

MINUTE

A & B

Special Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Tuesday 25 May 2010 at 9.30am

Present:

A J Cluness	L F Baisley
A T Doull	A G L Duncan
F B Grains	I J Hawkins
R S Henderson	W H Manson
C H J Miller	F A Robertson
J G Simpson	C L Smith

Apologies:

L Angus	J Budge
A T J Cooper	E L Fullerton
I J Hawkins (Lateness)	J H Henry
W H Manson (Lateness)	R C Nickerson
F A Robertson (Lateness)	G Robinson
J W G Wills	A S Wishart
V Nicolson	J H Scott,
B Callieu	

In attendance (Officers):

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

Also:

A Black, General Manager, SCT
J Goddard, Financial Controller, SCT
A Taylor, Pension Fund Management Consultative Committee
R Polson, Pension Fund Management Consultative Committee
D Marsh, Pension Fund Management Consultative Committee
K Thrumble, WM Company
G Day, Schroders
J Buck, Schroders
J Wood-Collins, Record Currency Management
C Beckley, Record Currency Management
B Keane, BlackRock
S Harris, GMO
N Burgoyne, GMO
C Mulvihill, Insight Investment Management
A LaRusse, Insight Investment Management
T Wright, Baillie Gifford and Co
A Tait, Baillie Gifford and Co

Chairperson

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

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

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Pension Fund Management Annual Review 2009/10

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 would provide a brief summary of the Fund Manager's performance before each presentation.

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.

Schroders

Ms Thrumble provided Members with an overview of the Property Fund's performance.

Mr G Day and Ms J Buck presented a report on behalf of Schroders (attached as Appendix B). Members noted the information provided.

(Mr A J Cluness and Mr J G Simpson left the Chamber during the presentation)

(Mrs F B Grains took the Chair)

(Mr W H Manson attended the meeting)

Ms Buck responded to queries and provided a prediction on future returns on the EU Investment. She also commented on what effect there may be on consumer goods with a proposed VAT increase. Ms Buck advised that the Nordic investments performed well as they were coming from a physically stronger financial position than other countries such as Greece and Spain who currently are in debt.

(Mr F A Robertson attended the meeting)

(Mr A J Cluness and Mr J G Simpson returned to the Chamber and Mr Cluness resumed the Chair)

Record Currency Management

Ms K Thrumble provided Members with an overview of the Currency fund's performance and highlighted an improvement, but noted that it was 9½% below benchmark. For clarity, Ms Thrumble advised that the fund had lost £3m over the period since 2007.

Mr J Wood-Collins and Mr C Beckley presented a report on behalf of Record Currency Management (attached as Appendix C). Members noted the information provided.

In response to queries, the Managers advised that it was difficult to predict whether there would be a double dip recession, but there was that risk. At the suggestion of a Member, the Managers agreed to provide a smaller, more cost efficient handout.

BlackRock

Ms K Thrumble provided Members with an overview of the Equity and Bond fund's performance and highlighted that this was a passive index, which provides the advantage of lower volatility. She said that another advantage to the Council is the level of fees paid ie 0.1% of value as opposed to 0.6% fee for an active fund.

Mr B Keane presented a report on behalf of BlackRock (attached as Appendix D). Members noted the information provided.

(Mrs I J Hawkins attended the meeting)

In response to a query Mr Keane advised that the UK market should perform as well as overseas markets.

Mr W H Manson moved that the recommendation 9.2 be amended to note the performance of Schroder and note with dissatisfaction the performance of Record. Mr A J Cluness seconded.

The Convener advised that a further report would be presented to Members in the future where further discussion would take place on the Fund Manager's performance.

83/10 **Fund Management Annual Review 2008/09**

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

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.

GMO

Ms Thrumble provided Members with an overview of the Miscellaneous Equity Fund's performance.

Mr S Harris and Mr N Burgoyne presented a report on behalf of GMO (attached as Appendix E). Members noted the information provided.

(Mr A J Cluness left the Chamber during the presentation)

(Mr J G Simpson took the Chair)

In responding to a query, the Managers advised that over the long term there has been a 6-6½% real equity return. They advised that they expected future returns to be lower.

(Mrs L F Baisley left the meeting)

Insight Investment Management

Ms Thrumble provided Members with an overview of the Miscellaneous Bond Fund's performance.

Ms C Mulvihill and Ms A LaRusse presented a report on behalf of Insight (attached as Appendix F). Members noted the information provided.

(Mr A J Cluness returned to the Chamber and resumed the Chair)

Mr J Goddard, Shetland Charitable Trust (SCT) referred to the Fund Manager's performance in respect of SCT and explained that they had beaten the benchmark. He informed Members that SCT fund had out performed the Council fund as it has more flexibility. He explained that there are restrictions in place on the Council's but advised that these had now been lifted.

Members were advised that the next Fund Managers had not yet arrived, accordingly the meeting adjourned for a short break.

The meeting adjourned at 12.10pm.

The meeting reconvened at 12.25pm.

Baillie Gifford & Co

Ms Thrumble provided Members with an overview of the Capital Fund and Miscellaneous Equity Fund's performance.

Mr A Tait and Mr T Wright presented a report on behalf of Baillie Gifford & Co (attached as Appendix G). Members noted the information provided.

In response to a query, the Fund Managers explained that it was difficult to know whether the UK or the USA would be the first to implement the new bank regulations, but the USA were further ahead. The Fund Managers also agreed that there was the possibility of the Asian economy overheating in the short term. He said that it was important to take a long term view when investing in equities. The Fund Manager further advised that the Australian economy had done well. He advised on the Asian markets and stated that Indonesian markets were less well established but had huge potential for growth.

The Council noted the recommendations contained in the report on the motion of Mr W H Manson, seconded by Mr C L Smith.

Members thanked Ms Thrumble and the Treasury Accountant for their assistance. The meeting concluded at 12.50pm.

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A J Cluness
Convener