- f) Providing timely and accurate reports to SFERS ~~Staff~~ staff.

- g) Providing all information required by the Portfolio Monitoring and Securities Litigation Monitoring Firm Evaluation Counsel on a timely basis.

10)11) The responsibilities of the Portfolio Monitoring and Securities Litigation Monitoring Firm Evaluation Counsel include, but are not limited to, the following:

- a) ~~The Securities Litigation Monitoring Firm shall be responsible for providing~~ Providing support services to SFERS ~~Staff~~ staff and to the City Attorney's Office to enable them to monitor securities claims in which SFERS is a member of the class and to evaluate the appropriate course of action for SFERS to take in each such case, ~~including the following actions:~~
- b) Obtaining from the Custodian the data necessary to provide the support services.
- c) Notifying SFERS ~~Staff~~ staff and the City Attorney's Office when a securities class action case is initiated.
- d) Providing SFERS ~~Staff~~ staff and the City Attorney's Office with information relating to the case as the litigation progresses.
- e) Calculating estimates of the potential loss, if any, to SFERS in a case.
- f) Providing SFERS ~~Staff~~ staff and the City Attorney's Office with data to assist them in identifying class action cases in which SFERS has an interest.
- g) Notifying SFERS ~~Staff~~ staff and the City Attorney's Office of a proposed settlement of any litigation in which SFERS has an interest, including the last date for filing a proof of claim.
- h) Providing to SFERS an annual report of securities class actions in which SFERS has an interest.
- i) Providing to the City Attorney's Office an independent evaluation of a claim that meets or exceeds designated threshold amounts. To ensure that the evaluation is free from any potential for bias, Portfolio Monitoring and Securities Litigation Evaluation Counsel is generally not eligible to become litigation counsel for any matter in which the law firm has provided Securities Litigation evaluation advice.
- j) Investigating and analyzing the legal merits of a securities matter.
- k) Identifying estimates of recovery potential and possible sources of recovery.
- l) Analyzing, in conjunction with the City Attorney's Office, what, if anything, SFERS can bring to the Securities Litigation matter that could improve the outcome.
- m) Preparing a written evaluation of the assigned matter and recommending appropriate courses of action based on the evaluation. When recommending a particular course of action, Portfolio Monitoring and Securities Litigation Evaluation Counsel shall discuss the

potential benefit to SFERS in relation to the Staff time and expenses to the System by following the recommended course of action. All written evaluations and communications shall be directed to the City Attorney's Office.

~~11) City Attorney's Office~~

~~a)12) The responsibilities of the City Attorney's Office shall be responsible for~~include, but are not limited to, the following actions:

~~b)a) Monitoring class actions that relate to the SFERS Plan's assets, including through the Portfolio Monitoring and Securities Litigation Monitoring Firm's Evaluation Counsel's tracking system, to identify potential claims that meet the thresholds for evaluating whether it may be in SFERS' interests to take an active role, as opposed to passively following the progression of the claims litigation and filing a claim following settlement.~~

~~e)b) Conducting a detailed evaluation of all claims where, based on rough calculations by the Portfolio Monitoring and Securities Monitoring Firm Litigation Evaluation Counsel, the estimated loss to the Plan exceeds the threshold amount for domestic or foreign litigation stated above below. Whenever necessary, the City Attorney's Office shall seek the assistance of outside counsel! Portfolio Monitoring and Securities Litigation Evaluation Counsel in conducting this evaluation. Absent unusual circumstances, outside evaluation counsel shall be selected from a list of qualified firms approved by the Retirement Board. The City Attorney's Office will notify SFERS Staff when outside evaluation counsel is consulted.~~

~~e)c) Recommending one or more alternatives for taking an active role in a securities litigation Securities Litigation matter in appropriate circumstances and where such action is in the Plan participants' interests.~~

~~e)d) Responding to all solicitations by potential outside counsel, and all suggestions from any source that the Plan consider an active role in a case, whether received by the Retirement Board or by SFERS Staff staff.~~

~~f)e) Monitoring the activities of outside securities evaluation counsel (Portfolio Monitoring and securities litigation counsel Securities Litigation Evaluation Counsel and Outside Securities Litigation Counsel) to ensure that the interests of the Plan's participants are protected.~~

~~g)f) Reviewing and approving all bills for fees and expenses submitted by Outside Securities Litigation Counsel.~~

~~h)g) Reporting to the Retirement Board whenever significant activity takes place in Securities Litigation.~~

~~i)h) Providing input to SFERS Staff staff when it prepares itsa performance report for the Retirement Board regarding sSecurities Litigation.~~

~~h)~~ Offering recommendations changes to this Policy when appropriate.

~~12) Outside Evaluation Counsel~~

- ~~a) Outside evaluation counsel shall provide to the City Attorney's Office an independent evaluation. The responsibilities of a claim that meets or exceeds designated threshold amounts. To ensure that the evaluation is free from any potential for bias, outside evaluation counsel is generally not eligible to become litigation counsel for any matter in which the law firm has provided evaluation advice. Outside evaluation counsel is responsible for the following actions:~~
- ~~b) Investigating and analyzing the legal merits of an assigned securities matter.~~
- ~~c) Identifying estimates of recovery potential and possible sources of recovery.~~
- ~~d) Analyzing, in conjunction with the City Attorney's Office, what, if anything, SFERS can bring to the securities litigation matter that could improve the outcome.~~
- ~~e) Preparing a written evaluation of the assigned matter and recommending appropriate courses of action based on the evaluation. When recommending a particular course of action, evaluation counsel shall discuss the potential benefit to SFERS in relation to the Staff time and expenses to the System by following the recommended course of action. All written evaluations and communications shall be directed to the City Attorney's Office.~~

~~13) Outside Securities Litigation Counsel~~

~~a) 13) When include, but are not limited to, the following (after a decision has been made that it is in SFERS' interests to take an active role in a particular securities litigation matter, counsel selected to represent SFERS' interests is responsible for the following actions: Securities Litigation matter or to file a separate Securities Litigation lawsuit):~~

- ~~b) a) Providing the Retirement System with a projected litigation strategy, time line and budget.~~
- ~~e) b) Filing a timely motion or claim to establish SFERS' status as plaintiff or lead plaintiff where appropriate.~~
- ~~d) Attending all court hearings where appropriate.~~
- ~~e) c) Working with the City Attorney's Office to undertake all steps necessary to accomplish SFERS' objectives for taking an active role in a particular litigation matter.~~
- ~~f) d) Providing the City Attorney's Office and the Executive Director with reports when significant activities occur.~~

Guidelines

- 14) While SFERS may have a fiduciary duty to pursue legal action to recover on a claim when circumstances justify it, SFERS must also take into consideration that for most (if not all) cases brought in the United States for securities purchased on the U.S. market ("domestic litigation"), SFERS will recover whether or not SFERS takes an active role. Consequently, SFERS should focus primarily on identifying those cases where active involvement could add value, either in the specific case, or on a longer term, portfolio-wide basis. Such considerations may include, but are not limited to, maximizing claim recovery and reducing fees paid to obtain recoveries and deterring future fraud and corporate malfeasance to better protect fund assets. For cases brought overseas based on the purchase of securities on foreign markets, SFERS must take into consideration that joining as a plaintiff is generally required to recover damages.

