

Appendix VII

Securities Class Action Litigation Policy

The Public School
and
The Public Education Employee Retirement Systems of Missouri¹

This statement sets forth the policy regarding monitoring, evaluating and participating in securities class action litigation when appropriate to recover damages for investment losses.

Background

From time to time, class action lawsuits are brought against the issuers, their directors, and/or their officers for alleged violations of federal and state securities laws relating to various disclosure obligations and, in many cases, other breaches of fiduciary or other duties. As a shareholder, the Systems are putative members of the alleged classes. When notification is distributed regarding the potential securities class action litigation, action is required in order for the Systems to participate as a member of the alleged classes (as are most or all of the other shareholders).

Frequently, PSRS/PEERS receive solicitations from attorneys who seek to represent PSRS/PEERS in these class action lawsuits. Whether PSRS/PEERS participates in those class action lawsuits, either as a lead plaintiff or as a member of the class, will be determined using the following considerations as a guide.

Appointment as a Lead Plaintiff

Under the federal Private Securities Litigation Reform Act of 1995 (PSLRA), federal courts are required to appoint one or more members of the putative class to serve as the lead plaintiff(s) in securities class action lawsuits. *See* 15 U.S.C. § 78u-4(a) (3) (B). The Act provides a rebuttable presumption that the lead plaintiff is to be the investor with the largest financial interest in the relief sought by the lawsuit, who wants to serve as the lead plaintiff. *See* 15 U.S.C. § 78u-4(a) (3) (B) (iii). Typically, this means that those investors with the largest holdings in the defendant issuer's stock have the right to serve as the lead plaintiff.

Financial Risks of Serving as Lead Plaintiff

There are financial risks in serving as a lead plaintiff in a securities class action lawsuit. Serving as lead plaintiff or being designated lead plaintiff may have financial risks if the litigation is unsuccessful. Unless the lead plaintiff negotiates an allocation of potential financial risk with other named plaintiffs, the lead plaintiff could bear the costs, expenses or, potentially, attorneys' fees of the opponent if the litigation is unsuccessful.

Despite assuming these financial risks, the lead plaintiff does not obtain any additional financial benefit from serving as a lead plaintiff.

In assessing the appropriate role PSRS/PEERS should take in any given case, it is important to carefully consider alternative approaches to becoming lead plaintiff, including, but not limited to:

¹ Effective 7/1/2013, all assets are held in the Missouri Education Pension Trust (MEPT) for the exclusive benefit of PSRS and PEERS. PSRS and PEERS continue to own their respective share of the commingled invested assets.

active monitoring of a case; intervening or objecting as appropriate; filing amicus support; or, opting out of the class to pursue recovery in another manner.

PSRS/PEERS' Policy

PSRS/PEERS may consider serving as lead plaintiff in securities litigation only when a case is identified in which active involvement will add value on a long-term, portfolio-wide basis and where no other quality institutional investor is taking an active role.

In order to determine and facilitate the appropriate level of participation by PSRS/PEERS in a securities class action proceeding, it is important to establish a policy, and implement procedures, to: 1) collect objective information about potential cases that is timely, accurate, and comprehensive; 2) calculate PSRS/PEERS' losses and potential recovery in a particular action; 3) evaluate the legal merits of individual cases; 4) consider the benefits and costs of alternative approaches to participation in the case; and, 5) decide whether PSRS/PEERS should seek appointment as lead plaintiff.

All securities litigation cases with a potential loss (according to PSLRA methodology) to PSRS/PEERS will be tracked and PSRS/PEERS will participate in the litigation as a member of the class and will file proof of claims so that PSRS/PEERS will receive its pro rata share of any recovery.

All securities litigation cases will be reviewed to determine if further evaluation is needed and if PSRS/PEERS should: 1) serve as lead plaintiff; 2) opt out of the class action and file an individual action; 3) or monitor the case and participate as a member of the class by filing a proof of claim. PSRS/PEERS will consider many factors in making that determination, including, but not limited to, the following:

1. The potential loss to PSRS/PEERS;
2. The potential loss to other institutional investors;
3. The probability of a successful outcome;
4. The availability of witnesses and the ability of PSRS/PEERS' investment staff, custodian, consultants, and managers to participate in anticipated discovery;
5. The ability of the defendant or its insurer to pay a judgment or claim;
6. The likelihood that legal action would result in corporate governance changes that would benefit PSRS/PEERS' holdings in the defendant;
7. The availability of another institutional investor that has superior expertise in being a lead plaintiff; and
8. The adverse or disruptive effect on ongoing, regular PSRS/PEERS business.

If appropriate, PSRS/PEERS will engage the services of one or more law firms or monitoring services with the expertise and experience to properly evaluate potential class action litigation against a particular company. If necessary, PSRS/PEERS will engage a law firm with requisite expertise and experience to represent PSRS/PEERS in a securities litigation case.

Based on the foregoing, PSRS/PEERS anticipate that it will generally not be best suited to serve as a lead plaintiff in securities class action litigation. All determinations will be on a case-by-case basis based on the factors listed above, among others. The Investment Operations staff is responsible for monitoring securities class action litigation activity. If their analysis indicates that PSRS/PEERS may be best suited to serve as a lead plaintiff, additional review will be performed by the PSRS/PEERS

Executive Director, General Counsel and Chief Investment Officer. Any determination to serve as lead plaintiff will ultimately be decided upon by the Board of Trustees.

Participation as a Member of a Class

In all cases, the Systems require their external investment managers to be familiar with all securities class action litigation involving securities held (or held in the past) in the Systems' portfolios under their direction. It is each manager's fiduciary responsibility to ensure that PSRS/PEERS is a participant in any securities class action litigation where the manager believes it is in the Systems' best interest. As a supportive means to ensure that PSRS/PEERS is a class member participant in the appropriate instances, the Systems' Custodian or third party securities class action servicer is required to file claims on behalf of the Systems in all eligible securities litigation class actions filed in U.S. courts involving securities currently held (or held in the past) in the PSRS/PEERS investment portfolios both at the Custodian and at the prime broker(s).

PSRS/PEERS has potential losses for securities litigation cases that are filed in non-U.S. courts. The financial risks and judicial structure of the non-U.S. jurisdiction is reviewed for each case to determine if it is in the Systems' best interest to participate.

Policies and Procedures

On a quarterly basis, the investment operations staff will perform reconciliation procedures of all securities class action proceedings. Such procedures will include collecting objective information from a third party regarding potential cases and recent settlements of cases, when reasonably available. The information gathered will be reconciled to PSRS/PEERS' applicable investment holdings, filings submitted by the Systems' Custodian or third-party securities class action servicer on our behalf, and our general ledger for any settlement payments. This process will ensure the proper review and inclusion of all material class action filings and settlements. Investment operations staff will review new cases to insure the policies set forth in this document are followed in each instance. All such review procedures may include a review of external service providers hired by PSRS/PEERS to assist with these functions.