



# BOARD OF RETIREMENT

## Staff Report

---

**File #:** 19-1252.1

**Agenda Date:** 3/4/2021

**Agenda #:** 24.

---

**FROM:** Don Pierce, Chief Investment Officer

**SUBJECT:** Securities Lending Report for 2020

**RECOMMENDATION:**

Securities Lending Report for 2020.

**BACKGROUND:**

In accordance with Investment Policy No.005, Staff presents the 2020 Securities Lending Program Report as prepared by State Street.

SBCERA has maintained a securities lending program managed by State Street since 1989. The goal of the program is to generate additional revenue on separately managed equity and debt securities held by the custodian. Borrowers post collateral when borrowing securities from the program, which in turn, are invested in a collateral fund. SBCERA earns revenue on the returns of the collateral pool over cash (collateral spread) and on the spread paid by borrowers to have access to the securities (lending spread).

Since the program's inception in 1989, the securities lending program has earned \$30.9 million for SBCERA. From a fiscal year over year basis, in FY 2019-20, the program maintained approximately \$253.8 million in lendable securities with \$95.2 million on loan. When compared to the prior fiscal year this reflects a decrease from \$320.2 million with \$130.9 million on loan. This drop was the result of selling treasuries for cash in March 2020 during the COVID crisis and using that cash to maintain the SBCERA asset allocation and to make attractive investments. In addition to an overall drop in the assets available for lending, there was a drop in the lending rate we could receive as significant issuances of treasuries by central banks diluted the market and dampened demand.

**COMMITTEE REVIEW:**

This item was reviewed by the Investment Committee at its February 9, 2021 meeting.

**BUDGET IMPACT:**

None.

**STRATEGIC PLANNING GOAL/OBJECTIVE:**

Prudent Fiscal Management

**STAFF CONTACT:**

Eydie Cox

**ATTACHMENTS:**

Exhibit A: Securities Lending Report for 2020