



County Employees Retirement System  
Investment Securities Lending Guidelines  
Approved: March 16, 2022

This document sets forth the investment policy for the securities lending program.

#### A. Objectives

To generate incremental income by lending securities to qualified borrowers. Borrowers provide collateral in exchange for the right to borrow securities. Collateral should follow the system's guidelines as set forth in the Securities Lending Authorization Agreement. Total return from securities lending should meet or exceed Risk Management Association's (RMA) Lending Composite on an annual basis.

#### B. Responsibilities and Delegations

The CERS Investment Committee have the following responsibilities and duties:

1. Approving the securities lending guidelines.
2. Reviewing the securities lending program performance annually with the Kentucky Public Pensions Authority (KPPA) Executive Director, Office of Investments, and KPPA staff.

The KPPA investment staff duties include, but are not limited to, the following:

1. Reporting to the Investment Committee annually about the performance and compliance of the securities lending program.
2. Recommending guideline changes to the Investment Committee as needed.
3. Reviewing monthly reports from the Lending Agent.
4. Reviewing and evaluating quarterly reports from the Lending Agent. Furnishing the quarterly reports to the Investment Committee.
5. Monitoring the Lending Agent's compliance with the securities lending guidelines.

The Lending Agent's duties include:

1. At least annually, or more frequently if requested by CERS, the Lending Agent must present the Executive Director of the Office of Investments, with a list of potential borrowers and the applicable credit exposure.
2. The Lending Agent must immediately notify the KPPA Executive Director of the Office of Investments and KPPA staff of any violation of the securities lending guidelines.
3. The Lending Agent must provide a quarterly report showing: historical net earnings; volume on loan, loanable base, percentage of loan, gross spread, net earnings and gross basis point return by class; comparable gross basis point return by class with the RMA Lending Composite, BNY Mellon and CERS; detailed performance comparison with RMA, BNY Mellon and CERS of percentage on loan, spread and gross basis point return by class, and; other information as reasonably requested by CERS.

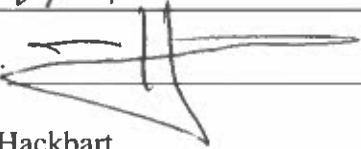
C. Lending and Collateral Guidelines

The collateral guidelines are set forth in the Securities Lending Authorization Agreement. The Lending Agent shall follow these guidelines explicitly in conjunction with these policies. If, at anytime, a violation occurs, the Lending Agent shall immediately notify the Executive Director of the Office of Investments and KPPA staff by e-mail; together all parties shall determine the action or actions needed to bring the portfolio back into compliance.

Signatories

As Adopted by the Investment Committee

Date: 4/1/22

Signature: 

Dr. Merl Hackbart  
Chair, Investment Committee

As Adopted by the Board of Directors

Date: 03/16/2022

Signature: Betty A Pendergrass

Ms. Betty Pendergrass  
Chair, Board of Trustees