Monitoring Activities of the Custodian

- 15) SFERS has a fiduciary obligation to take all reasonable, efficient, and appropriate steps to protect and increase the value of the SFERS-Plan assets and to make sure that the Plan receives all money or assets due to it when ~~securities litigation~~ Securities Litigation is resolved.
- 16) ~~Where SFERS is an absent class member in domestic Securities Litigation,~~ in order to ensure that the SFERS-Plan receives all distributions to which it is entitled ~~as a result of securities litigation,~~ SFERS staff must monitor the Custodian's activities ~~must be monitored by SFERS Staff~~ to confirm that all appropriate and valid proofs of claim are timely filed (including the necessary supporting documentations and information) to realize recoveries and that all settlement distributions are received timely and credited properly to SFERS' account.
- 17) SFERS ~~Staff~~ staff will compare the ~~monthly~~ reports that it receives from the Custodian that identify proofs of claim filed on behalf of SFERS as well as recoveries received, with the information provided by ~~the Portfolio Monitoring and Securities Monitoring Firm.~~ Litigation Evaluation Counsel. In the event that the information from the Custodian and ~~the Portfolio Monitoring and Securities Monitoring Firm~~ Litigation Evaluation Counsel is not consistent, SFERS ~~Staff~~ staff will investigate to determine the reasons for the discrepancy, and if necessary and appropriate, to take all such steps to protect the interests of the SFERS-Plan.
- 18) SFERS ~~Staff will~~ staff may report to the Retirement Board any instance where a proof of claim deadline is missed or any instance where a settlement distribution is not timely received and credited to SFERS' account.

Domestic Litigation

- 19) The Retirement Board recognizes that, as a practical matter, the securities class action bar will typically prosecute securities claims regardless of whether SFERS takes an active role. For domestic litigation, SFERS may choose, in certain situations, to participate actively as a lead

plaintiff, or continue in a more passive plaintiff role. Section III.B Paragraphs 20–23 of this ~~policy~~Policy sets guidelines for domestic litigation.

20) Identifying Potential Claims That May Justify Taking A More Active Role Than Passive Monitoring

- a) The decision about what claims should be managed actively should focus on identifying those circumstances where SFERS' active involvement could add value. While this decision, in most cases, shall be based primarily on monetary bases, (e.g., likelihood of maximizing claim recovery for the Plan is high while reducing fees paid to obtain such recovery), the Retirement Board recognizes that there may be the occasional situation where other bases may justify SFERS' active involvement in ~~securities litigation.~~Securities Litigation (e.g., deterring future fraud and corporate malfeasance to better protect Fund assets).
- b) When the estimated loss to the Plan, as determined by the initial calculations performed by ~~the Portfolio Monitoring and Securities Monitoring Firm~~Litigation Evaluation Counsel is less than \$5 million, SFERS ~~Staff~~staff and the City Attorney's Office shall passively monitor the case unless there are compelling reasons for recommending a more active role.
- c) Where the estimated loss to the Plan, as determined by the initial calculations performed by ~~the Portfolio Monitoring and Securities Monitoring Firm~~Litigation Evaluation Counsel meets or exceeds \$5 million, the claim shall be evaluated by the City Attorney's Office and SFERS ~~Staff~~staff to determine whether SFERS should consider taking a more active role.

21) Claims Evaluation and the Decision Process

- a) Claims where the estimated loss to the Plan meets or exceeds \$5 million shall be evaluated by the City Attorney's Office and SFERS ~~Staff~~staff to determine whether SFERS should consider taking a more active role. The Retirement Board recognizes that there may be instances where specialized expertise is required to effectively evaluate a claim. In those cases, the City Attorney's Office ~~may seek authority from the Retirement Board to retain outside evaluation counsel selected from a list of law firms approved by the City Attorney's Office and the Retirement Board,~~in consultation with the Executive Director, will consult with Portfolio Monitoring and Securities Litigation Evaluation Counsel.
- b) The same general process and standards should be used to evaluate each claim. The evaluation process shall include review of all pleadings filed, relevant SEC filings and company disclosures, examination of relevant SFERS files, and interviews as appropriate. ~~Alternative courses of action that are available to SFERS shall be identified, including~~In deciding whether SFERS should take an active role when the Domestic Threshold is met, the City Attorney's Office, SFERS staff and Portfolio Monitoring and Securities Litigation Evaluation Counsel should consider, at a minimum, the following factors:

i. Size of SFERS's loss

- ii. The merits of the case
 - iii. Whether SFERS's active participation in litigation will improve the case outcome
 - iv. Sources of recovery to satisfy a judgement or settlement if plaintiffs prevail
 - v. Identity of lead plaintiff and other parties (along with their counsel), if known
 - vi. Availability of SFERS's internal resources to participate in discovery and active litigation
- c) Alternative courses of action that are available to SFERS, when appropriate, shall be identified, including:
- e) i. Monitoring the course of a class action suit and filing a timely claim(s) to participate in a class payment.
 - d) ii. Monitoring the course of a class action suit and reviewing the settlement stipulation and fee request at the end of the case to determine whether an objection is warranted.
 - e) iii. Seeking to control a class action by pursuing designation as lead plaintiff, either unilaterally or with other public funds/institutional investors.
 - f) iv. Opting out of a class action suit and filing a separate suit, either unilaterally or with other public funds/institutional investors.
 - g) v. Asking the Attorney General to pursue an appropriate criminal action.
 - h) vi. Supporting another lead plaintiff.
 - i) vii. Negotiating a monitoring agreement with the likely lead plaintiff/lead counsel that allows the fund access to discovery materials, privileged updates on the status of the case, the option to participate in settlement discussions, and a right to obtain full information on legal fees and costs.
 - j) viii. Filing a notice of appearance in the case, monitoring it and perhaps appearing at ~~important~~significant hearings.
- k) d) When the City Attorney and SFERS staff recommends to the Retirement Board that SFERS take an active role ~~is recommended, a report shall be prepared by,~~ the City ~~Attorney's~~Attorney's Office or Portfolio Monitoring and Securities Litigation Evaluation Counsel shall prepare a report that summarizes the allegations in the complaint, SFERS' potential ~~loss~~and current losses, the merits of the claim, the status of the litigation, including actions taken by other holders, and analyzes the impact of active claim management on

SFERS, ~~analyzes and~~ whether an active role will increase recovery to SFERS, and recommends action, including the reasons for the recommendation.

~~h)e)~~ The report shall be presented to the Retirement Board for consideration. When the Retirement Board agrees that a recommended strategy should be implemented, it will direct SFERS ~~Staff~~staff and the City Attorney's Office to take all necessary actions.

