

MINUTE

A & B

**Special Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Wednesday 27 May 2009 at 9.30am**

Present:

L F Baisley	J Budge
A J Cluness	A T Doull
A G L Duncan	F B Grains
I J Hawkins	R S Henderson
J H Henry	W H Manson
C H J Miller	R C Nickerson
G Robinson	J G Simpson
C L Smith	J W G Wills
A S Wishart	

Apologies:

L Angus	A T J Cooper
E L Fullerton	F A Robertson
J G Simpson	V Nicolson
A Taylor	B Callieu

Apologies for Lateness:

F B Grains	J W G Wills
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In attendance (Officers):

C Bain, Treasury Accountant
A MacIver, Assistant Accountant
L Gair, Committee Officer

Also:

J H Scott, Trustee, SCT
A Black, General Manager, SCT
J Goddard, Financial Controller, SCT
R Polson, Pension Fund Management Consultative Committee
D Marsh, Pension Fund Management Consultative Committee
K Thrumble, WM Company
I Davidson, Barclays Global Investors
I Harrison, Record Currency Management
J Wood-Collins, Record Currency Management
G Day, Schroders
J Murray, Schroders
T Wright, Baillie Gifford and Co
G Brown, Baillie Gifford and Co
G Jordan, Insight Investment Management
A LaRusse, Insight Investment Management
P Bostock, GMO
S Harris, GMO
N Burgoyne, GMO

Chairperson

Mr A J Cluness, Convener of the Council, presided.

Circular

The circular calling the meeting was held as read. The Chairperson advised members that the signing of the local Single Status Agreement would be signed following the meeting.

Declarations of Interest

None

69/09 Pension Fund Management Annual Review 2008/09

The Council considered a report by the Head of Finance (RECORD Appendix 1).

The Treasury Accountant introduced the report and introduced Ms K Thrumble, WM Company who was attending the fund managers meeting for the first time.

Ms K Thrumble presented the Performance Review report on behalf of WM Company (attached as Appendix A) and provided Members with a brief introduction and background to the current state of the financial market.

Ms Thrumble provided a brief explanation of the performance of each asset class in 2008/09 and then commented on Barclay Global Investors (BGI) and the fund transfer from Capital to them.

In response to a query from Mr J H Henry, Ms Thrumble provided a full explanation behind the issues concerning Capital's investment portfolio and the decisions taken by them, which led to the Council's decision to move its funds to BGI.

70/09 Management of the Pension Fund – Barclays Global Investors – Equity and Bond Fund (plus SCT Fund)

The Council considered a report by the Head of Finance (RECORD Appendix 1).

Mr I Davidson presented a report on behalf of Barclay Global Investors (BGI) (attached as Appendix B).

In response to a query from Mrs C H J Miller, Mr Davidson provided an explanation as to why BGI were selling i-Shares.

On behalf of Dr J W G Wills, Mr R C Nickerson queried whether an assessment of ethical performance had been done, and asked that information on ethical performance be provided at a later date. Mr Davidson said that it was difficult to define "ethical". Members agreed.

Members noted the information provided, and the Council noted the performance of BGI (equity and bond fund) in 2008/09 on the motion of Mr A J Cluness, seconded by Mr J G Simpson.

71/09 Management of Pension Fund – Currency Fund (plus SCT) Record Currency Management

The Council considered a report by the Head of Finance (RECORD Appendix 1).

Ms K Thrumble provided Members with an overview of the fund's underperformance and highlighted that it was a high risk fund. Mr I Harrison and Mr J Wood-Collins presented a report on behalf of Record Currency Management (attached as Appendix C). Members noted the information provided.

Members expressed their concerns and commented on the poor performance of the currency fund managers. In response, the Fund Managers explained the processes followed and said that it was a process they continued to have most confidence in and how they expected the fund to recover in the future.

Members were advised that a meeting had been held in February with the Fund Manager and it was felt that a long term view should be taken with the currency fund as with all investments.

On the motion of Mr A T J Cooper, seconded by Mr J G Simpson, the Council noted its extreme dissatisfaction and displeasure on the performance of Record Currency Management (currency fund) in 2008/09.

