

MINUTE

A & B

Special Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Tuesday 20 May 2008 at 10.00am

Present:

A J Cluness	L Angus
A T Doull	A G L Duncan
F B Grains	R S Henderson
W H Manson	C H J Miller
J W G Wills	A S Wishart

Apologies:

L F Baisley	A T J Cooper
E L Fullerton	I J Hawkins
J H Henry	R C Nickerson
F A Robertson	J G Simpson
C L Smith	A Taylor

In attendance (Officers):

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

Also:

G Urquhart, WM Company
D Anderson, Capital International
S Hutchins, Capital International
J Murray, Schroders
T Wright, Baillie Gifford and Co
G Brown, Baillie Gifford and Co
G Jordan, Insight Investment Management
P Barleggs, Insight Investment Management
R Polson, Pension Fund Management Consultative Committee
D Marsh, Pension Fund Management Consultative Committee
J Goddard, Acting General Manager, SCT
L Brown, Audit Scotland
M Ferris, Audit Scotland

Chairperson

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

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

78/08 **Management of the Pension Fund's Equity and Bond 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 Company (attached as Appendix A).

(Mr A G L Duncan attended the meeting).

In response to a question from Mr L Angus regarding the Council's decision to increase exposure to equities instead of bonds, Mr G Urquhart said that as the SIC's fund was quite immature and a long-term investment, it should invest heavily into equities.

Mr D Anderson and Ms S Hutchins presented a report on behalf of Capital International (attached as Appendix B).

Mr Anderson and Ms Hutchins answered questions from Members which included Capital International's approach in recruiting and managing its analysts, an explanation on the company's decisions at the time of the liquidity bubble and the reasons why Capital International had decided to invest in certain sectors, e.g. banks and consumer services. Members noted the information provided.

(Mr L Angus left the meeting).

In response to a question from Dr J W G Wills, Mr Anderson advised that Fund Managers are paid a fee, based on the level of investment, rather than performance related.

On the motion of Mr A J Cluness, seconded by Mr A S Wishart, the Council noted with dissatisfaction the performance of Capital International in 2007/08, and recommended that Capital International are reviewed after the actuarial review, in conjunction with a full Pension Fund review with Hymans Robertson.

79/08

Management of the Pension Fund's Property Fund by Schroders

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

Ms J Murray presented a report on behalf of Schroders (attached as Appendix C), which advised of their performance since commencing with the first investments in July 2007. Members noted the information provided.

Mr G Urquhart summarised the Performance Review report on behalf of WM Company (attached as Appendix D).

The Council noted with satisfaction the performance of Schroders in 2007/08, on the motion of Mr A J Cluness, seconded by Mr A S Wishart.

80/08

Management of the Council's Capital 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 Company (attached as Appendix A). Mr T Wright and Mr G Brown presented a report on behalf of Baillie Gifford and Co. (attached as Appendix B). Members noted the information provided.

Dr J W G Wills stated that to say that the performance was surprisingly disappointing would be an understatement.

On the motion of Mr A J Cluness, seconded by Mr A S Wishart, the Council noted the very disappointing performance of Baillie Gifford and Co in 2007/08.

81/08 **Management of the Council's Miscellaneous Equity Fund by Baillie Gifford and Co**

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

Mr T Wright and Mr G Brown presented a report on behalf of Baillie Gifford and Co (attached as Appendix C).

Members noted the information provided, and the Council noted the performance of Baillie Gifford in 2007/08, on the motion of Mr A J Cluness, seconded by Mr A S Wishart.

82/08 **Management of the Council's Miscellaneous Bond Fund by Insight Investment Management**

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 Company (attached as Appendix D).

Mr G Jordan provided Members with an introduction to the Bond Market, and Mr Jordan and Mr P Barleggs presented a report on behalf of Insight Investment Management (attached as Appendix E).

In response to questions from Members, Mr Jordan advised that the benchmark was reasonably restrictive, but what was set was comfortable and Insight Investment Management have the skills to add value for the SIC, that over the past 12 months all the bond funds they manage have under-performed within its benchmark, and the fee arrangements were a flat fee, based on the volume of assets managed.

Members noted the information provided.

Dr J W G Wills suggested the need for a review into the arrangements for paying Fund Managers, however Mr A J Cluness advised that these arrangements are reviewed regularly.

The Council noted the very disappointing performance of Insight Investment Management in 2007/08, on the motion of Mr A J Cluness, seconded by Mr A S Wishart.

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A J Cluness
Convener