~~m)f)~~ If the Executive Director agrees that the recommended strategy should be followed, and immediate approval is necessary to implement the strategy to preserve SFERS' rights and/or interests, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the Retirement Board, the Executive Director is authorized, after consultation with the City Attorney and President or acting President of the Retirement Board, to make the decision to adopt and implement the strategy, including filing of any claims, and shall notify the Retirement Board at its next regularly scheduled meeting.

~~n)~~ ~~If outside securities litigation counsel is required to implement the strategy, the counsel shall, whenever possible, be selected from a list of law firms approved by the City Attorney's Office and the Retirement Board on the basis of their experience, expertise, and fee proposals. An appropriate budget shall be established with the outside counsel prior to engagement.~~

22) Filing to Become Lead Plaintiff

- a) The Retirement Board recognizes that, in most instances, it will not likely approve filing to become lead plaintiff. However, where SFERS' claim is large enough and the cost/benefit analysis results in a decision to seek appointment as lead plaintiff, SFERS shall take all actions and make all decisions regarding its role as lead plaintiff based on its status as a fiduciary to the class, and shall appropriately document its basis for all decisions and actions. The potential for differing interests among class members shall be considered.
- b) All written fee agreements with Outside Securities Litigation Counsel shall be negotiated ~~prior to the time that~~before counsel submits a motion for designation as lead plaintiff. Unless otherwise clearly and specifically justified by the circumstances, no contingency fee percentage shall exceed 20%. Outside ~~class counsel~~Securities Litigation Counsel shall be required to provide to the City Attorney's Office and the Executive Director reports of all significant activity concerning the Securities Litigation matter where counsel represents SFERS.
- c) Outside Securities Litigation Counsel shall provide the Retirement System with a projected litigation strategy, time line and budget. The City Attorney's Office will review and approve all bills for fees and expenses submitted by Outside Securities Litigation Counsel.

23) Action other than as Lead Plaintiff

a) When the Retirement Board approves action other than as lead plaintiff, such decisions shall be based upon considerations of the fiduciary duties of SFERS to Plan participants, the efficient and effective use of SFERS' resources, and the potential benefits to SFERS. Approval of all such actions shall be documented.

Foreign Litigation

24) Based on the Supreme Court decision in *Morrison v. National Australia Bank*, 561 U.S. 247 (2010), an investor may not bring or participate in a U.S. securities class action if its claims are based on securities purchased outside the United States. Most countries do not have a class action procedure, but, instead have a form of collective litigation that requires investors to affirmatively join the action to recover. Therefore, to recover damages based on securities purchased on a foreign exchange or other non-domestic means, SFERS is generally required to join in a foreign securities action with other investors, or file an independent foreign securities action ("foreign litigation"). Generally, SFERS may not recover if it elects not to participate. ~~Section III.C~~ Paragraphs 25-27 of this ~~policy~~ Policy sets guidelines for foreign litigation.

25) Identifying Potential Claims That May Justify Taking A More Active Role Than Passive Monitoring

a) Where the estimated loss to the Plan, as determined by the initial calculations performed by ~~the Portfolio Monitoring and Securities Monitoring Firm~~ Litigation Evaluation Counsel meets or exceeds \$51 million, the claim shall be evaluated by the City Attorney's Office and SFERS ~~Staff~~ staff to determine whether SFERS should consider taking a more active role.

26) Claims Evaluation and Decision Process

a) Before deciding to participate in a foreign litigation, in addition to a general evaluation of the merits of its claim, SFERS, in consultation with the City Attorney, and with assistance from ~~the securities monitoring firm and/or outside evaluation counsel~~ Portfolio Monitoring and Securities Litigation Evaluation Counsel a, as necessary, shall consider additional issues, including the following:

b) i. The jurisdictional, and the related legal and procedural issues particular to the jurisdiction, and whether the laws make recovery risky or difficult.

c) ii. The foreign counsel and how foreign counsel ~~is~~ will be paid.

d) iii. The funding and reliability of funders for the litigation.

e) iv. The expense to SFERS of joining and participating in the litigation, or filing litigation.

f) v. The laws governing the relationship between the funders and SFERS.

- ~~g)~~vi. The risks to joining or filing, including exposure to paying the adverse party's fees and cost.
- ~~h)~~vii. The ~~decisionmaking~~decision-making process for the litigation, including whether SFERS will have any authority.
- ~~i)~~viii. The administrative burden imposed by participation; for example, the time and resources SFERS will have to devote to the litigation.
- ~~j)~~ix. SFERS' ability to comply with the deadlines of the litigation.

27) Strategy Implementation

- a) Where following the evaluation of a claim by SFERS ~~Staff~~staff and the City Attorney leads to a recommendation to the Retirement Board that SFERS join the litigation or file litigation, ~~a report shall be prepared by~~ the City ~~Attorney's~~Attorney's Office or Portfolio Monitoring and Securities Litigation Evaluation Counsel ~~shall prepare a report that summarizes the recommendation, allegations in the complaint, SFERS' potential loss, the status~~includes all of the ~~litigation, and the impact~~information enumerated in Paragraph 21(d) of active claim management on SFERS~~this Policy.~~
- b) When the Retirement Board agrees that a recommended strategy should be implemented, it will direct SFERS ~~Staff~~staff and the City Attorney's Office to take all necessary actions, including entering into any agreements with foreign counsel and the funder, and execution of any related documents.
- c) ~~If outside securities litigation counsel~~If Outside Securities Litigation Counsel is required in addition to, or in lieu of foreign counsel, to implement the strategy, the counsel shall, whenever possible, be selected from a list of law firms approved by the City Attorney's Office ~~and the Retirement Board~~ on the basis of their experience, expertise, and fee proposals. An appropriate budget shall be established with the ~~outside counsel~~Outside Securities Litigation Counsel prior to engagement.
- d) If the Executive Director determines that joining or filing litigation is recommended and immediate approval to file a claim is required to preserve SFERS' rights and/or interests, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the Retirement Board, the Executive Director is authorized, after consultation with the City Attorney and President or acting President of the Retirement Board, to make the decision and shall notify the Retirement Board at its next regularly scheduled meeting.
- e) Certain foreign jurisdictions permit collective litigation with features of U.S. class actions, including the ability to bind all affected investors regardless of their participation in the litigation. To recover in these actions, SFERS may need to register or otherwise identify itself as an affected investor. When Portfolio Monitoring and Securities Litigation Evaluation

Counsel identifies foreign actions in which SFERS may be bound by the outcome and must register or take related actions to receive its share of a potential recovery, the City Attorney's Office, regardless of the value of the estimated loss, shall evaluate whether SFERS should take the necessary actions to potentially recover. The City Attorney's Office shall communicate its recommendation to the Executive Director, who shall determine whether SFERS will register or take related actions to receive its share of a potential recovery. In the event that the Executive Director determines SFERS will register, the City Attorney may obtain assistance from Portfolio Monitoring and Securities Litigation Evaluation Counsel. The process described in this paragraph only applies to foreign actions where SFERS will be bound by the outcome of the litigation, it may not recover without registering or taking similar actions to identify itself as an affected investor, and its participation in the litigation is limited to that registration or similar action.

