

# San Bernardino County Employees' Retirement Association

Securities Finance Review



# Agenda

Program update

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Trading Update

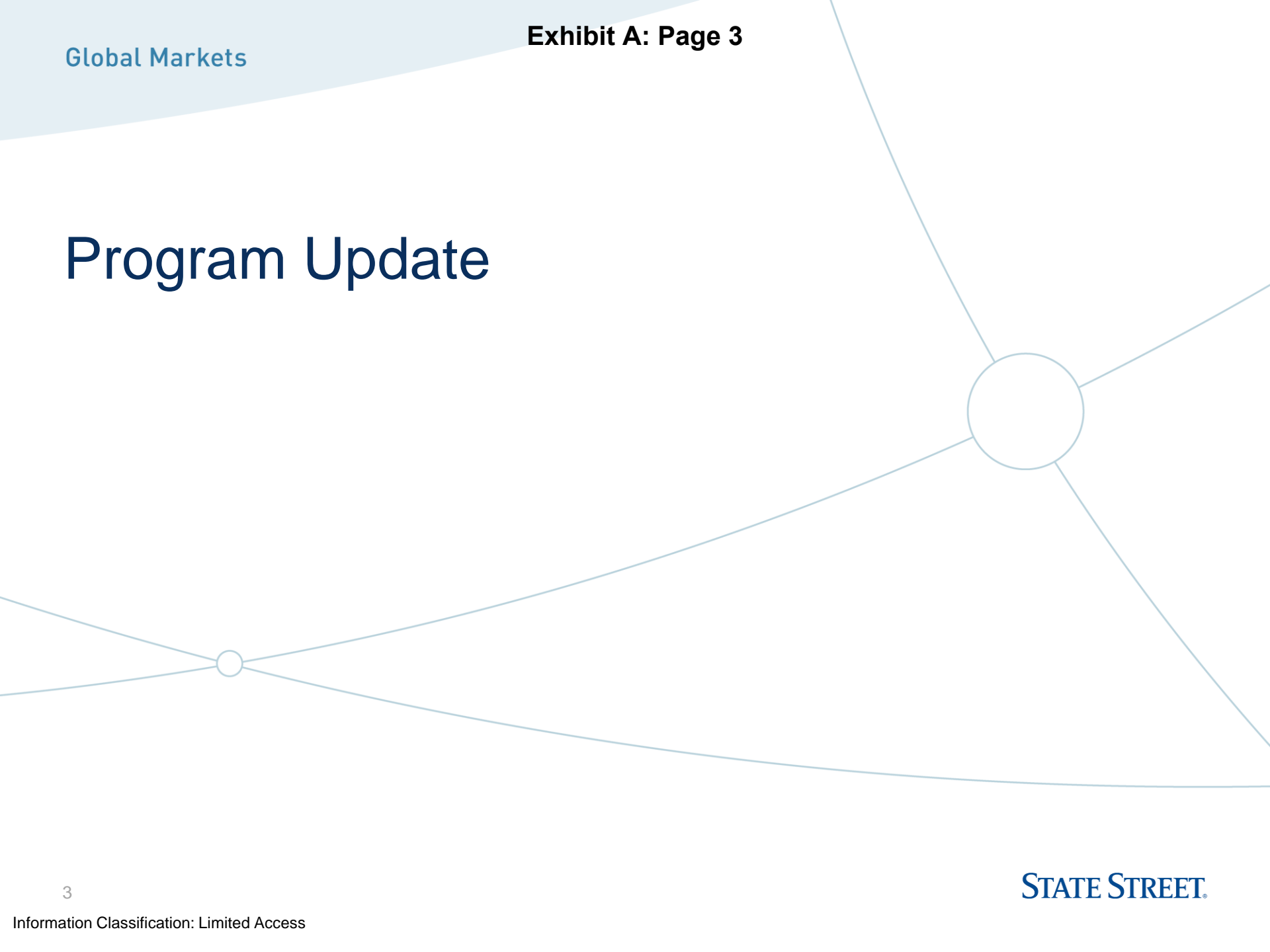
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SBCERA's Securities Lending Review

