

PENSIONS ADMINISTRATION RISKS

Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To provide excellent customer service	Pensions Administration	PA1	The Pensions Administration Strategy (PAS) is not complied with by employers.	<ul style="list-style-type: none"> The PAS is not enforced Employers are unaware of their responsibilities under the PAS 	<ul style="list-style-type: none"> Customer detriment Reduced cash flow Inability to exert authority 	High (4)	Very high (5)	High (20)	<ol style="list-style-type: none"> Communication with employers at the Annual General Meeting (AGM) to ensure they understand the PAS and their requirements under it. The PAS is also sent out to employers for consultation. Employers adherence to the PAS is monitored. PAS regularly reviewed and cleared by committee. Monthly monitoring of contribution payments by Finance. 	<ol style="list-style-type: none"> Implemented Implemented Implemented Implemented 	<ol style="list-style-type: none"> 100% 33% 100% 100% 	High (4)	High (4)	High (16)	<ol style="list-style-type: none"> Annually Annually Annually Monthly 	<ol style="list-style-type: none"> Dec 15 Apr 16 Mar 16 Jun 15 	Head of Pensions Administration
In Top 20	To improve our funding level	Pensions Administration	PA2	Liabilities need to be orphaned across the Funds remaining employers in the event of an employer failing.	<ul style="list-style-type: none"> Employer covenant is not strong enough and/or no suitable guarantor is in place. 	<ul style="list-style-type: none"> Increase in liabilities for existing employers. 	High (4)	High (4)	High (16)	<ol style="list-style-type: none"> All new employer bodies need to have a suitable guarantee/covenant in place prior to being admitted into the scheme Monitoring is carried out on existing employers and the covenant strength is assessed and each employer is risk rated. Higher risk employers are monitored closely by the Employer Team Where there are concerns, the Fund opens dialogue with the relevant employers and where possible, arranges face-to-face meetings to explore their situation in more detail. Once the Fund has a more detailed understanding of the situation, it will discuss the possibility of the provision of additional security by those organisations to further strengthen their covenant. 	<ol style="list-style-type: none"> Implemented In progress In progress In progress 	<ol style="list-style-type: none"> 100% 60% 100% 15% 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Quarterly Quarterly Quarterly Quarterly 	<ol style="list-style-type: none"> Jun 15 	Head of Pensions Administration
In Top 20	To provide excellent customer service	Pensions Administration	PA3	Pension benefits are calculated with inaccurate or incomplete data.	<ul style="list-style-type: none"> Member records have not been accurately maintained or are missing key data Data provided from external sources is inaccurate 	<ul style="list-style-type: none"> Overpayment of pensions Reputational damage Censure from regulators 	Medium (3)	Very high (5)	High (15)	<ol style="list-style-type: none"> Robust process in place to ensure accuracy of calculations, including officer checking. Induction training to ensure officers are suitably skilled, as well as regular staff training to raise awareness of the importance of data quality. Data quality reviews of common and conditional data in place and reported to Committee quarterly. The PAS sets out expectations and requirements of employers in relation to data quality. Communication with employers at AGM to stress the importance of complete and accurate data. Data validation checks undertaken:- <ol style="list-style-type: none"> by actuary at valuation through National Fraud Initiative through Millenium Halo Web portal in place for members to input their details Bulk data import in place for employers to load their joiners data straight to the Fund's system - reviewed at Employer Peer Group Bulk data import in progress for employers to load their member changes data straight to the Fund's system - reviewed at Employer Peer Group Bulk data import to enable employers to load their early leavers data straight to the Fund's system has been put on hold. The Fund provided a specification for this to Civica, but then found that Civica are producing a standard product which is likely to be cheaper - reviewed at Employer Peer Group Individual member changes and individual early leavers data can be loaded straight to the Fund's system by employers. 	<ol style="list-style-type: none"> Implemented Implemented Implemented Implemented Implemented Implemented Implemented Implemented Implemented Implemented Implemented 	<ol style="list-style-type: none"> 100% 100% 100% 100% 100% 100% 100% 100% 95% 0% 100% 	Medium (3)	High (4)	Medium (12)	<ol style="list-style-type: none"> Quarterly On-going Quarterly Annually Annually Triennially Every 2 years Monthly On-going Quarterly Quarterly Quarterly 	<ol style="list-style-type: none"> Jun 15 N/A 24 Jun 15 Mar 16 Dec 15 Mar 16 Mar 16 May 15 N/A 21 May 15 21 May 15 21 May 15 	Head of Pensions Administration