Policy Review

28) The Retirement Board shall evaluate this Policy ~~at least on an annual basis~~every three years.

Policy History

29) Adopted by the Retirement Board October 11, 2005 and amended by the Retirement Board on September 12, 2018 and August XX, 2024.



SECURITIES LITIGATION POLICY

Background and Purpose

- 1) This Policy provides a framework for monitoring Securities Litigation that relates to assets of the San Francisco Employees' Retirement System ("SFERS") and for evaluating the alternatives available to SFERS when losses reach defined thresholds. The purpose of this Securities Litigation Policy is to assist the Retirement Board with its supervision and monitoring of litigation relating to SFERS' assets.
- 2) By establishing this Securities Litigation Policy, the Retirement Board recognizes that the enactment by Congress of the Private Securities Litigation Reform Act in 1995 encouraged institutional investors and other large shareholders to seek lead plaintiff status in securities class actions. In addition, the United States Securities and Exchange Commission, and leaders in the legal community, have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.
- 3) These declarations must be balanced against other, equally compelling, fiduciary principles, including the principle to act solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing contributions, and defraying reasonable expenses of administering the SFERS Defined Benefit Plan ("Plan"). The Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty.
- 4) This Securities Litigation Policy is designed to balance these principles by ensuring that all actions relating to SFERS' monitoring of Securities Litigation, and any action taken as a result of losses to SFERS' assets, make prudent use of the plan's resources and are clearly designed to serve the interests of the Plan's participants.

Policy Objectives

- 5) The objectives of this Securities Litigation Policy are:
 - a) To establish protocols for monitoring the Custodian's activities that pertain to protecting SFERS' rights to recovery in all Securities Litigation that impacts SFERS' assets, and for ensuring that all distributions are received timely and credited to SFERS' account.
 - b) To identify circumstances where the best interests of the Plan's participants may be served by SFERS taking an active role in Securities Litigation.
 - c) To provide guidelines for determining the appropriate course of action when a more active role in Securities Litigation appears to serve the best interests of the Plan's participants.

- d) To establish guidelines for reporting Securities Litigation activities undertaken on behalf of the Plan.
- e) To make all decisions relating to this Securities Litigation Policy in compliance with fiduciary standards.

Definitions

- 6) The terms below as used in this Policy shall have the following meanings:
 - a) "Outside Securities Litigation Counsel" means any of the attorneys and/or law firms the City Attorney's Office retains to represent SFERS when the System takes an active role in Securities Litigation.
 - b) "Portfolio Monitoring and Securities Litigation Evaluation Counsel" means any of the attorneys and/or law firms the San Francisco City Attorney's Office retains to provide professional legal services for portfolio monitoring and Securities Litigation monitoring, evaluation and reporting, and related legal services, on behalf of SFERS.
 - c) "Securities Litigation" means any existing or potential case or legal action brought before a court, administrative agency, arbitrator, or similar authority, in which plaintiff(s) seek to recover damages for the diminution in value of a security caused by the defendant(s) or responding party(ies).

Roles and Responsibilities

- 7) The responsibilities of the SFERS Board include, but are not limited to, the following:
 - a) Setting the policy framework in which implementation of this Securities Litigation Policy will take place.
 - b) Providing oversight of the effectiveness of the implementation of this Securities Litigation Policy and monitoring SFERS staff's performance in carrying out their duties.
- 8) The responsibilities of the Executive Director include, but are not limited to, the following:
 - a) Assisting the City Attorney's Office in evaluating whether SFERS should take an active role in Securities Litigation.
 - b) When it is in SFERS' interests to take an active role in Securities Litigation, providing input regarding the retention of Outside Securities Litigation Counsel to assist the City Attorney's Office in representing SFERS in the litigation.
 - c) Requesting that the City Attorney's Office retain counsel to file any types of claims not covered by the Custodian, e.g. antitrust actions.

- 9) The responsibilities of SFERS staff include, but are not limited to, the following:
- a) Managing and providing general oversight of this Securities Litigation Policy, in coordination with the City Attorney's Office.
 - b) With the City Attorney's Office where appropriate, implementing and administering Board policy decisions.
 - c) Monitoring the Custodian to ensure that it adheres to SFERS' policies and guidelines regarding the filing of appropriate and timely proofs of claim and prompt deposit of all distributions when Securities Litigation matters are settled.
 - d) Reviewing monitoring emails/reports from the Portfolio Monitoring and Securities Litigation Evaluation Counsel, which includes litigation claims due, on a regular basis.
 - e) Working with the City Attorney's Office to evaluate all potential claims that meet or exceed the threshold amounts set forth below.
 - f) Monitoring the City Attorney's Office activities relating to the evaluation of potential claims to ensure compliance with the Retirement Board's guidelines.
 - g) Offer recommendations for appropriate changes to this Policy.
 - h) Coordinating with the City Attorney's Office to ensure that the reporting requirements of the City Attorney's Office and Outside Securities Litigation Counsel are met.
- 10) The responsibilities of the Custodian include, but are not limited to, the following:
- a) Processing securities class action claims on behalf of SFERS.
 - b) Notifying SFERS, and the Portfolio Monitoring and Securities Litigation Evaluation Counsel as needed, of securities class action proceedings in which it is a member of the class.
 - c) Assembling and providing all necessary transaction data to ensure that appropriate claims can be assessed and that SFERS' ability to participate in a settlement of the claim is protected.
 - d) Properly and timely filing all proofs of claim where SFERS is a member of the class.
 - e) On a timely basis, receiving all settlements due to SFERS and crediting the settlements to the appropriate account.
 - f) Providing timely and accurate reports to SFERS staff.
 - g) Providing all information required by the Portfolio Monitoring and Securities Litigation Evaluation Counsel on a timely basis.

- 11) The responsibilities of the Portfolio Monitoring and Securities Litigation Evaluation Counsel include, but are not limited to, the following:
- a) Providing support services to SFERS staff and to the City Attorney's Office to enable them to monitor securities claims in which SFERS is a member of the class and to evaluate the appropriate course of action for SFERS to take in each such case.
 - b) Obtaining from the Custodian the data necessary to provide the support services.
 - c) Notifying SFERS staff and the City Attorney's Office when a securities class action case is initiated.
 - d) Providing SFERS staff and the City Attorney's Office with information relating to the case as the litigation progresses.
 - e) Calculating estimates of the potential loss, if any, to SFERS in a case.
 - f) Providing SFERS staff and the City Attorney's Office with data to assist them in identifying class action cases in which SFERS has an interest.
 - g) Notifying SFERS staff and the City Attorney's Office of a proposed settlement of any litigation in which SFERS has an interest, including the last date for filing a proof of claim.
 - h) Providing to SFERS an annual report of securities class actions in which SFERS has an interest.
 - i) Providing to the City Attorney's Office an independent evaluation of a claim that meets or exceeds designated threshold amounts. To ensure that the evaluation is free from any potential for bias, Portfolio Monitoring and Securities Litigation Evaluation Counsel is generally not eligible to become litigation counsel for any matter in which the law firm has provided Securities Litigation evaluation advice.
 - j) Investigating and analyzing the legal merits of a securities matter.
 - k) Identifying estimates of recovery potential and possible sources of recovery.
 - l) Analyzing, in conjunction with the City Attorney's Office, what, if anything, SFERS can bring to the Securities Litigation matter that could improve the outcome.
 - m) Preparing a written evaluation of the assigned matter and recommending appropriate courses of action based on the evaluation. When recommending a particular course of action, Portfolio Monitoring and Securities Litigation Evaluation Counsel shall discuss the potential benefit to SFERS in relation to the Staff time and expenses to the System by following the recommended course of action. All written evaluations and communications shall be directed to the City Attorney's Office.