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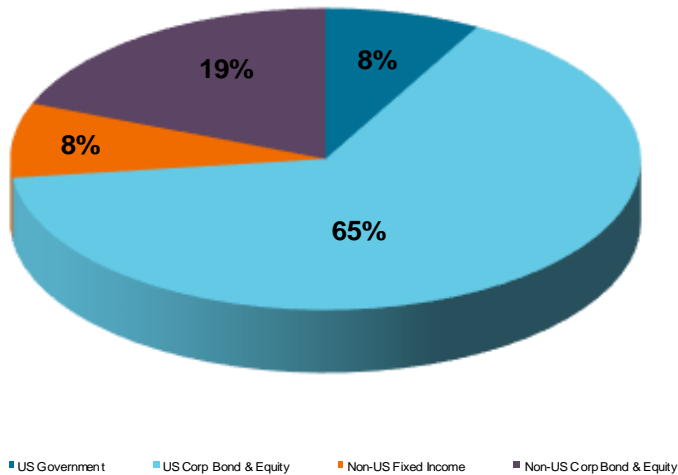
Collateral Pool Update

# Program Update

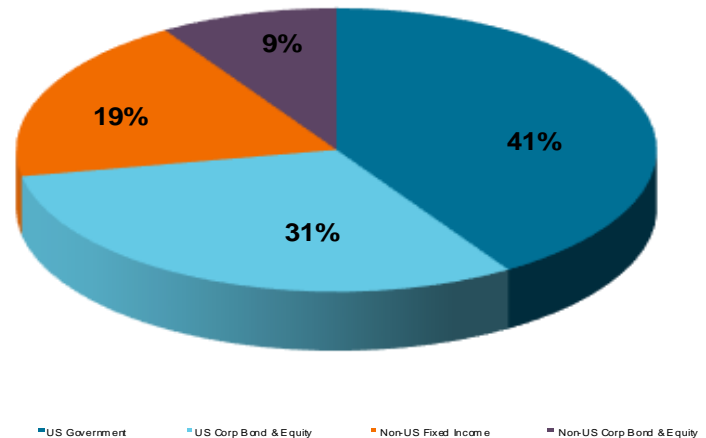


# Large and Diverse Program

**Assets Available for Loan**  
Approximately \$4.6 trillion



**On Loan Balances**  
Approximately \$396 billion



# Committed to Clients

## Securities Lending Expertise

- Full service securities lending provider
- Approximately 246 active agency and principal clients\* worldwide
- Approximately 148 borrower relationships
- Sophisticated online reporting tools including benchmarking

## Cash Management Expertise

- SSGA is one of the largest short term cash management organizations in the world
- Approximately \$104 billion of securities lending cash collateral assets under management
- SSGA's cash management group employs dedicated portfolio management and credit personnel, systems and operational resources

\*A client is defined as having generated earnings in the past 3 months

# Global Presence

- Approximately 246 active agency and principal clients worldwide
- Approximately 148 borrower relationships
- Lending across more than 38 international markets
- 10 regional locations with 6 trading desks and 3 full-service operations centers
- Approximately 500\* employees dedicated specifically to securities lending activities

## The Americas

- **Boston, Massachusetts**  
*(World Headquarters)*
- Jersey City
- Toronto, Ontario

- **Full Service Center**
- **Relationship Management Office**
- **Relationship Management and Trading Office**

## Europe/Middle-East/Africa

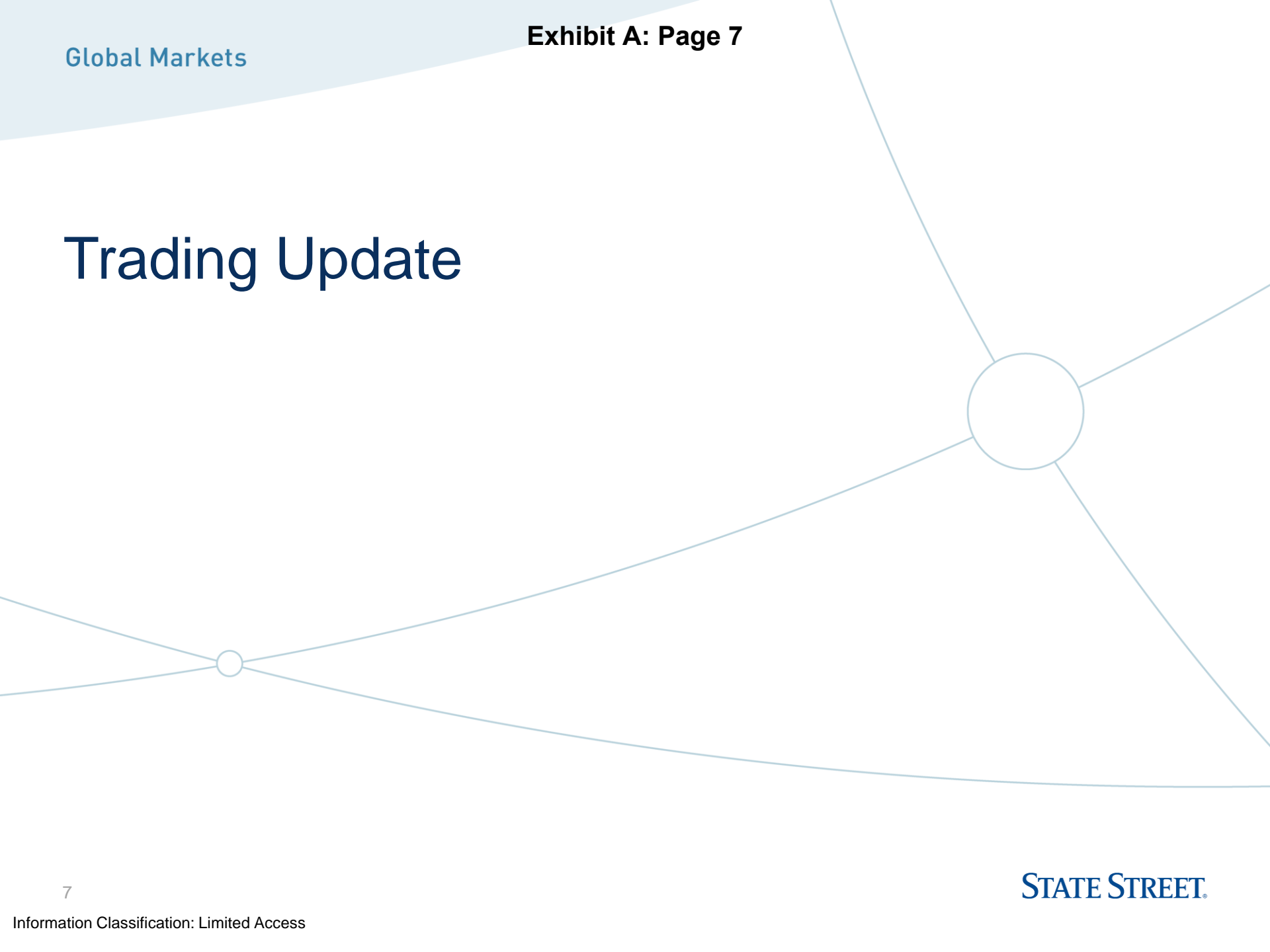
- Dublin, Ireland
- Frankfurt, Germany
- London, England

## Asia/Pacific

- Hong Kong, China
- Sydney, Australia
- Tokyo, Japan
- Seoul, Korea

\*Headcount as of September 30, 2020. This headcount figure does not include contractors.

# Trading Update



# Market Update

- Short sell bans were in place in Austria, France, Spain, Korea, Belgium and Italy. The bans have expired, however Korea has extended the ban until March 2021.
- Many companies, especially EU companies, continued to cancel or postpone their dividends either because social distancing has prevented companies from hosting their annual general meeting where the dividend would be approved, or the crisis has forced companies to redirect their capital. German companies were warned not to expect government assistance if they persisted with dividend payments
- The North American housing market reflected a strong rebound, highlighted by a strong rebound in the US mortgage applications.
- The Federal Reserve was heavily involved in markets, offering virtually “unlimited” Quantitative Easing in order to keep the front-end of the market very liquid. However, as virus risks evolved, the Federal Reserve tweaked some of the various programs to adjust accordingly.
- The top-five revenue-generating securities in the global securities lending market for Q3 2020 generated less than half the income for lenders compared to the top five securities in the same period last year.
- Defaults during the pandemic are occurring faster than during the global financial crisis of 2008 / 2009 with approximately 70 percent of corporate defaults being driven by missed principal and interest payments as company revenue has dried up. In the U.S. the top five sectors are consumer products, oil and gas, retail, restaurants, and media and entertainment.

