

Suffolk Pension Fund Committee

Report Title:	Currency Hedging
Meeting Date:	22 September 2016
Chairman:	Councillor Andrew Reid
Director:	Geoff Dobson, Director of Resource Management Tel. 01473 264347
Author:	Paul Finbow, Senior Pensions Specialist Tel. 01473 265288

Brief summary of report

1. This report provides more information about the currency risks of the Fund and how they are managed.
2. The advice from Hymans Robertson suggests that a currency overlay should be considered when the Committee reviews its asset allocation strategy following the finalisation of the triennial valuation.

Action recommended

- | |
|---|
| 3. The Committee is asked to consider the information provided. |
|---|

Reason for recommendation

4. The Pension Fund Committee will be reviewing its financial strategy in line with the results of the triennial valuation and will need to consider whether to employ a currency hedging policy.

Alternative options

5. There are no alternative options.

Main body of report

6. The Fund has a substantial exposure to overseas currencies through its holdings in overseas assets. The performance of these currencies in relation to sterling represents a significant risk in the level of returns achieved by the Fund.
7. In June, the Committee received a paper from its investment advisor considering the merits of a currency overlay. For completeness this paper is attached at **Appendix 3**.
8. The Committee asked for more information about what existing investment managers were doing to manage the currency risk within their portfolios and further information from Hymans Robertson on the practical implications of having a currency overlay.
9. The additional information requested from Hymans Robertson is attached for consideration by the Committee in **Appendix 1**.

10. The investment managers of the Pension Fund employ a number of strategies on the Fund's behalf which need to be taken into account when considering an overall currency hedging strategy for the Fund. This is important to understand so that a decision to have an overlay does not counteract these specific strategies employed by existing managers..
11. A paper on the currency hedging strategies employed by the Fund's investment managers is in **Appendix 2**.
12. The Committee is asked to consider the information presented.

Sources of further information

- | |
|---------|
| a) None |
|---------|