

RETIREMENT BOARD OF THE PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

SECURITIES LITIGATION AND PORTFOLIO MONITORING POLICY

(Effective March 16, 2023)

PURPOSE

The purpose of the Retirement Board (“Board”) of the Park Employees’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (“Fund”) Securities Litigation Policy is to establish procedures and guidelines for monitoring and participating in domestic and international lawsuits regarding the violation of Federal, State, and foreign laws, including but not limited to violations of the Private Securities Litigation Reform Act of 1995 (“PSLRA”), shareholder derivative litigation, anti-trust litigation, breach of any agreement or duty owed to the Fund, or similar litigation impacting the Fund’s investment portfolio (“securities litigation”).

Background

In carrying out its fiduciary duties to prudently invest and manage the assets of the pension system, the Fund invests in the stock of various public companies. From time to time, securities litigation is filed against certain companies, their directors and/or officers for alleged violations of federal, state, or foreign securities laws regarding disclosure obligations, fraud, and/or other alleged breaches of fiduciary duties to shareholders. As a shareholder, the Fund may be automatically included as a passive member of such securities litigation without further action on its part. Occasionally, the Fund receives solicitations from law firms seeking to persuade the Fund to serve as a lead or co-lead plaintiff in such securities litigation, and thereby urge the court's appointment of one or more such law firms as legal counsel for the shareholder class.

Selection of Securities Litigation Counsel

The Fund will maintain a maximum of four (4) qualified law firms with demonstrated experience in securities litigation. The Fund will select those law firms through a competitive RFP process, to ensure that each law firm’s expertise, integrity, and litigation approach is consistent with the Fund’s fiduciary duties, corporate governance goals, and vision of shareholder activism.

Securities Litigation Policy for Passive Recovery

Under U.S. federal law and in some foreign jurisdictions, securities litigation cases function as “opt-out” class actions. This means that investors such as the Fund do not need to actively participate in order to recover their pro rata share of a class action recovery. Rather, they need only submit a timely and valid proof of claim or registration as a plaintiff in order to realize recoveries. The Fund shall retain a third-party vendor and/or its custodial bank to be responsible for filing claims in cases where the Fund is a passive class member and is not taking an active role in the litigation. These cases include U.S. class action securities litigation proof of claim

forms and foreign passive filings (claims filings processes that are like those in the U.S. that do not require the Fund to become an active litigant or subject to adverse cost risk).

Appointment as Lead or Co-Lead Plaintiff

As a member of a class of shareholders, the Fund may be automatically involved in securities litigation brought in the name of the shareholders against a corporation which the system owns. The PSLRA requires federal courts to appoint one or more class members to serve as lead or co-lead plaintiffs to represent the class in the securities litigation. The PSLRA provides a rebuttable presumption that the lead plaintiff named as class representative should be that investor with the greatest financial interest in the relief sought by the lawsuit who is willing to serve as lead plaintiff. Since institutional investors such as the Fund are favored under the PSLRA as presumptively adequate class representatives, the Fund may be solicited by plaintiff litigation counsel who have developed a securities fraud case to serve as the lead plaintiff representative of the shareholder class.

Because of the relatively small size, diversity, and investment policy guidelines of the Fund's investment portfolio, however, it is likely that other institutional investors will have larger losses, a larger financial interest, and larger staff to supervise lead counsel in the prosecution of the majority of such securities litigation. Accordingly, in most cases, an institutional investor other than the Fund will likely be a more appropriate lead or co-lead plaintiff under the PSLRA.

There are other risks involved in serving as lead or co-lead plaintiff if the litigation is unsuccessful. There is the risk of reputational harm to the Board and the Fund. There is also financial risk including the possible payment of the defendant's expenses and defending against claims by other shareholders for inadequately representing their interests. While the Fund as lead plaintiff can receive additional compensation for the additional responsibilities and time spent serving as lead plaintiff, such additional compensation is not substantial and, generally, the Fund will only receive its equal, pro rata share on the same basis as passive members of the class.

Securities Litigation Policy

It is the Fund's general policy, therefore, not to assume the additional administrative burdens, costs or risks to the Fund by seeking or accepting designation as lead or co-lead plaintiff in securities litigation. Exceptions to this general policy will be determined on a case by-case basis in those instances where the Fund has a substantial financial interest (i.e., actual and verifiable losses in excess of \$200,000) or where there is an exceptional opportunity to preserve or enhance the long-term value of a significant portfolio holding or to deter wrongful corporate conduct and designation as lead or co-lead plaintiff is determined to be in the best interest of the Fund, its members and beneficiaries. In evaluating the likelihood of deterring wrongful corporate conduct, the Fund will consider whether: (1) there are claims against auditors and/or other third parties that could be pursued; (2) personal claims against individual defendants could be filed so as to prevent similar future improper behavior; (3) corporate governance changes could be considered to address the causes of the wrongful conduct; and (4) the Fund's participate would likely have a positive impact on reforming securities litigation in general.