Source: IHS Markit

Performance data shown represents past performance and is no guarantee of future results

Source: Securities Finance Business Intelligence by Cognos;



# SBCERA's Securities Lending Review

# Relationship Summary

- Our relationship began in September 1989
- Earnings Summary
  - Earnings from inception through December 2020 ~ \$ 30.9 mm
  - Calendar Year 2020 ~ \$103 k
- Programs
  - US Equity
  - US Corporate Bonds
  - US Government
  - Non-US Equity
  - Non-US Fixed Income
- Cash Collateral
  - Quality D
- SBCERA currently uses the standard approved borrower list - 148 approved borrowers\*
- State Street provides SBCERA borrower default indemnification

*Past Performance is no guarantee of future results*

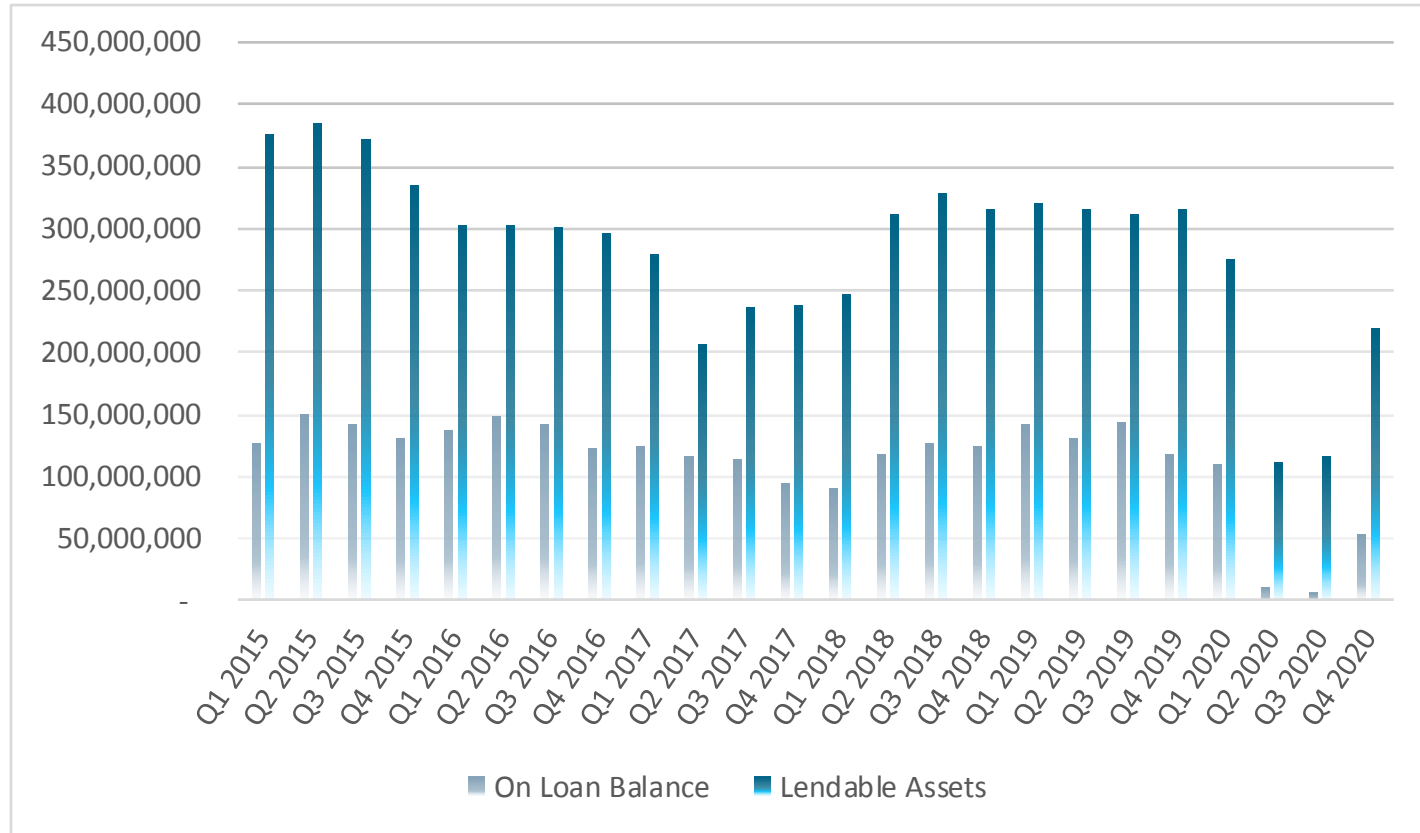
*Source: Securities Finance Business Intelligence*