WEST MIDLANDS PENSION FUND RISK REGISTER
As at 31 March 2015

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		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To improve our funding level	Pensions Administration	PA4	Payment of pensions are not made.	<ul style="list-style-type: none"> Failure of payroll system (Civica) Poor cash flow management Unavailability of system due to incident at premises 	<ul style="list-style-type: none"> Reputational damage Potential interest charges May need to sell assets at unattractive times 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Ensure contingencies are put in place to cover the pensions payroll - e.g. Civica could be notified to repeat the previous month's payments. Monthly cash flow monitoring is conducted by the Finance team with regular reports to Investment Management Team (IMT) meetings. Fund holds liquid assets. Business continuity plan in place including ability to access systems from home. 	1. Implemented	100%	High (4)	Low (2)	Medium (8)	1. Annually	Feb 16	Head of Pensions Administration
											2. Implemented	100%				2. Monthly	Jun 15	
											3. Implemented	100%				3. Monthly	Jun 15	
											4. Implemented	100%				4. Annually	Feb 16	
In Top 20	To provide excellent customer service	Pensions Administration	PA5	The Fund does not complete the GMP reconciliation.	<ul style="list-style-type: none"> The reconciliation is too work intensive to achieve within the HMRC stipulated timescales. 	<ul style="list-style-type: none"> Customer detriment Reputational damage Possible impact on valuation results 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> A project is underway to achieve this by July 2016. 	1. In progress	10%	High (4)	Low (2)	Medium (8)	Monthly	Jun 15	Head of Pensions Administration
In Top 20	To provide excellent customer service	Pensions Administration	PA6	The Scheme is not administered in line with regulations and policies (e.g. revaluation of CARE benefits for active members, LGPS 2014)	<ul style="list-style-type: none"> Regulations are not fully understood or are implemented incorrectly. Necessary system enhancements required to support the change are delayed. 	<ul style="list-style-type: none"> Reputational damage. Potential compensation claims for underpaid benefits or losses from overpaid pensions. 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Technical team in place to help translate regulations and to ensure new systems meet regulatory requirements. Robust testing process for any system changes. Use of other Fund's (that use UPM) knowledge. Civica have enhanced their specialist LGPS knowledge and can challenge any changes which do not adhere to the regulations. Communication that there may be a short period where turnaround times may not meet performance measures due to desire to maintain accuracy during the period of change. Manual (rather than automated) calculation of pensionable service and associated benefits. 	1. In progress	70%	High (4)	Low (2)	Medium (8)	Fortnightly	W/c 5th May 2015	Head of Pensions Administration
											2. In progress							
											3. In progress							
											4. In progress							
											5. Implemented							
											6. Implemented							
In Top 20	To provide excellent customer service	Pensions Administration	PA7	Scheme members are not protected from Pensions Liberation fraud/Freedom of choice.	<ul style="list-style-type: none"> Inadequate transfer out process. Insufficient information to members to warn them of Pension Liberation Fraud/Freedom of choice. 	<ul style="list-style-type: none"> Reputational damage. Censure from regulator. Increased number of transfers out. Possible claims from transferred out members. 	Medium (3)	Medium (3)	Medium (9)	<ol style="list-style-type: none"> Transfer out process reviewed to ensure it meets the requirements of the Pension Regulator and LGE. Appropriate Liberation Fraud information is issued to all members requesting a transfer. Customer services staff trained to identify possible cases and to send them for review as applicable. Management review step in transfer out process and cheque has to be signed by the Strategic Director of Pensions with confirmation of management review step. 	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	Jun 15	Head of Pensions Administration	
											2. Implemented	100%						
											3. Implemented	100%						
											4. Implemented	100%						

