

Elective Professional Client - Status Assessment

NAME OF LOCAL AUTHORITY: Cumbria County Council

CAPACITY: As administering authority of Cumbria local government pension scheme

NAME OF OFFICIAL COMPLETING QUESTIONNAIRE: Alison Clark, Senior Manager - Pensions & Financial Services (Deputy S151 Officer – Pensions)

DATE: 29th January 2020

QUANTITATIVE TEST

Answer questions (a) - (d) below. Please ensure that the detail forming the basis of the determination is recorded.

<i>Please answer question (a) with a "Yes" / "No" answer</i>	
<p>(a) Does the size of the local authority's financial instruments portfolio (including both cash deposits and financial instruments) for the purposes of its administration of a local government pension scheme exceed GBP 10,000,000?</p> <p>Portfolio size: £2,878.6m as at date: 30th September 2019</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>(b) Is the local authority an 'administering authority' of the Local Government Pension Scheme within the meaning of the version of Schedule 3 of The Local Government Pension Scheme Regulations 2013 or, (in relation to Scotland) within the meaning of the version of Schedule 3 of The Local Government Pension Scheme (Scotland) Regulations 2014 in force at 1 January 2018, and is acting in that capacity?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<i>If the answer is "Yes" to question (b) above, it is not necessary to carry out the assessment in question (c) or question (d) and the answer "N/A" can be given in both cases</i>	
<p>(c) Has the local authority carried out transactions (in significant size) on the relevant market, at an average frequency of at least 10 per quarter for the previous four quarters (i.e. at least 40 investments on the relevant market in the last year)?</p> <p>Transaction total:</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A</p>
<p>(d) Does the person authorised to carry out transactions on behalf of the local authority work or has that person worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged?</p> <p>Details of role:</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A</p>

QUALITATIVE TEST

The “qualitative test” requires a firm to undertake an assessment of the **expertise, experience and knowledge** of the local authority, in order for the firm to be reasonably assured, in light of the nature of the transactions or services envisaged, that the local authority is capable of **making its own investment decisions** and **understanding the risks involved**¹.

In order for a firm to undertake the assessment required for the purposes of the qualitative test, certain information must be received from local authorities. Local authorities should provide answers to the questions set out below in as comprehensive a fashion as possible. The responses received from the local authority client should be considered and assessed internally by the firm.

TO BE COMPLETED BY THE LOCAL AUTHORITY CLIENT

Section 1: Decision making body for pension investing within your authority

Please complete the following section in relation to the decision making body within the authority.

1.	Please indicate which <u>one</u> of the models below is used for investment decisions in the administering authority.
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a	All decisions delegated to committee or sub-committee. <i>(Please tick whether you have enclosed or provided a link to the minute giving the officer completing this document the necessary authorisation to do so)</i>	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>
		Enclosed <input type="checkbox"/> Link <input type="checkbox"/>	
b	Decisions delegated to committee or sub- committee with partial delegation to an officer or officers. <i>(Please tick whether you have enclosed or provided a link to the minute giving the officer completing this application the necessary authorisation to do so)</i>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/>
		Enclosed <input type="checkbox"/> Link <input checked="" type="checkbox"/>	
c	All decisions delegated to an officer or officers.	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>
d	Other	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>

2.	Please enclose or provide a link to the relevant scheme of delegations, which confirm details of the model elected above.	Enclosed <input type="checkbox"/> Link <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>
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3.	If you have selected model “d - other” above, please use the box below to describe the composition of the decision making model giving details of the parties and their functions. Details should include information on how the decision making body is constructed, constituted and periodically reviewed.
	N/A

¹ COBS 3.5.3R (1)

Section 2: Expertise, experience and knowledge

Please answer the following questions in relation to the members of the committee or sub-committee (*not officers, investment advisors or consultants*) which makes investment decisions of behalf of the authority.

If you answered (c) to Section 1 Question 1, please move to Section 3.