10 \* On 12/31/20

STATE STREET

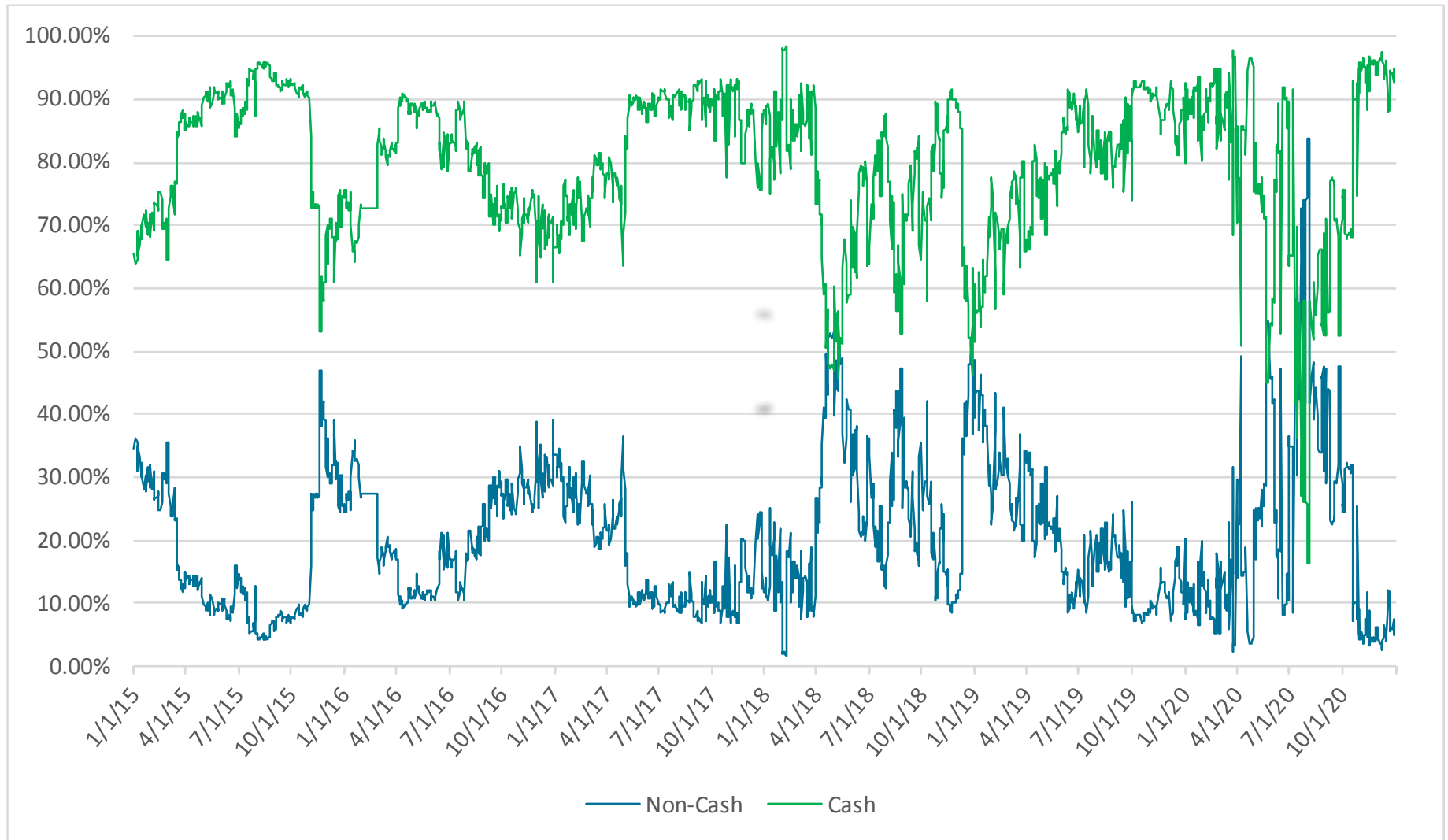
# Lendable and On Loan Trend

Calendar Year 2015 – 2020



Past Performance is no guarantee of future results  
 Source: Securities Finance Business Intelligence  
 January 1, 2015 thru December 31, 2020

# San Bernardino County Employees Retirement Association Collateral Balances



January 1, 2015 thru December 31, 2020

Source: Securities Finance Business Intelligence

Performance data shown represents past performance and is not a guarantee of future results