INVESTMENT RISKS																		
Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To achieve target investment returns	Investments	11	Investment strategy is implemented poorly.	<ul style="list-style-type: none"> The Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP) have not been considered or consulted when implementing the investment strategy. Inadequate planning and management. 	<ul style="list-style-type: none"> Financial loss Reputational damage Regulatory risk 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Planning by staff. The asset allocation/strategy are reviewed annually with reference to the FSS and SIP, to ensure that they continue to reflect each other. Pension Committee (PC), Investment Advisory Sub-Committee (IASC) and Investment Advisory Panel (IAP) oversight. 	Implemented	100%	High (4)	Low (2)	Medium (8)	<ol style="list-style-type: none"> Annually Annually Quarterly 	Jun 15 Jun 15 Jun 15	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	12	Fund does not achieve investment returns.	<ul style="list-style-type: none"> Poor market returns Unexpected volatile markets 	<ul style="list-style-type: none"> Increase in funding deficits 	High (4)	High (4)	Medium (16)	<ol style="list-style-type: none"> Diversified portfolio. Monthly monitoring of investment manager performance at IMT meetings. Regular monitoring of market conditions. 	Implemented	100%	High (4)	Low (2)	Medium (8)	Monthly	Jun 15	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	13	The Fund has an inappropriate asset allocation.	<ul style="list-style-type: none"> Trustees and officers do not receive appropriate investment advice and/or are not suitably skilled to make the decisions they are tasked with. 	<ul style="list-style-type: none"> The fund investment strategy does not deliver growth in line with expectations which has an adverse impact on the funding level. Increase in funding deficit 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Asset allocation is reviewed alongside Asset Liability Modelling (ALM) and the Funding Strategy Statement (FSS). Investment specialists give presentations at Pensions Committee and Trustees are provided with regular training. Support and guidance from professional and experienced staff. Structure in place for the setting and approval of the asset allocation. The Fund has independent advisors and an Investment Advisory Panel (IAP) to oversee investment management. 	Implemented	100%	Medium (3)	Low (2)	Medium (6)	<ol style="list-style-type: none"> Annually Annually Monthly Monthly N/A 	Jun 15 Jun 15 Jun 15 Jun 15 N/A	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	14	Poor fund manager selection.	<ul style="list-style-type: none"> Inadequate due diligence carried out on prospective opportunities 	<ul style="list-style-type: none"> Financial loss Reputational damage 	Low (2)	High (4)	Medium (8)	<ol style="list-style-type: none"> Due diligence is carried out on all investment managers prior to agreeing to invest. Any investment is approved by the Assistant Director - Investments and the Strategic Director of Pensions. Manager performance is monitored at monthly Investment meetings. 	Implemented	100%	Low (2)	Medium (3)	Medium (6)	Adhoc Monthly	N/A Jun 15	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	15	Investment Managers/custodian internal control arrangements expose the Fund to loss of assets.	<ul style="list-style-type: none"> Insufficient due diligence and monitoring results in failings not being identified Inadequate record keeping of assets Lack of reconciliation of assets held No oversight of fund assets held by third parties 	<ul style="list-style-type: none"> Loss of assets or value Reduced investment income 	Medium (3)	Medium (3)	Medium (9)	<ol style="list-style-type: none"> Annual review of AAF/Internal Control reports for managers. Compliance questionnaires sent out to managers bi-annually. Compliance visits to managers where issues are identified Internal control arrangements reviewed in due diligence process on manager selection. Monthly reconciliations of assets is conducted. Annual review of custodian. Regular valuation and benchmarking exercises carried out. Use of a highly respected global custodian for safekeeping of assets and entitlements. Trained and experienced staff. Regular reconciliations of assets including physical reconciliation of ownership documentation. Collateral collected prior to all stock lending arrangements and the collateral received is greater than that lent out. Reputable custodian 	<ol style="list-style-type: none"> Implemented In progress Implemented Implemented 	100%	Medium (3)	Low (2)	Medium (6)	<ol style="list-style-type: none"> Annual Monthly 7 - 9. Annually Quarterly 	Jun 15 Jun 15 Feb 16 Jun 15	Assistant Director - Investments Assistant Director - Investments Assistant Director - Investments

