



COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Securities Lending Policy



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Revision History

Securities Lending Policy Established
Policy Revised

March 6, 2020
May 31, 2024



I. SCOPE

The Board has approved a Securities Lending Program (“Program”) for the Pennsylvania, Public School Employees’ Retirement System (“PSERS”) Defined Benefit Fund (the “Fund”) that is designed to generate a consistent or growing stream of incremental income through prudent securities lending practices. The Program is intended to equip the Investment Office Professionals (“IOP”) and the securities lending provider contracted by the Board (“Lending Agent”) with sufficient flexibility in managing investment risks and returns associated with the operation and oversight of the Program. This policy applies to the (1) lending of securities owned by the Fund in separately managed account portfolios (the “Securities Lending” of the Program) and (2) reinvestment of the cash collateral posted as a result of Securities Lending (the “Reinvestment Side” of the Program).

II. ROLES AND RESPONSIBILITIES

The Board approves the engagement with one or more Lending Agents. Roles and Responsibilities related to the Program otherwise not identified herein are identified within PSERS’ Investment Policy Statement (“IPS”).

III. PROGRAM APPROACH

The Program actively lends securities and reinvests cash collateral proceeds with agreed upon terms and conditions to enhance the Fund’s total earnings incrementally where market conditions permit reasonable profitability, doing so in a manner that does not interfere with the management of PSERS’ portfolios and does not expose PSERS to meaningful additional risk.

Borrowers shall provide liquid collateral in exchange for the right to borrow securities consistent with the Program and established guidelines. The Lending Agent will invest cash collateral consistent with the Program and established guidelines.

IV. LENDABLE ASSETS

Publicly traded assets held in separate accounts in the Fund are eligible for Securities Lending activities. The Board or IOP may restrict lending for corporate governance, investment management, or other purposes.

V. RISK MANAGEMENT

The Program shall operate under written guidelines and governing documents approved by the CIO and the Lending Agent(s) that are designed to ensure the Program pursues its return objective within the acceptable risk parameters.

The Maximum Program Size will be recommended by the Allocation Implementation Committee (“AIC”) and approved by the CIO. The size of the Program is determined as the total amount of cash collateral outstanding at any one time as a result of Securities Lending.



VI. MONITORING AND REPORTING

The IO will review the investments and operations of the Program on-going and monitor compliance with the contract no less than annually. The Investment Committee of the Board ("IC") will receive a report, no less than annually, regarding performance of the Program and any exceptions or adjustments to the Program.