It is the Fund's policy to receive quarterly reports directly to the Executive Director. If a claim is presented that is over \$200,000 or is an exceptional opportunity to preserve or enhance the long-term value of a significant portfolio holding or to deter wrongful corporate conduct, the Executive Director will consult the Retirement Board on whether to proceed at the next available Board meeting. No action will be made without Board approval. The Board will use the following guidelines in evaluating whether to seek designation as lead or co-lead plaintiff:

1. Whether it is a viable case based on an initial assessment of certain key elements, including, for example, alleged misrepresentations or omissions, scienter, and loss causation, recognizing the heightened pleading standard of the PSLRA.
2. Whether the case is likely to be pursued without the Fund taking action.
3. Whether another sophisticated lead plaintiff is likely to come forward to manage the case.
4. The reputation and skills of potential lead counsel candidates who have filed lawsuits.
5. Whether the Fund might have a conflict of interest in being lead plaintiff.
6. Unusual circumstances that could complicate or undermine the Fund's position.
7. Unique claims held by the Fund that may not apply to other class members.
8. Whether there are sources of recovery available to satisfy a judgment or settlement.

Foreign Action Participation

Foreign securities litigation actions generally require investors to join as named plaintiffs or "opt-in" at the commencement of the case. This "opt-in" process requires affirmative decisions early in the process to joint the case in order to recover anything on the Fund's losses. In considering whether to join or "opt-in" to foreign actions, the Board will consider the following:

1. How is the action being funded? Are the funders reliable? Who are the investors in the funders? What percentage fee is the funder taking from the case? Is this percentage fee the entire fee to be paid or is the funder also entitled to reimbursement of expenses and any costs award? What law will apply to the relationship between the Fund and the funder?
2. Is the funding agreement sufficient? In particular, are attorneys' fees, litigation expenses, and potential costs covered by the funder without recourse to the investor?
3. Can the funder cease to fund the litigation and, if so, under what conditions? Will the funder have any input or control over the prosecution of the litigation?
4. What is the process and cost for opting-in?
5. Who is the foreign counsel and how are they being paid?
6. Are there unique risks, including the extent to which adverse party fees and costs are covered and any potential discovery burdens?
7. What role will the Fund play or be allowed to play?
8. Even if the Fund's losses are large, will the Fund be entitled to recover damages under the foreign law?
9. Does the funder have a minimum loss threshold?
10. What time and resources will the Fund have to devote to the foreign litigation?
11. Can the Fund comply with the appropriate deadlines?

Lead or Co-Lead Plaintiff Legal Counsel Selection Process

The firms selected to represent the Fund will be selected based on their competency, willingness, fairness, and adherence to highest ethical standards.

Firms should provide to the Fund the following:

Within 72 hours of complaint filing, or as soon as possible, a brief description of the securities litigation and counsel's calculation of the Fund's loss for an action that counsel believes has merit and meets the Fund's threshold for considering a motion for appointment as lead plaintiff.

Within two weeks, a more detailed report that includes:

1. A description of the action's allegations and merits.
2. A comprehensive argument why the Fund is the best option for lead plaintiff status.
3. What qualifications make their firm the optimal partner for the pending securities litigation compared to peers.
4. Calculation of what, if any, losses the Fund has incurred.
5. Estimated cost analysis the Fund will incur taking lead plaintiff role to include:
 - a. Estimated Monetary Costs
 - b. Estimated Staff Time
 - c. Associated expenses not listed

Effective Monitoring as Lead Plaintiff

If the Board seeks, and a court grants the Fund, lead plaintiff or co-lead plaintiff status, the Fund will monitor the lawsuit to ensure that the goals and objectives of the class members and of this policy are met. In doing so, the Fund will follow these guidelines:

1. The Fund will assume an active, advisory role as Lead Plaintiff. To this end, the Executive Director or, at the Executive Director's instruction, Fund Counsel will be expected to: review all pleadings and other significant documents related to the lawsuit; participate in settlement conferences and any mediations or arbitrations; be present at trial; and, participate in any important meetings, discussions, or status hearings relating to the lawsuit.
2. Lead Counsel will consult with Fund Counsel regarding all material aspects of the litigation. Fund Counsel will monitor the litigation until resolution of the case and will regularly report to the Board of Trustees and the Executive Director regarding the status of the case. So that Fund Counsel and the Fund may effectively monitor the litigation, lead counsel shall provide periodic written status reports, as well as other information the Board or Fund Counsel requests.
3. The Executive Director shall be authorized to sign all routine documents relating to the lawsuit. The Executive Director shall be authorized to sign documents of significance relating to the lawsuit, including settlement documents, subject to ratification by the Board of Trustees.

4. Fund Counsel will report any significant developments in the case to the Board of Trustees.
5. During the course of the litigation, the Fund will monitor the possibility of advocating litigation strategies designed to prevent future abuses, such as requiring individual defendants to contribute a sufficient monetary amount towards the settlement of a case, or suggesting the addition of a third-party defendant, such as an accounting firm, if the facts warrant. The Fund will also evaluate pursuing non-litigation alternatives that address the underlying cause of the company's problem. For example, contacting appropriate regulatory and/or law enforcement agencies about potential prosecution of wrongdoers may deter similar conduct in the future that undermines the integrity of the financial markets. As another example, filing shareholder resolutions or negotiating for corporate governance changes (e.g., the addition of independent directors, the creation of an independent audit committee) may address the problems that led to the litigation and could aid in the long-term recovery and the value of its stock.