- 12) The responsibilities of the City Attorney's Office include, but are not limited to, the following:
- a) Monitoring class actions that relate to the Plan's assets, including through Portfolio Monitoring and Securities Litigation Evaluation Counsel's tracking system, to identify potential claims that meet the thresholds for evaluating whether it may be in SFERS' interests to take an active role, as opposed to passively following the progression of the litigation and filing a claim following settlement.
 - b) Conducting a detailed evaluation of all claims where, based on rough calculations by Portfolio Monitoring and Securities Litigation Evaluation Counsel, the estimated loss to the Plan exceeds the threshold amount for domestic or foreign litigation stated below. Whenever necessary, the City Attorney's Office shall seek the assistance of Portfolio Monitoring and Securities Litigation Evaluation Counsel in conducting this evaluation.
 - c) Recommending one or more alternatives for taking an active role in a Securities Litigation matter in appropriate circumstances and where such action is in the Plan participants' interests.
 - d) Responding to all solicitations by potential outside counsel, and all suggestions from any source that the Plan consider an active role in a case, whether received by the Retirement Board or by SFERS staff.
 - e) Monitoring the activities of outside counsel (Portfolio Monitoring and Securities Litigation Evaluation Counsel and Outside Securities Litigation Counsel) to ensure that the interests of the Plan's participants are protected.
 - f) Reviewing and approving all bills for fees and expenses submitted by Outside Securities Litigation Counsel.
 - g) Reporting to the Retirement Board whenever significant activity takes place in Securities Litigation.
 - h) Providing input to SFERS staff when it prepares a performance report for the Retirement Board regarding sSecurities Litigation.
 - i) Offering recommendations changes to this Policy when appropriate.
- 13) The responsibilities of Outside Securities Litigation Counsel include, but are not limited to, the following (after a decision has been made that it is in SFERS' interests to take an active role in a particular Securities Litigation matter or to file a separate Securities Litigation lawsuit):
- a) Providing the Retirement System with a projected litigation strategy, time line and budget.

- b) Filing a timely motion or claim to establish SFERS' status as plaintiff or lead plaintiff where appropriate.
- c) Working with the City Attorney's Office to undertake all steps necessary to accomplish SFERS' objectives for taking an active role in a particular litigation matter.
- d) Providing the City Attorney's Office and the Executive Director with reports when significant activities occur.

Guidelines

- 14) While SFERS may have a fiduciary duty to pursue legal action to recover on a claim when circumstances justify it, SFERS must also take into consideration that for most (if not all) cases brought in the United States for securities purchased on the U.S. market ("domestic litigation"), SFERS will recover whether or not SFERS takes an active role. Consequently, SFERS should focus primarily on identifying those cases where active involvement could add value, either in the specific case, or on a longer term, portfolio-wide basis. Such considerations may include, but are not limited to, maximizing claim recovery and reducing fees paid to obtain recoveries and deterring future fraud and corporate malfeasance to better protect fund assets. For cases brought overseas based on the purchase of securities on foreign markets, SFERS must take into consideration that joining as a plaintiff is generally required to recover damages.

Monitoring Activities of the Custodian

- 15) SFERS has a fiduciary obligation to take all reasonable, efficient, and appropriate steps to protect and increase the value of the Plan assets and to make sure that the Plan receives all money or assets due to it when Securities Litigation is resolved.
- 16) Where SFERS is an absent class member in domestic Securities Litigation, in order to ensure that the Plan receives all distributions to which it is entitled, SFERS staff must monitor the Custodian's activities to confirm that all appropriate and valid proofs of claim are timely filed (including the necessary supporting documentations and information) to realize recoveries and that all settlement distributions are received timely and credited properly to SFERS' account.
- 17) SFERS staff will compare the reports that it receives from the Custodian that identify proofs of claim filed on behalf of SFERS as well as recoveries received, with the information provided by Portfolio Monitoring and Securities Litigation Evaluation Counsel. In the event that the information from the Custodian and Portfolio Monitoring and Securities Litigation Evaluation Counsel is not consistent, SFERS staff will investigate to determine the reasons for the discrepancy, and if necessary and appropriate, to take all such steps to protect the interests of the Plan.
- 18) SFERS staff may report to the Retirement Board any instance where a proof of claim deadline is missed or any instance where a settlement distribution is not timely received and credited to SFERS' account.

Domestic Litigation

- 19) The Retirement Board recognizes that, as a practical matter, the securities class action bar will typically prosecute securities claims regardless of whether SFERS takes an active role. For domestic litigation, SFERS may choose, in certain situations, to participate actively as a lead plaintiff, or continue in a more passive plaintiff role. Paragraphs 20–23 of this Policy sets guidelines for domestic litigation.
- 20) Identifying Potential Claims That May Justify Taking A More Active Role Than Passive Monitoring
- a) The decision about what claims should be managed actively should focus on identifying those circumstances where SFERS' active involvement could add value. While this decision, in most cases, shall be based primarily on monetary bases (e.g., likelihood of maximizing claim recovery for the Plan is high while reducing fees paid to obtain such recovery), the Retirement Board recognizes that there may be the occasional situation where other bases may justify SFERS' active involvement in Securities Litigation (e.g., deterring future fraud and corporate malfeasance to better protect Fund assets).
 - b) When the estimated loss to the Plan, as determined by the initial calculations performed by Portfolio Monitoring and Securities Litigation Evaluation Counsel is less than \$5 million, SFERS staff and the City Attorney's Office shall passively monitor the case unless there are compelling reasons for recommending a more active role.
 - c) Where the estimated loss to the Plan, as determined by the initial calculations performed by Portfolio Monitoring and Securities Litigation Evaluation Counsel meets or exceeds \$5 million, the claim shall be evaluated by the City Attorney's Office and SFERS staff to determine whether SFERS should consider taking a more active role.
- 21) Claims Evaluation and the Decision Process
- a) Claims where the estimated loss to the Plan meets or exceeds \$5 million shall be evaluated by the City Attorney's Office and SFERS staff to determine whether SFERS should consider taking a more active role. The Retirement Board recognizes that there may be instances where specialized expertise is required to effectively evaluate a claim. In those cases, the City Attorney's Office, in consultation with the Executive Director, will consult with Portfolio Monitoring and Securities Litigation Evaluation Counsel.
 - b) The same general process and standards should be used to evaluate each claim. The evaluation process shall include review of all pleadings filed, relevant SEC filings and company disclosures, examination of relevant SFERS files, and interviews as appropriate. In deciding whether SFERS should take an active role when the Domestic Threshold is met, the City Attorney's Office, SFERS staff and Portfolio Monitoring and Securities Litigation Evaluation Counsel should consider, at a minimum, the following factors:

- i. Size of SFERS's loss
 - ii. The merits of the case
 - iii. Whether SFERS's active participation in litigation will improve the case outcome
 - iv. Sources of recovery to satisfy a judgement or settlement if plaintiffs prevail
 - v. Identity of lead plaintiff and other parties (along with their counsel), if known
 - vi. Availability of SFERS's internal resources to participate in discovery and active litigation
- c) Alternative courses of action that are available to SFERS, when appropriate, shall be identified, including:
- i. Monitoring the course of a class action suit and filing a timely claim(s) to participate in a class payment.
 - ii. Monitoring the course of a class action suit and reviewing the settlement stipulation and fee request at the end of the case to determine whether an objection is warranted.
 - iii. Seeking to control a class action by pursuing designation as lead plaintiff, either unilaterally or with other public funds/institutional investors.
 - iv. Opting out of a class action suit and filing a separate suit, either unilaterally or with other public funds/institutional investors.
 - v. Asking the Attorney General to pursue an appropriate criminal action.
 - vi. Supporting another lead plaintiff.
 - vii. Negotiating a monitoring agreement with the likely lead plaintiff/lead counsel that allows the fund access to discovery materials, privileged updates on the status of the case, the option to participate in settlement discussions, and a right to obtain full information on legal fees and costs.
 - viii. Filing a notice of appearance in the case, monitoring it and perhaps appearing at significant hearings.
- d) When the City Attorney and SFERS staff recommends to the Retirement Board that SFERS take an active role, the City Attorney's Office or Portfolio Monitoring and Securities Litigation Evaluation Counsel shall prepare a report that summarizes the allegations in the complaint, SFERS' potential and current losses, the merits of the claim, the status of the litigation,

including actions taken by other holders, and analyzes the impact of active claim management on SFERS and whether an active role will increase recovery to SFERS, and recommends action, including the reasons for the recommendation.

- e) The report shall be presented to the Retirement Board for consideration. When the Retirement Board agrees that a recommended strategy should be implemented, it will direct SFERS staff and the City Attorney's Office to take all necessary actions.
- f) If the Executive Director agrees that the recommended strategy should be followed, and immediate approval is necessary to implement the strategy to preserve SFERS' rights and/or interests, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the Retirement Board, the Executive Director is authorized, after consultation with the City Attorney and President or acting President of the Retirement Board, to make the decision to adopt and implement the strategy, including filing of any claims, and shall notify the Retirement Board at its next regularly scheduled meeting.

22) Filing to Become Lead Plaintiff

- a) The Retirement Board recognizes that, in most instances, it will not likely approve filing to become lead plaintiff. However, where SFERS' claim is large enough and the cost/benefit analysis results in a decision to seek appointment as lead plaintiff, SFERS shall take all actions and make all decisions regarding its role as lead plaintiff based on its status as a fiduciary to the class, and shall appropriately document its basis for all decisions and actions. The potential for differing interests among class members shall be considered.
- b) All written fee agreements with Outside Securities Litigation Counsel shall be negotiated before counsel submits a motion for designation as lead plaintiff. Unless otherwise clearly and specifically justified by the circumstances, no contingency fee percentage shall exceed 20%. Outside Securities Litigation Counsel shall be required to provide to the City Attorney's Office and the Executive Director reports of all significant activity concerning the Securities Litigation matter where counsel represents SFERS.
- c) Outside Securities Litigation Counsel shall provide the Retirement System with a projected litigation strategy, time line and budget. The City Attorney's Office will review and approve all bills for fees and expenses submitted by Outside Securities Litigation Counsel.

23) Action other than as Lead Plaintiff

When the Retirement Board approves action other than as lead plaintiff, such decisions shall be based upon considerations of the fiduciary duties of SFERS to Plan participants, the efficient and effective use of SFERS' resources, and the potential benefits to SFERS. Approval of all such actions shall be documented.

Foreign Litigation

24) Based on the Supreme Court decision in *Morrison v. National Australia Bank*, 561 U.S. 247 (2010), an investor may not bring or participate in a U.S. securities class action if its claims are based on securities purchased outside the United States. Most countries do not have a class action procedure, but, instead have a form of collective litigation that requires investors to affirmatively join the action to recover. Therefore, to recover damages based on securities purchased on a foreign exchange or other non-domestic means, SFERS is generally required to join in a foreign securities action with other investors, or file an independent foreign securities action (“foreign litigation”). Generally, SFERS may not recover if it elects not to participate. Paragraphs 25-27 of this Policy sets guidelines for foreign litigation.

25) Identifying Potential Claims That May Justify Taking A More Active Role Than Passive Monitoring

Where the estimated loss to the Plan, as determined by the initial calculations performed by Portfolio Monitoring and Securities Litigation Evaluation Counsel meets or exceeds \$1 million, the claim shall be evaluated by the City Attorney's Office and SFERS staff to determine whether SFERS should consider taking a more active role.

26) Claims Evaluation and Decision Process

Before deciding to participate in a foreign litigation, in addition to a general evaluation of the merits of its claim, SFERS, in consultation with the City Attorney, and with assistance from Portfolio Monitoring and Securities Litigation Evaluation Counsel a, as necessary, shall consider additional issues, including the following:

- i. The jurisdictional, and the related legal and procedural issues particular to the jurisdiction, and whether the laws make recovery risky or difficult.
- ii. The foreign counsel and how foreign counsel will be paid.
- iii. The funding and reliability of funders for the litigation.
- iv. The expense to SFERS of joining and participating in the litigation, or filing litigation.
- v. The laws governing the relationship between the funders and SFERS.
- vi. The risks to joining or filing, including exposure to paying the adverse party's fees and cost.
- vii. The decision-making process for the litigation, including whether SFERS will have any authority.
- viii. The administrative burden imposed by participation; for example, the time and resources SFERS will have to devote to the litigation.

ix. SFERS' ability to comply with the deadlines of the litigation.