# Lending Performance

## Fiscal Year 2018 – 2021 FYTD

### San Bernardino County Employees' Retirement Association

	FY 2018	FY 2019	FY 2020	FYTD 2021
Average Lendable (\$)	257,693,562	320,219,387	253,875,828	167,020,075
Average On Loan (\$)	103,757,369	130,978,172	95,200,607	30,522,569
Utilization	40.3%	40.9%	37.5%	18.3%
Earnings by Program (\$)				
US Corp Bond & Equity	11,551	32,654	21,005	3,591
US Government	240,864	242,222	191,510	22,471
Non-US Equity	2,989	0	0	0
Non-US Fixed Income	1	0	0	0
Earnings	255,405	274,876	212,515	26,062
Components of Spread (bps)				
Demand Spread	4	9	(26)	2
Reinvestment Spread	30	27	65	24
Net Spread	34	29	31	23
Return to Lendable (bps)	9.9	8.6	8.4	3.1

Past Performance is no guarantee of future results

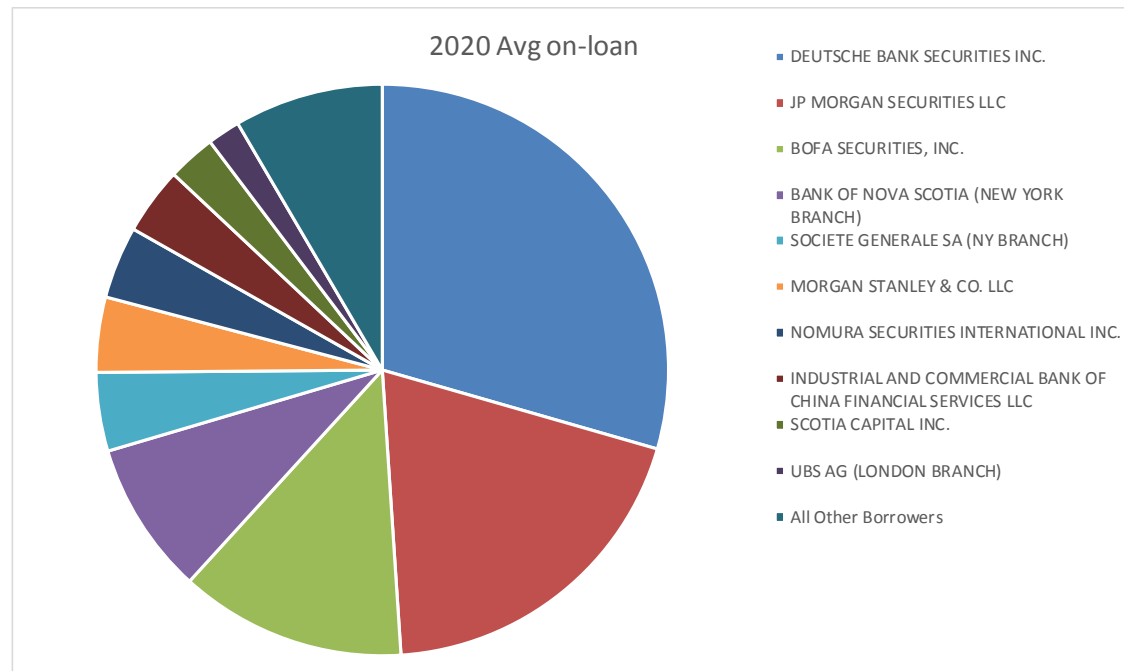
Source: Securities Finance Business Intelligence