1	Are members provided with a written brief on joining the committee? <i>(Please tick whether you have enclosed or provided a link to a copy of an example of the briefing)</i>	YES NO Enclosed Link	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
2	Are members provided with training on investment matters? <i>(Please tick whether you have enclosed or provided a link to examples of the training offered to members in the last 12 months)</i> – We have provided a historic example of training, however due to the copyright and confidentiality aspects of ongoing training, please contact the Fund on pensions@cumbria.gov.uk if you required any further examples of the training that is being provided.	YES NO Enclosed Link	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Please indicate the total number of hours of training offered and delivered to the committee over the last 12 months.		57.0 hours offered 35.0 hours delivered
3	Is the attendance of members at training monitored and recorded?	YES NO	<input checked="" type="checkbox"/> <input type="checkbox"/>
4	Please state the average number of hours of training committee members have attended over the last 12 months.		8.4 hours
5	Please state the average number of hours at investment conferences that committee members have attended over the last 12 months.		3.1 hours
6	Are members required to complete a self-assessment with regard to their knowledge of investments? <i>(Please tick whether you have enclosed or provided a link to details of the self-assessment tool used)</i>	YES NO Enclosed Link	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
7	Please state the number of years served on the committee (or other such investment committees) on average for each member		6.6 years
8	Please provide any other information which may assist with the assessment of the knowledge, experience and expertise of the committee or sub-committee - (such as the average number of years of independent investment experience by members).		N/A

Section 3: Investment history and strategy

1	Please complete the following questions in relation to the authority's history and current strategy with regard to investments which are acquired through an investment manager's investment mandate or invested in directly (e.g. funds).
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Asset class or investment vehicle	Number of years held	Currently Held
Fixed interest securities	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Index-linked securities	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Listed equities	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Pooled investment vehicles (PIVs) – authorised funds (e.g. UCITS, NURS, PAIFs)	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Pooled investment vehicles (PIVs) – unauthorised (e.g. investment trusts, close-ended real estate funds, hedge funds)	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Property PIVs	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Private equity funds	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Property	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Exchange traded derivatives (ETDs)	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Over-the-counter derivatives (OTCs)	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Commodities	0 <input checked="" type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input type="checkbox"/>	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
Cash deposits	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Commercial paper	0 <input checked="" type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input type="checkbox"/>	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
Floating rate notes	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Money market funds	0 <input type="checkbox"/> 1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Other asset classes or investment vehicles where the authority has experience (Please give details below)		
Alternative investment funds (AIF's, unregulated collective investment schemes)	1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
	1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input type="checkbox"/>	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
	1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input type="checkbox"/>	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
	1-3 <input type="checkbox"/> 4-5 <input type="checkbox"/> 5+ <input type="checkbox"/>	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>

2	Please tick whether you have enclosed or provided a link to the most recent version of the authority's Investment Strategy Statement.	Enclosed	<input type="checkbox"/>
		Link	<input checked="" type="checkbox"/>
3	Has the authority taken the appropriate advice, as required by regulation, in preparing its Investment Strategy Statement?	YES	<input checked="" type="checkbox"/>
		NO	<input type="checkbox"/>

Section 4: Understanding risks

Please answer the following questions in relation to the members of the committee or sub-committee or officers (*not investment advisors or consultants*) making investment decisions of behalf of the authority.

1	<p>Does the authority have a risk framework and/or risk management policy in place in relation to investments?</p> <p><i>(Please tick whether you have enclosed or provided a link to a details of the framework/policy)</i></p>	<p>YES <input checked="" type="checkbox"/></p> <p>NO <input type="checkbox"/></p> <p>Enclosed Link <input type="checkbox"/></p> <p>Link <input checked="" type="checkbox"/></p>	
2	<p>Was external advice taken with regard to the preparation, monitoring and review of the framework/policy?</p> <p>If yes, please provide the name of the advisor: KPMG completed the latest Strategy Review in December 2019.</p>	<p>YES <input checked="" type="checkbox"/></p> <p>NO <input type="checkbox"/></p>	
3	<p>Is the risk framework/policy reviewed on a regular basis?</p> <p>If YES please state the frequency of the review.</p> <p><i>(Please tick whether you have enclosed or provided a link to details of the last review)</i></p>	<p>YES <input checked="" type="checkbox"/></p> <p>NO <input type="checkbox"/></p> <p>Annual</p> <p>Enclosed Link <input type="checkbox"/></p> <p>Link <input checked="" type="checkbox"/></p>	
4	<p>Are those directly involved in decision making provided with training on risk management, including focused training on understanding the risks involved with investments?</p> <p><i>(Please tick whether you have enclosed or provided a link to examples of the training offered in the last 12 months)</i></p> <p>- We have provided a historic example of training, however due to the copyright and confidentiality aspects of ongoing training, please contact the Fund on pensions@cumbria.gov.uk if you required any further examples of the training that is being provided.</p>	<p>YES <input checked="" type="checkbox"/></p> <p>NO <input type="checkbox"/></p> <p>Enclosed Link <input type="checkbox"/></p> <p>Link <input type="checkbox"/></p>	
5	<p>Are those directly involved in decision making required to complete a self-assessment with regard to their understanding of risk management?</p> <p><i>(Please tick whether you have enclosed or provided a link to details of the self-assessment tool used)</i></p>	<p>YES <input checked="" type="checkbox"/></p> <p>NO <input type="checkbox"/></p> <p>Enclosed Link <input type="checkbox"/></p> <p>Link <input checked="" type="checkbox"/></p>	

Section 5: Support for investment decisions taken by committee/sub-committee of the authority

Please answer the following questions in relation to those officers, advisors or consultants who directly contribute to assisting the committee/sub-committee of the authority take investment decisions or those officers who have delegated decision making powers.

