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Private Funds Regulatory

UPDATE

Kentucky Supreme Court Dismisses Action Against Hedge Fund Managers; Case Then Revived by the Kentucky Attorney General

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The Kentucky Supreme Court dismissed a $50-billion lawsuit against three hedge fund managers and their principals, holding that the plaintiffs — individual beneficiaries of Kentucky Retirement System defined-benefit plans — lacked standing.[1] The December 2017 suit alleged that the hedge fund managers breached their fiduciary duties and aided and abetted the plan trustees' breach of their duties because the plans were "severely underfunded" and that "plan mismanagement" (i.e., losses in the hedge funds managed by those three managers) was to blame, but on July 9, 2020, the court held that the individual plaintiffs — because they had received, and would continue to receive, their fixed pension benefit each month — had not suffered an injury in fact and therefore lacked standing. The Kentucky Supreme Court also rejected the plaintiffs' alternative theories of standing, which included suing derivatively on behalf of KRS and in their capacity as Kentucky taxpayers, finding that the latter was more appropriate for an action by the Kentucky Attorney General.

In response to the ruling, the Kentucky Attorney General filed an intervening complaint in the action, which acted to revive the matter.

*This article appeared in the August 2020 edition of SRZ's Private Funds Regulatory Update. To read the full Update, **click here**.*

[1] *See Overstreet v. Mayberry*, 2019-SC-000041-TG (Ky. July 9, 2020).