

Memorandum

Date: February 16, 2011
To: Board of Retirement
From: Karen Levy, General Counsel
Subject: Revised Securities Litigation Policy

MEETING DATE

FEB 23 2011

AGENDA ITEM

#16

Background

As a large institutional investor and shareholder, CCCERA is sometimes eligible to be a class member in securities class actions that seek to recover damages resulting from the alleged wrongful acts and omissions of others. The Board of Retirement adopted a Securities Litigation Policy in 2003, setting forth the procedures by which CCCERA should monitor and participate in such actions. As discussed during the January 26, 2011, Retirement Board meeting, CCCERA staff is preparing an RFI to explore the retention of one or more securities litigation monitoring firms. Staff has also reviewed the Board's Securities Litigation Policy for possible changes and updates. A revised policy is enclosed, with the following recommended changes:

1. Clarify that CCCERA may participate in securities class action lawsuits that are not limited to fraud causes of action;
2. Clarify that CCCERA's custodian will continue the filing and reporting of proofs of claim in securities litigation class action lawsuits for which CCCERA is eligible;
3. Provide for the retention of one or more securities litigation monitoring firms to assist CCCERA in monitoring cases and evaluating the level of participation necessary for CCCERA to maximize its potential recovery in light of anticipated costs; and
4. Set a threshold of five million dollars (\$5,000,000) in potential losses for participation in class action lawsuits as a lead plaintiff, as recommended by CCCERA CEO and CIO. Other '37 Act systems adopted thresholds ranging from two to ten million dollars for triggering possible participation as lead plaintiff. Taking a lead plaintiff position means:
 - (a) the system must hold the largest financial interest in the potential recovery;
 - (b) the lead plaintiff speaks for the entire class of plaintiffs in pre-trial hearings, discovery, motion practice, trial, and settlement negotiations; and
 - (c) the lead plaintiff coordinates all activities and appearances on behalf of plaintiffs and conducted all communications with the Court.

Recommendation

Adopt the revised Securities Litigation Policy.



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CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SECURITIES LITIGATION POLICY
Adopted 4/2/03; Revised 2/ /11

MEETING DATE

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AGENDA ITEM

#6

PURPOSE

The Board of Retirement of the Contra Costa County Employees' Retirement Association ("CCCERA") adopts this policy to establish guidelines and procedures for monitoring and/or participating in securities litigation when appropriate to protect the interests of the participants and beneficiaries of the CCCERA.

PRINCIPLES

As a large institutional investor, CCCERA may, from time to time, be a class member in securities class actions that seek to recover damages resulting from the alleged wrongful acts and omissions of others.

Since the enactment of the Private Securities Litigation Reform Act ("PSLRA") of 1995, which encourages the participation of large institutional investors as plaintiffs in securities class actions, the Securities Exchange Commission ("SEC") has suggested that the governing board of a public pension system may have a fiduciary duty to monitor securities class actions, and to participate as a plaintiff and/or lead plaintiff where such participation is likely to enhance recovery by the system as well as by members of the class.

The Board of Retirement adopts this policy to carry out this responsibility to monitor securities class actions, and to participate when it is necessary to protect the interests of the members of CCCERA and their beneficiaries.

PROCEDURES

1. Monitoring Class Action Filings

(a) CCCERA's custodian will continue the filing and reporting of all proofs of claim in securities litigation class action lawsuits for which CCCERA is eligible.

(b) CCCERA will retain one or more law firms, and/or securities monitoring services, and/or custodian(s) to monitor CCCERA's holdings, monitor securities litigation class action lawsuits, and determine whether CCCERA may be a class member in any such lawsuits. CCCERA may also ask such firms and/or services to report their findings to staff and legal counsel, with a recommendation as to whether CCCERA should

simply monitor such litigation, or should seek to become a plaintiff and/or lead plaintiff and/or co-lead plaintiff, or pursue other course of action to maximize CCCERA's potential recovery.

The Association will retain one or more law firms, and/or securities monitoring services, and/or custodian(s) to monitor CCCERA's holdings, securities litigation, and to determine whether CCCERA may be a class member in any such litigation. The Association may also ask such firms and/or services to report their findings to staff and legal counsel, with a recommendation as to whether CCCERA should simply monitor such litigation, or should seek to become a plaintiff and/or lead plaintiff and/or co-lead plaintiff.

2. Active Case Monitoring

In any cases in which CCCERAthe Association's losses are greater than one million dollars (\$1,000,000), stafflegal counsel shall work with legal counsel to actively monitor such litigation. Active litigation may include securing regular reports from counsel in such cases, participating in appropriate motions, and/or participating in settlement discussions and/or preparation for litigation, when and where appropriate.

In any cases in which CCCERAthe Association's losses are less than one million dollars (\$1,000,000), staff shall monitor the progress of such litigation, and take such steps as are necessary to insure recovery by CCCERAthe Association of any proceeds from such litigation to which it may be entitled.

3. Participation As Lead Plaintiff

Where the potential financial loss exceeds five million dollars (\$5,000,000), CCCERA staff will prepare a summary report and recommendation to the Board analyzing whether CCCERA should take a lead plaintiff position or pursue other course of action to maximize CCCERA's potential recovery, including the following:

Legal counsel shall recommend to the Board when and if participation as lead plaintiff may be appropriate. The thresholds for such recommendation shall include:

- a. A summary of the analysis and recommendations of outside monitoring counsel; and
- b. losses of two million dollars or more (\$2,000,000);
- c. a. losses of one million dollars or more (\$1,000,000) and a proposal to be co-lead plaintiff with other institutional investors; and

d.b. ~~T~~he costs and benefits of such participation, including an assessment of the merits of the matter, and the added obligations and fiduciary responsibilities of lead plaintiffs.

4. Reports to the Board

Staff and/or legal counsel shall provide such reports as may be necessary to the Board in order to keep the Board fully informed as the nature of any and all monitoring and/or litigation.

5. Retention of Outside Counsel

The Board may retain such outside counsel as may be necessary to advise and/or represent CCCERA~~the Association~~ in such litigation.