



## **Kentucky Retirement Systems**

### Securities Litigation Policy and Procedures

#### **Statement of Intent**

This statement of securities litigation policy and procedure is issued by the Investment Committee of the Board of Trustees of the Kentucky Retirement Systems (KRS) in connection with monitoring pending actions in which KRS is a potential member or participant.

KRS acknowledges that it has a duty to monitor and evaluate actions in which it may potentially be a member or participant. While KRS will take reasonable steps to monitor and evaluate the actions, it is also cognizant that most, if not all, of these claims will be prosecuted by the plaintiff's action bar whether or not KRS takes an active role. Therefore, the decision regarding the level of action KRS will take on a claim requires evaluating the potential of KRS to add value.

#### **Identifying and Evaluating Potential Claims**

Periodically, the Chief Investment Officer will identify actions that are filed in which KRS is a potential member or participant. A variety of sources may be used to identify the actions including, without limitation, a retained third party securities class action monitoring service, portfolio managers, the Internet, and the class action bar.

Upon identification of a potential claim, KRS trading activity will be examined by the retained securities class action monitoring firm to estimate the potential damages utilizing the average results of the two damage calculation methodologies recommended by the National Association of Public Pension Attorneys (NAPPA) in their working document Calculation of Securities Litigation Damages dated June 16, 2005, which is hereby incorporated by reference.

If the potential damages are less than \$75 million, the Chief Investment Officer, or designee, shall monitor the class action suit and file a claim upon its conclusion to participate in the class settlement. If the potential damages exceed \$75 million, then the claim will be screened for more in-depth evaluation.

If further evaluation is warranted, the Chief Investment Officer shall, in conjunction with an external legal firm ("evaluation counsel") that has a demonstrated expertise in securities class action legal matters, perform additional due diligence on the claim. The Chief Investment Officer may utilize internal legal resources, along with the evaluation counsel, when appropriate. Additional due diligence may include, without limitation: assessment of the complaint; SEC filings and company disclosures; contacts with other investors; consideration of non-litigation alternatives; staffing, resources and other issues; impact of active claim management and; potential conflicts with other class members. If, based upon this additional due diligence it appears that KRS may add significant value by more active participation, then the Chief Investment Officer shall present this recommendation to the Investment Committee. Any firm, or its partners, that has been selected as evaluation counsel for a particular case is precluded, by this policy, from representing the Systems in any securities litigation matter for a period of three years upon completion of their assignment.

Recommendations to the Investment Committee shall take one of the three following forms:

1. Monitor the course of the class action suit and filing a claim upon its conclusion to participate in the class settlement.
2. Seek to control a class action by seeking designation as lead plaintiff, either singly or with others.
3. Opting out of a class action suit and filing a separate suit, either singly or with others.

Based on the review of the potential claim, the Investment Committee will determine whether active involvement is warranted by KRS and the nature of such involvement, if any. If active involvement is deemed to be warranted, appropriate outside counsel will be sought at that time by the Investment Committee. Notwithstanding the foregoing, managers delegated monitoring responsibilities may utilize their existing monitoring system. The manager shall prepare records, and from time to time, shall furnish information KRS may require in the discharge of its duties. KRS shall continue to monitor the claim notwithstanding the nature of its involvement.

### **Monitoring Claims**

The Chief Investment Officer shall recommend the retention of an independent third-party securities class action monitoring firm to assist in the monitoring, filing and claims collection processes. The services of the retained firm shall be evaluated on a periodic basis and the results of the evaluation communicated to the Investment Committee. Any firm providing such monitoring services shall be precluded from representing the Systems in any litigation efforts undertaken by the Investment Committee.