Currency is USD

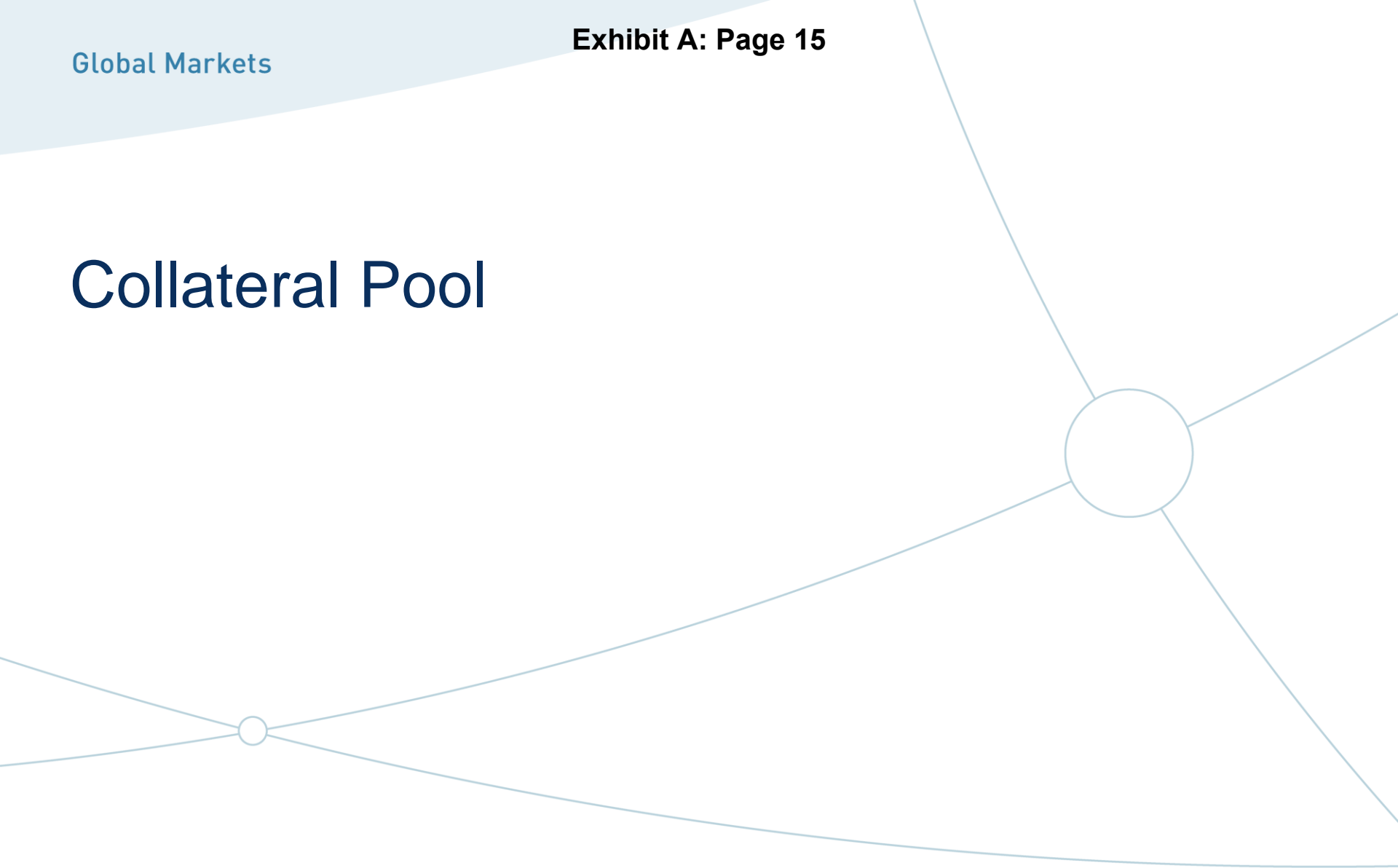
# Loan Distribution

## Borrower Diversification Summary – December 31, 2020

Borrower External Name	Avg Market Value on Loan	Avg Collateral Amount Cash	Avg Collateral Amount Non Cash	Average Collateral Amount	Percentage
DEUTSCHE BANK SECURITIES INC.	13,258,309.80	13,527,424.45	0.00	13,527,424.45	29.46%
JP MORGAN SECURITIES LLC	8,775,631.28	8,245,729.23	708,031.73	8,953,760.97	19.50%
BOFA SECURITIES, INC.	5,761,661.71	5,880,265.66	3.09	5,880,268.75	12.80%
BANK OF NOVA SCOTIA (NEW YORK BRANCH)	3,897,827.39	3,977,429.94	0.00	3,977,429.94	8.66%
SOCIETE GENERALE SA (NY BRANCH)	2,002,733.94	2,043,570.70	0.00	2,043,570.70	4.45%
MORGAN STANLEY & CO. LLC	1,912,808.16	1,309,173.91	635,159.08	1,944,333.00	4.25%
NOMURA SECURITIES INTERNATIONAL INC.	1,841,087.25	1,878,737.16	0.00	1,878,737.16	4.09%
INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES	1,709,357.07	1,744,512.98	0.00	1,744,512.98	3.80%
SCOTIA CAPITAL INC.	1,222,837.55	488.25	1,229,026.06	1,229,514.31	2.72%
UBS AG (LONDON BRANCH)	833,463.32	32,141.61	809,684.51	841,826.12	1.85%
All Other Borrowers	3,791,724.62	2,196,426.51	1,646,861.55	3,843,288.06	8.42%
<b>Summary</b>	<b>45,007,442.10</b>	<b>40,835,900.41</b>	<b>5,028,766.03</b>	<b>45,864,666.43</b>	<b>100.00%</b>