72/09 **Management of Pension Fund – Property Fund - Schroders**

The Council considered a report by the Head of Finance (RECORD Appendix 1).

Ms K Thrumble provided a brief overview of the fund manager's excellent performance, at a time when the market was so volatile.

Mr G Day and Ms J Murray presented a report on behalf of Schroders (attached as Appendix D).

Ms Murray provided responses to Members on the following queries:

- What impact would the Olympics have on the property fund
- Why other countries were fairing better and what lessons had been learned.
- Whether income from the Council's investment was automatically reinvested.
- The number of staff from the Schroder Team dealing with investment in Continental Europe and whether they were UK based.

Members noted with satisfaction the performance of Schroders (property fund) in 2008/09, on the motion of Mr A T J Cooper, seconded by Mrs J G Simpson.

(Mr J H Scott, Mr D Marsh and Mrs R Polson left the Chamber)

The Convener left the meeting and the Vice-Convener duly took the chair.

73/09 **Fund Management Annual Review 2008/09**

The Council considered a report by the Head of Finance (RECORD Appendix 2).

The Treasury Accountant introduced the report and Ms K Thrumble, WM Company presented the Performance Review report on behalf of WM Company (attached as Appendix A). She provided Members with a brief introduction and background to the Council's Capital and Miscellaneous Funds.

74/09 **Fund Management – Capital and Miscellaneous Equity Funds – Baillie Gifford**

The Council considered a report by the Head of Finance (RECORD Appendix 2).

Ms K Thrumble provided a brief overview of the Fund Manager's performance.

Mr A Tait and Mr T Wright presented a report on behalf of Bailie Gifford, (attached as Appendix E).

Members were provided with responses to the following queries/issues:

- Why no information was provided on investments in the southern hemisphere.
- How ethical portfolios have performed against other funds.
- Discussion was held on the performance of bonds versus gilts and how they were affected by inflation.
- How it was not possible for fund managers to forecast the problems faced by the banks.

The Council, on the motion of Mr C L Smith, seconded by Mr A T Doull, noted with satisfaction, the performance of Baillie Gifford, Miscellaneous Fund, and with dissatisfaction on their performance relating to the Capital Fund.

75/09 **Fund Management – Miscellaneous Bond Fund (plus SCT Fund). Insight Investment Management**

The Council considered a report by the Head of Finance (RECORD Appendix 2).

Ms K Thrumble provided a brief overview of the Fund Manager's performance.

Mr G Jordan and Ms A LaRusse presented a report on behalf of Insight (attached as Appendix F).

Members were provided with responses to the following queries/issues:

- Whether changes in the market were due to the Government.
- Explanation on the gilts bought by the Bank of England.
- Relationship between Insight and HBOS. Council to be kept informed.

(Dr J W G Wills attended the meeting)

The Council noted with satisfaction, the performance of Insight (Miscellaneous Fund), on the motion of Mr C L Smith, seconded by Mr A T Doull.

76/09 **Fund Management - Miscellaneous Equity Fund – GMO**

The Council considered a report by the Head of Finance (RECORD Appendix 2).

Ms K Thrumble provided a brief overview of the Fund Manager's performance stating that they were 2.3% pa ahead of their benchmark of 1%.

Mr P Bostock, Mr S Harris and Mr N Burgoyne presented a report on behalf of GMO (attached as Appendix G).

(Mrs F B Grains and Mr G Robinson attended the meeting)

Members commended the Fund Managers for their good performance. Members were provided with responses to the following queries/issues:

- Forecasts for the short and long term
- Has the fund made or lost money from investing in tobacco.
- Clarifications on the degree of influence fund managers have on the invested companies.
- Do ethical portfolios make more or less than other portfolios

The Council noted with satisfaction, the performance of GMO (Miscellaneous Fund), on the motion of Mr C L Smith, seconded by Mr A T Doull.

Members thanked Ms Thrumble and the Treasury Accountant for their assistance. The meeting concluded at 1.05pm.

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A J Cluness
Convener