



NCPERS Securities Fraud Recovery Services

Addressing the Fiduciary Challenges of Public Pensions

The chart illustrates the steps needed for public pension plans to fulfill their fiduciary responsibilities and compares the services DIVIDEX Management provides to NCPERS pilot program participants versus its larger pension clients.

Required Steps	DIVIDEX for NCPERS	DIVIDEX Asset Advisors
Real time self-monitoring of global portfolios for potential securities fraud losses designed in part to address the <u>Morrison*</u> problem Status Quo: Typically none	Not included.	Analyze: Use patented analytics to seek to identify possible securities fraud – reported on bespoke criteria Consultation: Whether to investigate litigation options for recovery
Independent evaluation of merits of potential claims by outside counsel designed in part to address the <u>Morrison*</u> problem Status Quo: Typically none	Up to three times per year: Calculation of losses and damages and evaluation of member-identified cases, free of the potential conflicts of interest that class counsel or litigation funders may have Additional case evaluations available to members at \$500 each.	Analyze: Evaluation of all identified cases, domestic and foreign, free of the potential conflicts panel counsel may have Consultation: What cases to join to seek to recover losses
Identify counsel for cases to seek to recover losses designed in part to address the <u>Morrison*</u> problem Status Quo: Receiving no guidance from outside fiduciary	Not included.	Analyze: Various options for U.S. and non-U.S. securities counsel Consultation: Selecting qualified counsel and negotiating favorable fee arrangements
Oversight & management of counsel for cases in which the plan sponsor is named plaintiff designed in part to address the <u>Morrison*</u> problem Status Quo: Typically, there is limited oversight of outside counsel, which we believe results in little attention to cost impact on recoveries	Not included.	Action: Sophisticated independent litigation oversight and management Consultation: Steps to reduce costs to increase recoveries
Negotiation of litigation funding for non-U.S. cases designed in part to address the <u>Morrison*</u> problem Status Quo: Typically falls to fund counsel	Action: Upon client request, seek to obtain favorable funding terms based on aggregated losses across multiple clients, with a focus on improved litigation funding options and terms for each case at a cost of \$5,000 per instance	Action: Seek to obtain favorable funding terms based on aggregated losses across multiple clients Consultation: Improved litigation funding options and terms for each case

Required Steps	DIVIDEX for NCPERS	DIVIDEX Asset Advisors
Calculate and track important deadlines such as statutes of limitations and statutes of repose designed in part to address the <u>ANZ Securities</u> ** problem Status Quo: Typically none	Claims filing deadlines for select class action settlements included in NCPERS Monthly Reports.	Action: Important deadlines are calculated and updated as required, with ticker system
Receive advice on opt-out, settlement proposals and fee applications designed in part to address the <u>ANZ Securities</u> ** problem Status Quo: Typically falls to fund counsel	Limited to opt-out advice, as requested by participating pension funds.	Action: Analyze and determine viable options to seek to improve recoveries Consultation: Implementation of chosen actions, which may relate to addressing deadlines to opt-out of class actions or to object to settlement terms and/or attorneys' fees
Securities claims filings in class action settlements Status quo: At best, Managed claims filing with no intention of seeking to improve outcomes, and little attention to non-U.S. cases	Identify selected large settlement claims filing deadlines and payouts, including in NCPERS Monthly Reports.	Action: Implement proprietary claims filing methodology that was developed to seek to increase recoveries, and electing the superior filing approach for each claim
Settlement payment receipt and reconciliation against recognized loss (damages per share as approved under settlement) Status Quo: Typically, no reconciliation	Claims payment reconciliation service available at member request for \$100 per case.	Action: Negative deviation from expected recovery initiates investigation and, if necessary, advocacy with court-appointed claims processing agent
Receipt of payments to the fiduciary Status Quo: Most typically involve payment to plan sponsor net of fees	Not included.	Action: Payment in full of all recoveries to plan sponsor as directed
DIVIDEX fees for services Payable either out of recoveries or the investment management budget Status Quo: General counsel typically pays for legal services and costs of claims filing are typically embedded in custodial contract, plus sometimes contingency out of recovery	Payable directly from pilot program participants to DIVIDEX Management on delivery of requested services.	Fees: Minimum \$250,000 fee billed quarterly in arrears and performance fee once a hurdle rate is exceeded, or 10% of recovered amounts

* In *Morrison v. National Australia Bank Ltd.*, the Supreme Court held that investors seeking to recover securities fraud losses on foreign-purchased shares may not do so in US class actions.

** In *CalPERS v. ANZ Securities, Inc.*, the Supreme Court held that opt-out rights may become worthless during the pendency of a securities fraud class action.