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GOVERNANCE RISKS

Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To become a top performing fund	Governance	G1	The Fund breaches Information Security and Data Quality regulations.	<ul style="list-style-type: none"> Poor data quality or insufficient training and security arrangements in place for Fund information. 	<ul style="list-style-type: none"> Reputational damage Possible censure from regulators 	Medium (3)	Very high (5)	High (15)	1. Staff training for all staff on data protection	1. Implemented	100%	Medium (3)	High (4)	Medium (12)	Annually	Dec 15	Head of Governance
										2. In-depth training for senior managers on information governance	2. Implemented	100%						
										3. There is an information governance project underway in preparation for an information governance audit in December.	3. In progress	50%						
										4. Data encryption and password protection	4. Implemented	100%						
										5. Use of file transfer protocol	5. Implemented	100%						
										6. All information security breaches are reported and any systemic issues are identified and corrected.	6. Implemented	100%						
										7. The Fund publishes quarterly it's tenders, contracts, spend over £500 and staff credit card spend.	7. Implemented	100%						
										8. System back-up to protect against data loss.	8. Implemented	100%						
In Top 20	To become a top performing fund	Governance	G2	Elected members and pension board representatives do not maintain appropriate levels of independence from their authorities	<ul style="list-style-type: none"> Members are not fully aware of their duties as trustees Undue pressure from employers represented on the Pensions Committee to achieve beneficial outcomes 	<ul style="list-style-type: none"> Lower contribution rates could be set that put future solvency at risk Reputational damage 	High (4)	High (4)	High (16)	1. Full trustee induction training is provided to members on joining the Pensions Committee and Pensions Board to inform them of their duties and responsibilities.	1. Implemented	100%	High (4)	Medium (3)	Medium (12)	Quarterly	24 Jun 15	Head of Governance
										2. There are sufficient numbers on the Committee to ensure that the Fund's interests are put before individual authorities.	2. Implemented	100%						
										3. Members are bound by codes of conduct.	3. Implemented	100%						
										4. Conflicts of interest policy in place for Pensions Committee and Pensions Board	4. Implemented	100%						
In Top 20	To become a top performing fund.	Governance	G3	There is insufficient independence between the Fund and the Administering Authority.	No clear delegation of powers. Unequal representation from employer groups on the Pensions Committee.	Undue influence from Administering Authority could detriment other scheme employers. Reputational damage.	High (4)	High (4)	High (16)	1. All districts are represented and have voting powers.	1. Implemented	100%	High (4)	Medium (3)	Medium (12)	Quarterly	24 Jun 15	Head of Governance
										2. Clear delegation of authority within the Council and the Fund's separate constitutions, setting out the roles and responsibilities of the Fund.	2. Implemented	100%						
										3. Conflicts of interest policy in place for Pensions Committee and Pensions Board.	3. Implemented	100%						
In Top 20	To provide excellent customer service	Governance	G4	The Fund cannot continue to operate and deliver its priority services following a disaster or data loss scenario.	<ul style="list-style-type: none"> Inability of WCC to be able to recover data or to provide the Fund with adequate systems following a disaster recovery incident. 	<ul style="list-style-type: none"> The Fund cannot continue to operate and deliver its priority services. 	High (4)	Medium (3)	Medium (12)	1. Business continuity plan in place for incidents which deny access to Mander House. Includes ability to access systems from home. The plan is regularly reviewed and tested.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	Annually	Feb 16	Head of Governance
										2. WCC has 2 servers at a primary site (the Civic Centre) and 2 servers at a secondary site (Stafford County Council). The Fund's data is mirrored at both sites.	2. Implemented	100%						
										3. Testing of the business continuity plan by WCC is in the early stages. Compliance and Risk Team to liaise with WCC's IT department, to ensure testing takes place.	3. In progress	10%						
In Top 20	To become a top performing fund	Governance	G5	Fund processes are subject to fraud.	<ul style="list-style-type: none"> Suitable controls are not in place within Fund processes and systems Processes are not adequately documented 	<ul style="list-style-type: none"> Financial loss and reputational damage. 	High (4)	Medium (3)	Medium (12)	1. Pensions system has built in controls which require segregation of duties.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	Annually	Jul 15	Head of Governance
										2. Regular external and internal audit reviews carried out on Fund systems and processes.	2. Implemented	100%						
										3. Annual undertaking for all staff in relation to conduct and behaviour.	3. Implemented	100%						
										4. The fund is included in WCC's Fraud programme.	4. Implemented	100%						
In Top 20	To provide excellent customer service	Governance	G6	Failure to replace key officers who leave the Fund.	<ul style="list-style-type: none"> No formal succession planning or contingency plans. Unable to recruit and retain staff 	<ul style="list-style-type: none"> Remaining staff do not have the skills to pick up their areas of work. Inability to authorise payments without 	Medium (3)	Medium (3)	Medium (9)	1. Staffing structure and training/development plans of the Fund are such that a certain degree of natural succession is available.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	Annually	Jul 15	Head of Governance
										2. Exit plans are in place for officers when they leave to ensure that key tasks etc. are picked up.	2. Implemented	100%						
										3. Signatory lists are reviewed regularly.	3. Implemented	100%						

FINANCE RISKS

Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To provide excellent customer service	Finance	E.1	Payments are delayed	<ul style="list-style-type: none"> Increase in workloads e.g. due to influx of retirements/deaths New staff who are not fully trained on the systems and processes 	<ul style="list-style-type: none"> Reputational damage Potential interest payments Possible regulatory censure 	Low (2)	High (4)	Medium (8)	1. Processes in place for checking and making payments promptly. 2. Increase in communication between departments.	1. Implemented 2. Implemented	100% 100%	Low (2)	Medium (3)	Medium (6)	Monthly	Jun 15	Head of Finance
In Top 20	To become a top performing Fund	Finance	E.2	Inability to settle trades due to inadequate cash flow.	<ul style="list-style-type: none"> No dialogue between Investments and Finance about requirements Poor management of cash flow 	<ul style="list-style-type: none"> Reputational impact Possible interest charges 	Medium (3)	High (4)	Medium (12)	1. Monthly cash flow monitoring is conducted by the Finance team with regular reports to IMT. 2. Fund holds liquid assets, the levels of which it reviews at monthly IMT meetings. 3. Constant dialogue between investments and finance setting out investment intentions early.	1. Implemented 2. Implemented 3. Implemented	100% 100% 100%	Medium (3)	Low (2)	Medium (6)	1. Monthly 2. Monthly 3. Monthly	Jun 15 Jun 15 Jun 15	Head of Finance