

## **REPORT FOR: Pension Fund Committee**

---

**Date of Meeting:** 6 September 2016

**Subject:** Currency Hedging

**Responsible Officer:** Dawn Calvert, Director of Finance

**Exempt:** No

**Wards affected:** All

**Enclosures:** Currency Hedging (Aon Hewitt)

### **Section 1 – Summary and Recommendation**

#### **Summary**

The Committee is requested to receive and consider a report from the Fund's investment advisers Aon Hewitt on currency hedging in line with its function to administer all matters concerning the Council's Pension investments in accordance with law and Council policy as conferred by Part 3A, Terms of Reference of the Council's Constitution.

#### **Recommendation**

That no changes are made to the Fund's current currency hedging arrangements.

## **Section 2 – Report**

1. As part of its investment strategy the Fund has in place a passive currency hedging mandate with Record Currency Management whereby, taking into account that the Longview equity holdings are entirely hedged to sterling, 50% of all developed market overseas investments are similarly hedged.
2. Since the EU referendum on 23 June 2016 sterling has fallen in value substantially, most significantly for the Fund against the Dollar, Yen and Euro. The impact of this can be seen in the values of the Fund's overseas equities holdings and the consequent commitment to the currency hedging manager.
3. In view of these developments Aon Hewitt have been asked to provide a report on the Council's current strategy with a recommendation as to whether it should be varied.
4. The Committee are invited to receive the attached report and presentation from Aon Hewitt and to accept the conclusion that "the Fund should not amend its current currency hedging arrangements."

### **Financial Implications**

5. The consideration of strategy changes is an important part of the management of the Pension Fund investments and the performance of the Fund's investments plays an extremely important part in the financial standing of the Fund. The only financial implications arising from this report are those associated with not making any strategic changes and continuing to accept the current levels of risk.

### **Risk Management Implications**

6. The risks arising from investment performance are included in the Pension Fund risk register.

### **Equalities implications**

7. There are no direct equalities implications arising from this report.

### **Council Priorities**

8. Investment performance has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

### **Section 3 - Statutory Officer Clearance**

Name: Dawn Calvert  Director of Finance

Date: 18 August 2016

Name: Noopur Talwar  on behalf of the  
Monitoring Officer

Date: 23 August 2016

**Ward Councillors notified:** NO

### **Section 4 - Contact Details**

**Contact:** Ian Talbot, Treasury and Pension Fund Manager  
0208 424 1450

**Background Papers – None**