

MINUTE

‘A’ & ‘B’

**Special Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Tuesday 24 May 2005 at 9.30 a.m.**

Present:

F B Grains	L Angus
B J Cheyne	C B Eunson
R G Feather	I J Hawkins
J H Henry	J C Irvine
W H Manson	J P Nicolson
W A Ratter	J G Simpson
W N Stove	T W Stove
W Tait	

Apologies:

A J Cluness	B P Gregson
L G Groat	J A Inkster
E J Knight	F A Robertson

In Attendance (Officers):

C Bain, Treasury Accountant
D Fiedler, Chief Accountant
L Geddes, Committee Officer

Also:

G Urquhart, WM Performance Services
A Watson, Capital International
P Armitage, Capital International
A Tait, Baillie Gifford and Co
T Wright, Baillie Gifford and Co
G Brown, Baillie Gifford and Co
M Cox, Henderson Global Investors
R Wyatt, Henderson Global Investors
G Jordan, Insight Investment Management
C Hartley, Insight Investment Management

Chairman:

Mrs F B Grains, Vice-Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read.

93/05

Management of the Pension Fund by Capital International

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

Mr G Urquhart introduced the Performance Review report on behalf of WM Performance Services (attached as Appendix A). Ms

A Watson and Mr P Armitage presented a report on behalf of Capital International (attached as Appendix B).

Ms Watson and Mr Armitage answered questions from Members in relation to the impact of the growing Chinese economy on global markets, the current oil price and its impact on economies, and the potential effects if the UK joined the Euro. Members noted the information provided.

(Mr W H Manson attended the meeting)

In response to a query regarding the satisfaction ratings in the report, the Chief Accountant explained that if a company had not met the benchmark, the recommendation was that the report should be noted with dissatisfaction. If a company had achieved their target, it was recommended that the report should be noted with satisfaction. If a company had met the benchmark, but their performance was below target, the recommendation was that the report should be noted.

The Council noted with dissatisfaction the performance of Capital International in 2004/05, on the motion of Mrs I J Hawkins, seconded by Mr W N Stove.

94/05 **Management of Miscellaneous Equity Fund by Baillie Gifford and Co**

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

Mr G Urquhart introduced the Performance Review report on behalf of WM Performance Services (attached as Appendix A). Mr A Tait and Mr T Wright presented a report on behalf of Baillie Gifford and Co. (Attached as Appendix B).

(Mr W A Ratter attended the meeting)

Mr Tait and Mr Wright answered questions from Members in relation to possible further consolidation, mergers or foreign acquisitions in the UK banking sector. Some discussion took place regarding the returns made by investing in the tobacco industry, and Members noted that the Council did not have an ethical investments policy.

On the motion of Mr J C Irvine, seconded by Mr W N Stove, the Council noted with dissatisfaction the performance of Baillie Gifford and Co in 2004/05.

95/05 **Management of Miscellaneous Equity Fund by Henderson Global Investors**

The Council considered a report by the Head of Finance (RECORD Appendix 3).

Mr G Urquhart introduced the Performance Review report on behalf of WM Performance Services (attached as Appendix A). Mr M Cox and Mr R Wyatt presented a report on behalf of Henderson Global Investors (attached as Appendix B).

Mr Cox and Mr Wyatt answered questions from Members in relation to strategies to help close the underperformance gap, their preference for growth stocks and belief that growth stocks would strengthen in the future, and their views on moving more stocks overseas.

Members noted the information provided and the Council noted with dissatisfaction the performance of Henderson Global Investors in 2004/05, on the motion of Mr W H Manson, seconded by Mr J G Simpson.

96/05

Management of the Capital Fund by Baillie Gifford and Co

The Council considered a report by the Head of Finance (RECORD Appendix 4).

Mr G Urquhart introduced the Performance Review report on behalf of WM Performance Services (attached as Appendix A). Mr G Brown and Mr T Wright presented a report on behalf of Baillie Gifford and Co. (attached as Appendix B).

Members noted the information provided.

On the motion of Mr L Angus, seconded by Mr W N Stove, the Council noted the performance of Baillie Gifford and Co in 2003/04, and approved recommendation 8.2 of the report.

In response to a query, the Treasury Accountant said that there had been a change in personnel dealing with the new investment legislation in the Scottish Executive. There would be meetings in the next few weeks relating to this legislation and if there was a consensus of opinion, draft legislation could be produced in the next few months.

97/05

Management of Miscellaneous Bond Fund by Insight Investment Management

The Council considered a report by the Head of Finance (RECORD Appendix 5).

Mr G Urquhart introduced the Performance Review report on behalf of WM Performance Services (attached as Appendix A). Mr G Jordan and Mr C Hartley presented a report on behalf of Insight Investment Management (attached as Appendix B).

Mr Jordan and Mr Hartley answered questions from Members in relation to their opinion on the potential effect of the EU Working Time Directive on interest rates in the UK.

Members noted the information provided, and the Council noted the performance of Insight Investment Management in 2004/05, on the motion of Mr W N Stove, seconded by Mr L Angus.

Mr L Angus advised that he was intending to raise a question at the next Council meeting regarding the use of the reserves referred to in paragraph 2.5, and how they had been distributed, allocated and spent.

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