In Section 1 Question 1, if you answered:

- Model a - please complete Question 1 below
- Model b - please complete Questions 1 and 2 below
- Model c - please complete Question 2 below
- Model d - please complete the below questions as appropriate

1.	For each <u>officer providing support</u> to the committee or sub-committee please provide the following information.
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Job title	Relevant qualifications	Years experience in role ²
Director of Finance (Section 151 Officer)	Accounting & Finance Degree, and MBA; CIPFA	7.0
Senior Manager – Pensions & Financial Services (Deputy Section 151 Officer)	Accounting and Applied Industrial relations Degree; CIMA; IMC Level 4 qualification Units 1&2 (In addition, this Officer also had 4.5 years' experience in the Group Finance Manager – Pensions, Investments & Insurance role.	2.0 4.5
Group Finance Manager – Pensions, Investments & Insurance	Accounting Degree; CIPFA; IMC Level 4 qualification Unit 1&2	3.0
Finance Manager – Pensions & Investments	Mathematics Degree; ACCA; IMC Level 4 qualification Units 1&2	18.0
Finance Manager – Pensions Investments & Governance	CIPFA; CIPP; IMC Level 4 qualification Unit 1&2	4.0
Finance Manager – Pensions	MAAT; IMC Level 4 qualification Units 1&2	29.0
Technical Finance Officer – Pensions	CIMA	14.0
Technical Finance Officer – Pensions	ICAEW	19.0

2.	For each <u>officer with delegated investment powers</u> please provide the following information (these may be the same officers as above).
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Job title	Limit on asset classes or investment vehicles	Limit on delegation (£m)
Director of Finance (Section 151 Officer)	No limitations, but investments must be within the maximum limit for each asset class as set out within the Fund's Investment Strategy Statement	5% of Fund, equivalent to £144m at 30 September 2020

3	Does the authority have a written succession plan in place to manage key person risk in relation to the above officers? <i>(Please tick whether you have enclosed or provided a link to details of the succession plan)</i>	YES NO Enclosed Link	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>
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² Or similar role which would provide knowledge of the provision of the services envisaged, which may have been carried out at a different organisation.

4. For each individual investment advisor used by the authority please provide the following information *only to be completed where these individual investment advisors are engaged on an independent basis and not acting on behalf of an entity listed in point 5 below*).

Name	Relevant qualifications	Years experience in role ³
Mr Alistair J Sutherland	Management Science Degree and PhD in Technology Studies; CF30 with the FCA;	35

5. For each investment advisory firm used by the authority please provide the following information.

Name of firm	Details of FCA authorisation	Years employed by authority
N/A		

6. For each individual investment consultant used by the authority please provide the following information *(only to be completed where these consultants are engaged on an independent basis and not acting on behalf of an entity listed in point 7 below)*.

Name	Relevant qualifications	Years experience in role ⁴
N/A		

7. For each investment consultancy firm used by the authority please provide the following information.

Name of firm	Details of FCA authorisation	Years employed by authority
KPMG LLP	210513	

8. Please confirm whether the officer, investment advisor firm/individual, investment consultancy firm/individual, is aware of the reliance being placed on it for the purposes of the client categorisation of Local Authorities. YES NO

³ Or similar role which would provide knowledge of the provision of the services envisaged.

⁴ Or similar role which would provide knowledge of the provision of the services envisaged.

Section 6 General questions

1.	In the last three years has the authority been censured for a material breach of Local Government investment regulations in force from time to time or any other related legislation governing investment? <i>(If yes please tick whether you have enclosed or provided a link to a details of the breach)</i>	YES NO	<input type="checkbox"/> <input checked="" type="checkbox"/>
		Enclosed Link	<input type="checkbox"/> <input type="checkbox"/>

2.	Please use the box below to provide any further information which may be useful in the support of your application.
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<p>Links to the requested evidence is provided on the Cumbria County Council website at: http://www.cumbria.gov.uk/Finance/finance/opt_up.asp</p>
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