27) Strategy Implementation

- a) Where following the evaluation of a claim by SFERS staff and the City Attorney leads to a recommendation to the Retirement Board that SFERS join the litigation or file litigation, the City Attorney's Office or Portfolio Monitoring and Securities Litigation Evaluation Counsel shall prepare a report that includes all of the information enumerated in Paragraph 21(d) of this Policy.
- b) When the Retirement Board agrees that a recommended strategy should be implemented, it will direct SFERS staff and the City Attorney's Office to take all necessary actions, including entering into any agreements with foreign counsel and the funder, and execution of any related documents.
- c) If Outside Securities Litigation Counsel is required in addition to, or in lieu of foreign counsel, to implement the strategy, the counsel shall, whenever possible, be selected from a list of law firms approved by the City Attorney's Office on the basis of their experience, expertise, and fee proposals. An appropriate budget shall be established with the Outside Securities Litigation Counsel prior to engagement.
- d) If the Executive Director determines that joining or filing litigation is recommended and immediate approval to file a claim is required to preserve SFERS' rights and/or interests, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the Retirement Board, the Executive Director is authorized, after consultation with the City Attorney and President or acting President of the Retirement Board, to make the decision and shall notify the Retirement Board at its next regularly scheduled meeting.
- e) Certain foreign jurisdictions permit collective litigation with features of U.S. class actions, including the ability to bind all affected investors regardless of their participation in the litigation. To recover in these actions, SFERS may need to register or otherwise identify itself as an affected investor. When Portfolio Monitoring and Securities Litigation Evaluation Counsel identifies foreign actions in which SFERS may be bound by the outcome and must register or take related actions to receive its share of a potential recovery, the City Attorney's Office, regardless of the value of the estimated loss, shall evaluate whether SFERS should take the necessary actions to potentially recover. The City Attorney's Office shall communicate its recommendation to the Executive Director, who shall determine whether SFERS will register or take related actions to receive its share of a potential recovery. In the event that the Executive Director determines SFERS will register, the City Attorney may obtain assistance from Portfolio Monitoring and Securities Litigation Evaluation Counsel. The process described in this paragraph only applies to foreign actions where SFERS will be bound by the outcome of the litigation, it may not recover without registering or taking similar

actions to identify itself as an affected investor, and its participation in the litigation is limited to that registration or similar action.

Policy Review

28) The Retirement Board shall evaluate this Policy every three years.

Policy History

29) Adopted by the Retirement Board October 11, 2005 and amended by the Retirement Board on September 12, 2018 and August XX, 2024.



PLACEMENT AGENT FEES, GIFTS AND CAMPAIGN CONTRIBUTIONS POLICY

Background and Purpose

- 1) ~~This Policy ("Policy") recognizes that External~~ investment managers, in both public and private markets, from time to time may use Placement Agents to help them raise capital. This Policy requires disclosure of payments made to Placement Agents in connection with SFERS' investments within or through External Managers. The Policy also requires the disclosure of gifts and campaign contributions to members of the Retirement Board, ~~Employees or Consultants and the employees or consultants of SFERS.~~

Policy Objectives

- 2) The purpose of this Policy is to help ensure that SFERS' investment decisions are made solely on the merits of the investment opportunity and in a manner consistent with the fiduciary duties of the SFERS Retirement Board (the "-Board"). ~~The~~This Policy is intended to comply with applicable state and federal laws regulating placement agents.

Definitions

- 3) The terms "External Manager", "Placement Agent", "Investment Fund", and "Investment Vehicle" shall have the meanings defined by Government Code Section 7513.8.

Roles and Responsibilities

- 4) ~~SFERS BOARD RESPONSIBILITIES~~The Board is responsible for the following:
 - a) The Board shall, at a publicly noticed meeting, review the ~~semi annual report to the Board as requested information~~ set forth in ~~section V (G), above~~paragraph 5(g) and all ~~material~~ violations reported by SFERS Investment Staff. ~~("Staff").~~
 - b) The Board shall consider, upon recommendation by ~~SFERS Investment~~ Staff, at a public noticed meeting, whether there is good cause to reduce any prohibition, as set forth in ~~section V (F) above,~~paragraph 5(f), imposed on an External Manager or Placement Agent.
- 5) ~~The SFERS~~ Staff is responsible for each of the following:
 - a) Providing External Managers with a copy of this Policy and ~~the~~ Policy ~~Disclosure forms not later than the second meeting (whether in person or by telephone) to discuss the proposed investment disclosure form.~~
 - b) ~~Confirming, in writing to the Deputy Director for Investments, Documenting that the Staff received all of the required~~ information in Section IV, above, has been received under the

Guidelines section of this Policy from the External Manager prior to submitting an investment ~~with the External Manager~~ for approval by the ~~Board~~ Chief Investment Officer ("CIO").

- c) Maintaining records of all information disclosed to SFERS in accordance with this Policy.
- d) Informing the Board at ~~the~~ meeting where an investment decision with an External Manager will be considered of the name of any Placement Agent used by the External Manager in connection with the proposed investment, and any campaign contributions or gifts reported by each Placement Agent.
- e) Providing the Board with notice of any violation of this Policy at the next scheduled Board meeting after ~~SFERS Investment~~ Staff has learned of the violation.
- f) Prohibiting any External Manager or Placement Agent from soliciting new investments from SFERS for five years after they have committed a violation of this Policy, unless the Board, by majority vote at a noticed public meeting, reduces this prohibition upon a showing of good cause.

~~g)~~ Providing ~~a semi-annual report~~ promptly to the Board ~~containing~~

~~i-~~ upon request, the names and amount of compensation agreed to be provided to all Placement Agents by an External Manager as reported in the Placement Agent ~~Disclosure~~ disclosure forms ~~and~~

~~ii-g) Any violations of this Policy.~~

Guidelines

- 6) This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted, and all amendments or extensions to agreements entered into after the date this Policy is adopted.
- 7) Each External Manager is responsible for providing a statement that it will comply with this Policy.
- 8) Each External Manager shall provide to ~~SFERS Investments~~ Staff ~~("Staff")~~ all of the required information that follows generally within 45 days of the time investment discussions are initiated, but in any event, prior to the time Staff submits the proposed investment for ~~Board~~ approval by the CIO.
- 9) Each External Manager shall provide to Staff a written representation that the External Manager has not used a Placement Agent in connection with the SFERS investment and that a Placement Agent will not receive compensation from the External Manager if SFERS makes the investment; or

~~10)~~ If the External Manager has used a Placement Agent, or if a Placement Agent will receive compensation from the External Manager if SFERS makes the investment, the External Manager will disclose the following:

- a) The name of the Placement Agent and the relationship between the External Manager and the Placement Agent.
- b) A resume for each officer, partner, or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience.
- c) A description of any and all compensation of any kind provided or agreed to be provided to the Placement Agent, including its nature, timing and value.
- d) A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
- e) A representation that the fee is the sole obligation of the External Manager and not of SFERS, the Investment Vehicle, the Investment Fund, or any of the investors in the Investment Vehicle or the Investment Fund.
- f) A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission, the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration, or if the Placement Agent is not registered with any regulatory agency, an explanation as to why no registration is required.
- g) A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
- h) The names of any current, or in the prior 24-month period any former ~~SFERS~~, Board ~~Members, Employees~~members, employees, or ~~Consultants~~consultants of SFERS who suggested retention of the Placement Agent.
- i) The names of current, or in the prior 24-month period any former ~~SFERS~~, Board ~~Members, Employees~~members, employees or ~~Consultants~~consultants of SFERS that are either employed or receiving compensation of any kind provided, or agreed to be provided, directly or indirectly from the Placement Agent.