# Collateral Pool

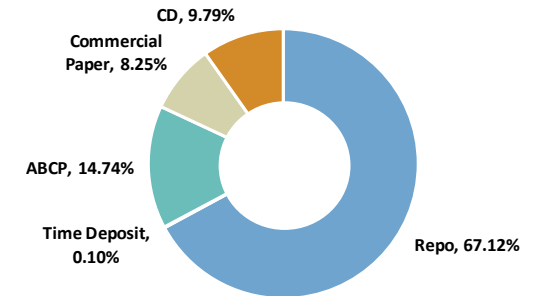


### FC14 — Quality Investment Fund D

As of December 31, 2020

Summary Characteristics	
1-Day Yield <sup>1</sup>	0.31%
Par Position + Uninvested Cash (in millions)	6289.64
Floating Rate %	59.14
Foreign Issuers % <sup>2</sup>	19.67
Weighted Average Maturity (WAM) <sup>3</sup>	15.83
WAM to Call	15.83
Call v. Mat Spread	0
% Callables	0.56
Weighted Average Life (WAL) <sup>4</sup>	75.78
Fund Price as of 12/31/2020	100
Number of Holdings	88
Credit Quality BreakDown	
Long-term Ratings	% of Fund
AAA	--
AA	0.67
A	5.17
BBB	--
Below Investment Grade LT	--
Short-term Ratings	% of Fund
A-1+	4.25
A-1	81.67
A-2/A-3	--
Below Investment Grade ST	--
No Ratings	% of Fund
NR	8.25

Liquidity Schedule	% of Fund
Next Business Day	17.08
<b>1 Week Liquidity<sup>5</sup></b>	<b>20.59</b>
2-30 Days Liquidity	10.7
31-60 Days Liquidity	27.27
61-90 Days Liquidity	6.04
<b>90 Days Liquidity</b>	<b>61.09</b>
91-120 Days Liquidity	22.53
121-150 Days Liquidity	4.88
151-180 Days Liquidity	1
181-270 Days Liquidity	8.55
271-360 Days Liquidity	1.94
12-15 Months Liquidity	--
15-18 Months Liquidity	--
18-21 Months Liquidity	--
21-24 Months Liquidity	--
Greater Than 2 Years Liquidity	--
<b>YE 2020 Liquidity</b>	<b>0</b>
Floating Rate Index Breakdown	% of Fund
FED FUNDS	0.48
1 MO LIBOR	2.15
3 MO LIBOR	4.47
3 MO TBILL	--
FCPR	--
OBFR	50.15
SOFR	1.91
Floating Rate Reset Buckets	% of Fund
Next Business Day	52.53
2-7 Days	0.75
8-31 Days	2.46
1-2 Months	1.72
2-3 Months	1.69



Repo Collateral	% of Fund
Treasuries	1.83
Agencies	--
Agency MBS	1.83
Money Markets	3.2
Corporates	14.99
Asset Backed	--
Equities	45.26

Source:SSGA Bloomberg. Ratings are from Bloomberg and are S&P. **Past performance is not a guarantee of future results.** ABCP are asset backed commercial papers.

<sup>1</sup> 1 Day Yield is the Net Yield (income minus expenses). The fund is in USD and the benchmark is the Overnight Bank Funding Rate (OBFR).

State Street Global Advisors investment management fee is 1.75 bps per annum

<sup>2</sup> All YCD's are being reported as Domestic and thus not included in the % Foreign Issuers. % Foreign issuers is the % of the fund held in foreign issues (domicile of issuer which represents the issuer's country of incorporation, for repo it's where the counterparty is incorporated).

<sup>3</sup> Weighted Average Maturity (WAM): aggregation of WAM of underlying securities in fund defined as (1) Floating rate securities: Next Reset Date – Current Date; (2) Fixed Rate: Maturity Date – Current Date (defined in days)

<sup>4</sup> Weighted Average Life (WAL): aggregation of WAL of underlying securities in fund defined as (1) Floating rate securities: Expected Maturity Date – Current Date; (2) Fixed Rate: Expected Maturity Date – Current Date (defined in days)

Any S&P ratings below BB- or below A-1 as well as Unrated securities are included in the "Other" category

Floating rate % is the % of floating rate securities held in the fund.

Liquidity schedule is the maturity profile of the cash investment.

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