

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 22 June 2018

Subject: **EURO CURRENCY BALANCES**

Classification: Unrestricted

Summary: To update the Committee on the Fund's cash position and seek approval to convert EUR29m to GBP

FOR DECISION

INTRODUCTION

1. Since 2010 the Pension Fund has made investment commitments in Euro denominated Private Equity and Infrastructure funds. These funds are now in their distributing stages and are returning more Euros to the Kent Pension Fund than they are drawing down for investment.
2. The Committee is considering making new investments and the Investment Strategy Review proposed using the Fund's surplus cash to fund these.

2017/18 CASHFLOWS

3. During the 6 months since 1 September 2017 when the Fund's cash position was last reported to the Committee the net distributions by these funds have been as follows:
 - a. Harbourvest: EUR2.6m
 - b. Partners Group: EUR23.8m (of which EUR20m was distributed in February 2018)
4. The Fund's Euro balance as at 31 March 2018 was EUR31.5m.
5. Holding a Euro balance does not earn any interest and in some banks, incurs a charge. In contrast the GBP balances can be invested in Money Market Funds (MMFs) and Cashplus funds to achieve a yield of 0.4%-0.5%. The Pension Fund is presently invested in a number of such funds and there is capacity within existing limits to invest the additional sums.
6. In respect of existing investments with Harbourvest and Partners Group it is anticipated that future (euro denominated) drawdowns of commitments will be small and likely to be largely offset by further distributions. It is however proposed that the Fund continues to hold EUR3m to cover future drawdowns, leaving a surplus of EUR29m which could be sold for Sterling.

7. The Committee is considering making new investments with Harbourvest and Partners Group. If new investments are agreed then these may require to be funded in Euros however the timing for these funding arrangements is difficult to predict.
8. The GBP proceeds of the sale of the EUROS would immediately be invested in MMFs.

SURPLUS CASH

9. As at 31 March 2018 the Fund also held GBP80.3m and USD9.14m presently invested in short term MMFs and Cashplus funds.
10. The Fund needs to hold GBP30m to fund monthly pension payments and expenses. After taking into account the sale of the EUROS some GBP85m is available to fund future investments.

RECOMMENDATION

11. Members are asked to note this report and to agree to delegate the decision to the Director of Finance in consultation with the Chairman to sell EUR29m when the GBP/Euro exchange rate is at or lower than 1.14.

Alison Mings
Treasury and Investments Manager
Tel 03000 416488
Email: alison.mings@kent.gov.uk