West Midlands Pension Fund - KEY RISKS

Dec-19

Risk ID		Risk Description	Risk Rating	Movement from Last Qtr	
		Pooling			
P3	Pooling	**Transition timeline slips causing additional cost/resource on the fund**	16	🔴 ↔	No Change
		Controls: > Transition plan monitoring and reviewed by IAP with quarterly updates to pension committee			
		> Client Services Agreement with LGPSC Ltd			
P4	Pooling	**Investments not reflecting Funds investment strategy putting investment returns at risk**	16	🔴 ↔	No Change
		Controls: > Ongoing assurance and monitoring of Investment managers adherence to mandates			
		> Analysis of performance against Fund's objectives with regular dialogue and reporting with LGPSC Ltd			
		> Investment products offered by LGPSC Ltd are reviewed by the IAP with recommendations and reviews			
		> Investment PAF working group feedback to LGPSC Ltd on requirements			
P6	Pooling	**Resourcing - Insufficient resources to manage legacy assets**	15	🔴 ↔	No Change
		Controls: > Client Service agreement with LGPSC Ltd to provide services covering management of legacy assets			
		> Resourcing within Fund to oversee CSA			
		> Regular reviews of staffing requirements in line with investment movement, recruiting to new or experienced roles as required.			
P7	Pooling	**Ineffective strategy or investment requirements leading to stalling with transition of assets and possible failure to deliver cost savings**	16	🔴 ↔	No Change
		Controls: > Regular dialogue to agree investment requirements with open communication on strategy changes			
		> Dialogue with investment staff and external providers to help develop strategy			
		> Agree high level principles on investment objectives			
P8	Pooling	**Stakeholder delay on key issues leading to ineffective decision making and partnership working**	16	🔴 ↔	No Change
		Controls: > Effective communication and ongoing dialogue with open and transparent reporting			
		> Agreed key deliverables			
		> Partner funds have agreed additional resource in support office to support collaboration			
P9	Pooling	**Cost savings fail to be delivered - Higher regulatory and other costs, anticipated savings do not materialise**	16	🔴 ↔	No Change
		Controls: > Oversight and scrutiny of budgets and cost savings			
		> Benchmarking costs and cost transparency reporting			
		> Financial model projections assessed and reviewed on ongoing basis			
		Investments			
I2	Investments	**Fund not achieving investment returns in line with longer term strategic objectives to meet funding objectives**	16	🔴 ↔	No Change
		Controls: > Diversified portfolio and return target set			
		> Regular reviews of asset allocation/investment strategy			
		> Quarterly monitoring of investment managers			
		> Regular monitoring of market conditions.			
I7	Investments	**Brexit uncertainty**	20	🔴 ↔	No Change
		Controls: > Currency hedge is currently applied providing some protection against reductions in value			
		> Frequent monitoring and review of market performance with adjustments (where necessary) in the Strategic Asset Allocation are undertaken with support and advice from the Fund's IAP			
I8	Investments	**Climate Change**	16	🔴 ↔	No Change
		Controls: > Company and policy engagement through collaborative stakeholder forums utilising specialist teams and providers (LAPFF/Hermes).			
		> The Fund has adopted a climate change framework and strategy			
		> Sustainable Equity Strategy seeking opportunities in carbon beneficial investments			
		> Carbon positive FTSE Index investing			
		Finance			
F6	Finance	**Non payment or receipt of monies due to the fund**	15	🔴 ↔	No Change
		Controls: > Monthly monitoring of Future Service and Past Service Deficit contribution payments. The Fund work with the Employer and Data Teams on monthly submissions to analyse, review and feedback			
		Governance			
G9	Governance	**Change in government policy/LGPS reforms**	20	🔴 ↔	No Change
		Controls: > The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds, Officers of the Fund sit on national working groups feeding into updates on governance policy and LGPS reforms.			
		> The Governance and Internal Controls Framework includes horizon scanning activities anticipating change in direction resulting from national work, including statutory surveys and the TPR Corporate plan.			
G12 G7	Governance	**Fund Resource and Key Man Risk including failure to recruit and retain staff with the right experience, qualifications and skill sets**	16	🔴 ↔	No Change
		Controls: > The Fund has a People Development Framework addressing the gaps in resource through an appropriate recruitment strategy including upskilling staff through personal development and qualifications relevant to role.			
		> The Fund has a workforce development team and strategy addressing concerns of key man risk and succession planning. This is undertaken with key service areas with the cascading of knowledge and information across teams being the key focus along with training and development enabling natural succession planning.			
		> Staff resource is monitored enabling temporary placements in workload peaks			
G13	Governance	**Outcomes from McCloud and Sargeant Court Cases impacting funding and resource where data remedy is required**	20	🔴 ↔	No Change
		Controls: > The Fund is engaging with its partners, including the Actuary, to anticipate potential impact resulting from the outcome of this case.			
		> The Fund keeps abreast of the progress of the case through its national working groups and engagement with statutory bodies (LGA, SAB).			
		Operations			
OP4	Operations	**Failure to adhere to statutory regulatory requirements**	20	🔴 ↔	No Change
		Controls: > Technical team translate regulations and working groups review and discuss impacts of any changes			
		> Robust testing process for system changes			
		> Work with other Pension Funds to develop understanding i.e. Civica Technical Group and SPOG			
		> Project management for delivery of key changes and Statutory requirements and regulations			
		> Monitoring of KPI's and performance against disclosure			
OP7	Operations	***Poor quality and/or late deliveries/upgrades by PAS provider leading to an inability to process member data creating backlog and/or delays***	16	🔴 ⬆	Increase
		Controls: > Full testing plan in place to quality assess deliveries in test environments before implementation into the live environment			
		> Civica user groups in place to work with other Funds to help support in the quality and content of service deliveries			
		> Testing by the Funds operations team before roll out			
		Pension Services			
PA1	Pension Services	**Failure to adhere to the Pension Administration Strategy**	16	🔴 ↔	No Change
		Controls: > Communication with employers at the AGM to ensure they understand the PAS and their requirements under it			
		> Employers adherence to the PAS is monitored			
		> PAS regularly reviewed by committee			
		> Reports produced for employers highlighting data file exceptions. Regular meetings with districts to review progress and all other employers have been assigned a "data lead" as the main contact for any issues or queries			
		> The Fund monitors its delivery through KPIs reported to committee			