

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 Chicago Teachers' Pension Fund (“CTPF”) is to enhance the long-term value of CTPF’s portfolio through measured securities litigation participation.

Selection of Securities Litigation Counsel

CTPF will maintain a minimum of three (3) private, qualified law firms with demonstrated experience in securities litigation. CTPF will select those law firms through a competitive RFP process to ensure that each law firm’s litigation approach is consistent with CTPF’s corporate governance goals and vision of shareholder activism. Minimum qualifications for potential law firms include:

1. The firm must have been in business for a minimum of five (5) years and the individual(s) assigned to CTPF 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 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 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 CTPF.
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 CTPF’s custodian bank by electronic means.
6. The firm must not seek to limit its liability for negligence.
7. The firm must be willing to reach agreement with CTPF on the methodology to determine fees to be received by the firm in class action awards or settlements where

CTPF 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 CTPF.

8. The firm must be willing to provide portfolio monitoring and securities litigation monitoring and evaluation services to CTPF at no cost.

Criteria for Seeking Lead Plaintiff Status

In most cases, CTPF'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 CTPF to become actively involved and seek Lead Plaintiff status. CTPF will use the following guidelines in evaluating whether it should pursue this option:

1. In general, damages must exceed \$2.0 million before CTPF will consider Lead Plaintiff status.¹ Nonetheless, CTPF 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, CTPF 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 CTPF'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 CTPF taking action.

¹ The most-frequently cited figure for the average settlement of a securities litigation case is approximately \$10 million. These settlements recover, on average, approximately 10-14% of the total actionable loss sustained by shareholders. Thus, the threshold potential damages amount of \$2 million represents an attempt to identify that amount where active CTPF involvement could make a material financial difference to its portfolio. The damages amount is to be calculated by looking at purchases of target company shares during the class period net of sales during the same period.

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 CTPF might have a conflict of interest in being Lead Plaintiff.
7. Unusual circumstances that could complicate or undermine CTPF's position (e.g., the number of cases in which CTPF has served as a Lead Plaintiff).
8. Unique claims held by CTPF that may not apply to other class members.
9. Assuming Plaintiffs can prevail, whether there are sources of recovery available to satisfy a judgment or settlement.

There may be circumstances in which CTPF may want to partner with one or more institutional investors in seeking Co-Lead Plaintiff status or may want to opt out of a class and pursue an independent securities litigation action, either individually or in coalition with one or more institutional investors. CTPF 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 CTPF'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 CTPF 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 CTPF play or be allowed to play? How are the decisions made in the case?
8. Even if CTPF's losses are large, will CTPF be entitled to recover damages under the foreign law?
9. Does the funder have a minimum loss threshold?
10. What time and resources will CTPF have to devote to the foreign litigation?
11. Can CTPF comply with the appropriate deadlines?

Authorizing Litigation

The Board of Trustees will authorize CTPF 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 CTPF to be Lead Plaintiff in a lawsuit with the advice and consent of the Board President and subject to ratification by the Board of Trustees at the next scheduled Board meeting.

With regards to the selection of Lead Counsel, CTPF'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 an agreement with the law firm proposing to represent CTPF as Lead Counsel, and will seek a competitive fee arrangement based on current market rates and judicial precedent. The Board of Directors 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, subject to ratification by the Board of Trustees.

If more than one law firm approaches CTPF regarding the same lawsuit, the Executive Director, in consultation with 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 Fund Counsel, will choose which law firm will serve as Lead Counsel, subject to ratification by the Board of Trustees at the next scheduled Board meeting.

Effective Monitoring as Lead Plaintiff

If a court grants CTPF the role of Lead Plaintiff in a Lawsuit, CTPF will monitor the lawsuit to ensure that the goals and objectives of the class members and of CTPF's securities litigation policy are met. In doing so, CTPF will follow these guidelines:

1. CTPF will assume an active, advisory role as Lead Plaintiff in a lawsuit. 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 CTPF may effectively monitor the litigation, Lead Counsel must agree to provide monthly written status reports, quarterly time and expense reports, as well as other client monitoring tools the Fund's 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 at the next scheduled Board meeting.
4. The Fund Counsel will regularly report any significant developments in the case to the Board of Trustees.
5. During the course of the litigation, CTPF 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. CTPF 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.

History

This Securities Litigation Policy was adopted by the Board on March 20, 2014.

Review

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