

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Currency Hedging Training – Report by Hymans Robertson		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	November 2018

1. PURPOSE

- 1.1. This paper provides training on currency hedging, in response to the results of the recently completed Investment Beliefs questionnaire which identified a strongly held belief that currency risk should be managed.

2. RECOMMENDATIONS

- 2.1. Members are asked to note the contents of the report and, following discussion at the meeting, decide if they wish to pursue a currency hedging strategy.

3. SUMMARY

- 3.1. The training slides attached to this report will be delivered by the Fund's advisors Hymans Robertson. They address the following:
- Should currency risk be hedged?
 - How exposed is the Fund?
 - How does currency hedging work?
- 3.2. Should Members decide that currency hedging would be of benefit, Hymans will provide further advice at the next meeting of the Committee.

4. FINANCIAL IMPLICATIONS

- 4.1. The Fund is exposed to currency risk predominantly through its passive equity mandates with BlackRock and UBS, which have high benchmark allocations to overseas equities. The current exposure as reported by the Fund's advisors is approximately £580m, or 42% of the total Fund.
- 4.2. Any hedging undertaken by the Fund will incur additional costs to implement, and Members should consider these additional costs against any potential benefits to be obtained by hedging before making their decision.

5. LEGAL IMPLICATIONS

- 5.1. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisors in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial

Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

6. CRIME AND DISORDER IMPLICATIONS

6.1. There are no crime and disorder implications directly arising from this report.

7. EQUALITIES IMPLICATIONS

7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

8.1. There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached for Members only. Commentary will be provided at the meeting by the Council's appointed advisors from Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact either:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk