



SECURITIES LITIGATION POLICY

Purpose

Since enactment of the Private Securities Litigation Reform Act of 1995 (“PSLRA”), much attention has been focused on the role of institutional investors in securities class action litigation. A number of stakeholders in this area, including Congress, have urged institutional investors in general, and public pension funds in particular, to seek “Lead Plaintiff” status in securities litigation. Congress envisioned that active public pension fund participation would bring about increased settlement recoveries, reduced attorneys’ fees, and a higher level of accountability for corporate wrongdoing. Congress also hoped that increased institutional involvement would discourage the filing of frivolous lawsuits. Consistent with this vision, the identified goal of the Public School Teachers’ Pension and Retirement Fund of Chicago (“the Fund”) is to enhance the long-term value of the Fund’s portfolio through measured securities litigation participation.

Selection of Securities Litigation Counsel

The Fund will maintain a minimum of three (3) 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 litigation approach is consistent with the Fund’s corporate governance goals and vision of shareholder activism. Minimum qualifications for potential law firms include:

1. The firm’s principal attorneys assigned to the Fund must have a minimum of five (5) years professional experience in the portfolio monitoring or securities litigation field.
2. Within the five (5) years preceding the RFP, the firm or its assigned attorneys must have concluded a minimum of ten (10) securities litigation cases and overseen the appropriate distribution of the settlement proceeds to all class members, with a minimum settlement amount of one million dollars (\$1,000,000) per case.
3. The firm or its assigned attorneys must have provided portfolio monitoring and securities litigation services to other public retirement systems or corporate pension plans which are approximately the size and complexity of the Fund.
4. The firm must be able to demonstrate the capacity to finance litigation and the resolution of large, complex, lengthy, and contentious securities litigation cases.

5. The firm must be able to maintain a data processing interface with the Fund's custodian bank by electronic means.
6. The firm must not seek to limit its liability for negligence.
7. The firm must reach agreement with the Fund on the methodology to determine fees to be received by the firm in class action awards or settlements where the Fund is lead plaintiff. The firm must also be willing to not make any application to a court for attorneys' fees, costs, or expenses in an amount in excess of that approved in writing by the Fund.
8. The firm must agree to abide by this Policy and to provide portfolio monitoring and securities litigation monitoring and evaluation services to the Fund at no cost and with reimbursement of all Fund costs and attorneys' fees incurred.
9. The firm shall acknowledge that no placement fee, bonus, or other compensation has been or will be paid by or on behalf of the firm or any of its affiliates to any placement agent, finder or other analogous entity in connection with the engagement of the firm by the Fund.

Criteria for Seeking Lead Plaintiff Status

In most cases, the Fund's interests in securities class action litigation claims will be adequately addressed solely through passive participation as a class action member. However, in select cases it is more appropriate for the Fund to become actively involved and seek Lead Plaintiff status. The Fund will use the following guidelines in evaluating whether it should pursue this option:

1. In general, damages must exceed \$2.0 million before the Fund will consider Lead Plaintiff status. Nonetheless, the Fund may pursue Lead Plaintiff status in other cases 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. In evaluating the likelihood of deterring wrongful corporate conduct, the Fund will consider the following factors:
 - a. Whether there are claims against auditors and/or other third parties that could be pursued;
 - b. whether personal claims against individual defendants could be filed so as to prevent similar future improper behavior;
 - c. whether corporate governance changes could be considered to address causes of the wrongful conduct; and
 - d. whether the Fund's participation would likely have a positive impact on reforming securities litigation in general.
2. 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.

3. Whether the case is likely to be pursued at all without the Fund taking action.
4. Whether another sophisticated Lead Plaintiff is likely to come forward to manage the case.
5. The reputation and skills of potential lead counsel candidates who have filed lawsuits.
6. Whether the Fund might have a conflict of interest in being Lead Plaintiff.
7. Unusual circumstances that could complicate or undermine the Fund's position (e.g., the number of cases in which the Fund has served as a Lead Plaintiff).
8. Unique claims held by the Fund that may not apply to other class members.
9. Whether there are sources of recovery available to satisfy a judgment or settlement.

There may be circumstances in which the Fund may want to partner with one or more institutional investors, especially public pension funds, in seeking Co-Lead Plaintiff status or may want to opt out of a class and pursue an independent securities litigation, or engage in a derivative action, either individually or in coalition with one or more institutional investors. The Fund will follow the same criteria and procedures outlined above in evaluating those possibilities.

Foreign Action Participation

Unlike the U.S. class action process - where investors can remain absent, receive notice of a settlement, and then decide to make a claim or opt out of the class action case - in foreign actions, investors are generally required 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 join the case in order to recover anything on the Fund's losses. Foreign actions require the consideration of numerous additional issues, including

1. How is the action being funded? Are the funders reliable? Who are the investors in the funders? What is the percentage fee that the funder is 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? How are the decisions made in the case?
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?

Authorizing Litigation

The Board of Trustees will authorize the Fund to be Lead Plaintiff in a lawsuit or to pursue one of the options set forth above. When an election to participate must be made prior to the next scheduled Board meeting, the Executive Director has the authority to enter into an agreement authorizing the Fund to be Lead Plaintiff in a lawsuit with the advice and consent of the President and Fund Counsel, subject to ratification by the Board of Trustees.

With regards to the selection of Lead Counsel, the Fund's goal is to secure the most qualified counsel at a fee structure that aligns the interests of the class and Lead Counsel. Thus, Fund Counsel will negotiate, generally at the outset of each matter, an agreement with the law firm proposing to represent the Fund as Lead Counsel, and will seek a competitive fee arrangement based on current market rates and judicial precedent. The Board of Trustees has delegated to the Executive Director the authority to enter into an agreement with a law firm authorizing the law firm to serve as Lead Counsel in the lawsuit with the advice and consent of the President and Fund Counsel, subject to ratification by the Board of Trustees.

If more than one law firm approaches the Fund regarding the same lawsuit, the Executive Director, in consultation with the President and Fund Counsel, will evaluate each law firm's proposed bid and will make a recommendation to the Board of Trustees as to which law firm should serve as Lead Counsel in the lawsuit. If a decision must be made before the next scheduled board meeting, the Executive Director, in consultation with the President and Fund Counsel, will choose which law firm will serve as Lead Counsel, subject to ratification by the Board of Trustees.

In rare cases it may be advantageous for the Fund to be represented by two or more law firms. The Executive Director, in consultation with the President and Fund Counsel, shall evaluate those cases and make a recommendation to the Board of Trustees. The Executive Director, in consultation with the President and Fund Counsel, may choose more than one firm if the

decision must be made before the next scheduled Board meeting, subject to ratification by the Board of Trustees.

Effective Monitoring as Lead Plaintiff

If a court grants the Fund Lead Plaintiff status, the Fund will monitor the lawsuit to ensure that the goals and objectives of the class members and of the Fund's securities litigation 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.

Review

The Board shall review this Policy at least every three (3) years.