~~11)~~10) Providing External Managers will provide an update of any changes to any of the information provided pursuant ~~to section C~~paragraph 9 above within 14 calendar days of the date that the External Manager knew of the change in information.

~~12)11) Representing~~ External Managers will represent and ~~warranting~~ warrant the accuracy of the information described in ~~section C above~~ Paragraph 9.

~~13)12) Causing~~ External Managers will cause its engaged Placement Agent to disclose, prior to acting as a Placement Agent ~~to SFERS,~~ in connection with any SFERS' investments in or through External Managers:

- a) All campaign contributions made by the Placement Agent to any SFERS Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any SFERS Board Member during the time the Placement Agent is receiving compensation in connection with a SFERS investment shall also be disclosed.
- b) All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SFERS Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any SFERS Board Member, ~~Employee~~ employee or ~~Consultant~~ consultant during the time the Placement Agent is receiving compensation in connection with a SFERS investment shall also be disclosed.

Conflict

13) In the event of conflict or inconsistency among this Policy, local, state or federal law, the more restrictive provision shall apply.

Policy Review

14) ~~The Retirement Board will review this policy at least every five years to ensure that it remains relevant and appropriate.~~

Policy History

15) This Policy was adopted by the SFERS Retirement Board on June 8, 2010 and amended on February 13, 2013. ~~Applicable state or federal laws shall govern in the event of an inconsistency with this Policy,~~ and August, xx 2024.



PLACEMENT AGENT FEES, GIFTS AND CAMPAIGN CONTRIBUTIONS POLICY

Background and Purpose

- 1) External investment managers, in both public and private markets, from time to time may use Placement Agents to help them raise capital. This Policy requires disclosure of payments made to Placement Agents in connection with SFERS' investments in or through External Managers. The Policy also requires the disclosure of gifts and campaign contributions to members of the Retirement Board and the employees or consultants of SFERS.

Policy Objectives

- 2) The purpose of this Policy is to help ensure that SFERS' investment decisions are made solely on the merits of the investment opportunity and in a manner consistent with the fiduciary duties of the SFERS Retirement Board (the "Board"). This Policy is intended to comply with applicable state and federal laws regulating placement agents.

Definitions

- 3) The terms "External Manager", "Placement Agent", "Investment Fund", and "Investment Vehicle" shall have the meanings defined by Government Code Section 7513.8.

Roles and Responsibilities

- 4) The Board is responsible for the following:
 - a) The Board shall, at a publicly noticed meeting, review the requested information set forth in paragraph 5(g) and all violations reported by SFERS Investment Staff ("Staff").
 - b) The Board shall consider, upon recommendation by Staff, at a public noticed meeting, whether there is good cause to reduce any prohibition, as set forth in paragraph 5(f), imposed on an External Manager or Placement Agent.
- 5) Staff is responsible for each of the following:
 - a) Providing External Managers with a copy of this Policy and the Policy disclosure form.
 - b) Documenting that Staff received all of the required information under the Guidelines section of this Policy from the External Manager prior to submitting an investment for approval by the Chief Investment Officer ("CIO").
 - c) Maintaining records of all information disclosed to SFERS in accordance with this Policy.

- d) Informing the Board at a meeting where an investment decision with an External Manager will be considered of the name of any Placement Agent used by the External Manager in connection with the proposed investment, and any campaign contributions or gifts reported by each Placement Agent.
- e) Providing the Board with notice of any violation of this Policy at the next scheduled Board meeting after Staff has learned of the violation.
- f) Prohibiting any External Manager or Placement Agent from soliciting new investments from SFERS for five years after they have committed a violation of this Policy, unless the Board, by majority vote at a noticed public meeting, reduces this prohibition upon a showing of good cause.
- g) Providing promptly to the Board, upon request, the names and amount of compensation agreed to be provided to all Placement Agents by an External Manager as reported in the Placement Agent disclosure forms.

Guidelines

- 6) This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted, and all amendments or extensions to agreements entered into after the date this Policy is adopted.
- 7) Each External Manager is responsible for providing a statement that it will comply with this Policy.
- 8) Each External Manager shall provide to Staff all of the required information that follows generally within 45 days of the time investment discussions are initiated, but in any event, prior to the time Staff submits the proposed investment for approval by the CIO.
- 9) Each External Manager shall provide to Staff a written representation that the External Manager has not used a Placement Agent in connection with the SFERS investment and that a Placement Agent will not receive compensation from the External Manager if SFERS makes the investment; or

If the External Manager has used a Placement Agent, or if a Placement Agent will receive compensation from the External Manager if SFERS makes the investment, the External Manager will disclose the following:

- a) The name of the Placement Agent and the relationship between the External Manager and the Placement Agent.
- b) A resume for each officer, partner, or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience.

- c) A description of any and all compensation of any kind provided or agreed to be provided to the Placement Agent, including its nature, timing and value.
 - d) A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e) A representation that the fee is the sole obligation of the External Manager and not of SFERS, the Investment Vehicle, the Investment Fund, or any of the investors in the Investment Vehicle or the Investment Fund.
 - f) A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission, the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration, or if the Placement Agent is not registered with any regulatory agency, an explanation as to why no registration is required.
 - g) A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
 - h) The names of any current, or in the prior 24-month period any former, Board members, employees, or consultants of SFERS who suggested retention of the Placement Agent.
 - i) The names of current, or in the prior 24-month period any former, Board members, employees or consultants of SFERS that are either employed or receiving compensation of any kind provided, or agreed to be provided, directly or indirectly from the Placement Agent.
- 10) External Managers will provide an update of any changes to any of the information provided pursuant paragraph 9 above within 14 calendar days of the date that the External Manager knew of the change in information.
- 11) External Managers will represent and warrant the accuracy of the information described in Paragraph 9.
- 12) External Managers will cause its engaged Placement Agent to disclose, prior to acting as a Placement Agent in connection with any SFERS' investments in or through External Managers:
- a) All campaign contributions made by the Placement Agent to any SFERS Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any SFERS Board Member during the time the Placement Agent is receiving compensation in connection with a SFERS investment shall also be disclosed.
 - b) All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SFERS Board Member during the prior 24-month period. Additionally, any subsequent gift

made by the Placement Agent to any SFERS Board Member, employee or consultant during the time the Placement Agent is receiving compensation in connection with a SFERS investment shall also be disclosed.

Conflict

- 13) In the event of conflict or inconsistency among this Policy, local, state or federal law, the more restrictive provision shall apply.

Policy Review

- 14) The Retirement Board will review this policy at least every five years to ensure that it remains relevant and appropriate.

Policy History

- 15) This Policy was adopted by the SFERS Retirement Board on June 8, 2010 and amended on February 13, 2013 and August, xx 2024.