

WEST MIDLANDS PENSION FUND RISK REGISTER

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	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.	High (4)	Very high (5)	High (20)	1. 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. 2. Employers adherence to the PAS is monitored. 3. PAS regularly reviewed and cleared by committee. 4. Monthly monitoring of contribution payments by Finance.	1. Implemented 2. In progress 3. Implemented 4. Implemented	100% 33% 100% 100%	High (4)	High (4)	High (16)	1. Annually 2. Annually 3. Annually 4. Monthly	Dec 15 Apr 16 Mar 16 Aug 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.	High (4)	High (4)	High (16)	1. All new employer bodies need to have a suitable guarantee/covenant in place prior to being admitted into the scheme 2. Monitoring is carried out on existing employers and the covenant strength is assessed and each employer is risk rated. 3. Higher risk employers are monitored closely by the Employer Team 4. 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.	1. Implemented 2. In progress 3. In progress 4. In progress	100% 60% 100% 15%	High (4)	Medium (3)	Medium (12)	1. Quarterly 2. Quarterly 3. Quarterly 4. Quarterly	Sep 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.	Medium (3)	Very high (5)	High (15)	1. Robust process in place to ensure accuracy of calculations, including officer checking. 2. Induction training to ensure officers are suitably skilled, as well as regular staff training to raise awareness of the importance of data quality. 3. Data quality reviews of common and conditional data in place and reported to Committee quarterly. 4. The PAS sets out expectations and requirements of employers in relation to data quality. 5. Communication with employers at AGM to stress the importance of complete and accurate data. 6. Data validation checks undertaken:- (a) by actuary at valuation (b) through National Fraud Initiative (c) through Millennium Halo 7. Web portal in place for members to input their details directly 8. Bulk data import in place for employers to load their joiners data straight to the Fund's system - reviewed at Employer Peer Group 9. Bulk data import in progress for employers to load their member changes data straight to the Fund's system - reviewed at Employer Peer Group 10. 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 11. Individual member changes and individual early leavers data can be loaded straight to the Fund's system by employers.	1. Implemented 2. Implemented 3. Implemented 4. Implemented 5. Implemented 6. (a) Implemented (b) Implemented (c) Implemented 7. Implemented 8. Implemented 9. In progress 10. Proposed 11. Implemented	100% 100% 100% 100% 100% 100% 100% 100% 100% 95% 0% 100%	Medium (3)	High (4)	Medium (12)	1. Quarterly 2. On-going 3. Quarterly 4. Annually 5. Annually 6. (a) Triennially (b) Every 2 years (c) Monthly 7. On-going 8. Quarterly 9. Quarterly 10. Quarterly 11. Quarterly	Sep 15 N/A Sep 15 Mar 16 Dec 15 Mar 16 Mar 16 Aug 15 N/A 24 Sep 15 24 Sep 15 24 Sep 15 24 Sep 15	Head of Pensions Administration

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In Top 20	To improve our funding level	Pensions Administration	PA4	Payment of pensions are not made.	High (4)	Medium (3)	Medium (12)	1. Ensure contingencies are put in place to cover the pensions payroll - e.g. Civica could be notified to repeat the previous month's payments.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	1. Annually	Feb 16	Head of Pensions Administration
								2. Monthly cash flow monitoring is conducted by the Finance team with regular reports to Investment Management Team (IMT) meetings.	2. Implemented	100%				2. Monthly	Aug 15	
								3. Fund holds liquid assets.	3. Implemented	100%				3. Monthly	Aug 15	
								4. Business continuity plan in place including ability to access systems from home.	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.	High (4)	Very high (5)	High (20)	1. A project is underway to achieve this by December 2018 .	1. In progress	10% - 15%	High (4)	High (4)	High (16)	Monthly	Aug 15	Head of Pensions Administration
								2. Initial analysis has been completed.								
								3. Progress of the project is reported monthly to the Senior Management Team.								
								4. Report to Pensions Committee quarterly.								
In Top 20	To provide excellent customer service	Pensions Administration	PA6	Increase in the take-up of Freedom of choice	Medium (3)	Medium (3)	Medium (9)	1. Transfer out process reviewed to ensure it meets the requirements of the Pension Regulator and LGE.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	1. Annually	Mar 16	Head of Pensions Administration
								2. Appropriate Liberation Fraud information is issued to all members requesting a transfer.	2. Implemented	100%				2. Annually		
								3. Customer services staff trained to identify possible cases and to send them for review as applicable.	3. Implemented	100%				3. Annually		
								4. 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.	4. Implemented	100%				4. Annually		
In Top 20	To improve our funding level	Pensions Administration	PA7	Future liabilities increase	High (4)	High (4)	High (16)	1. The Fund undergoes a triennial valuation, in conjunction with the Fund's actuary. Although liabilities will increase, controls are put in place to ensure assets keep pace with liabilities. The closer the match,	1. Implemented	100%	Medium (3)	High (4)	Medium (12)	1. Triennially	Mar 16	Assistant Director - Actuarial and Investments
								2. Life expectancy: Although there is no life expectancy hedging, a prudent allowance is built into the actuarial assumption, for life expectancy to improve.	2. Implemented	100%				2. Triennially		
								3. Inflation and wage and salary inflation: The Fund invests in index-linked bonds and the PIP, which provides an index linked income stream.	3. Implemented	100%				3. Triennially		
								4. Interest rates: Investment returns are monitored quarterly with liabilities in mind.	4. Implemented	100%				4. Quarterly		

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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	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To achieve target investment returns	Investments	11	Investment strategy is implemented poorly.	High (4)	Medium (3)	Medium (12)	1. Planning by staff. 2. The asset allocation/strategy are reviewed annually with reference to the FSS and SIP, to ensure that they continue to reflect each other. 3. Pension Committee (PC), Investment Advisory Sub-Committee (IASC), Investment Advisory Panel (IAP) oversight. For the Integrated Transport Authority (ITA) - Investment Strategy Panel (ISP) oversight.	Implemented	100%	High (4)	Low (2)	Medium (8)	1. Annually 2. Annually 3. Quarterly	Jun 16 Jun 16 Jun 16	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	12	Fund does not achieve investment returns.	High (4)	High (4)	Medium (16)	1. Diversified portfolio. 2. Monthly monitoring of investment manager performance at IMT meetings. 3. Regular monitoring of market conditions.	Implemented	100%	High (4)	Low (2)	Medium (8)	Monthly	Aug 15	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	13	The Fund has an inappropriate asset allocation.	High (4)	Medium (3)	Medium (12)	1. Asset allocation is reviewed alongside Asset Liability Modelling (ALM) and the Funding Strategy Statement (FSS) 2. Investment specialists give presentations at Pensions Committee and Trustees are provided with regular training. 3. Support and guidance from professional and experienced staff. 4. Structure in place for the setting and approval of the asset allocation. 5. The Fund has independent advisors and an Investment Advisory Panel (IAP), (or Investment Strategy Panel (ISP) for the ITA) to oversee investment management.	Implemented	100%	Medium (3)	Low (2)	Medium (6)	1. Annually 2. Annually 3. Monthly 4. Monthly 5. N/A	Jun 16 Jun 16 Aug 15 Aug 15 N/A	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	14	Poor fund manager selection.	Low (2)	High (4)	Medium (8)	1. 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. 2. Manager performance is monitored at monthly Investment meetings.	Implemented	100%	Low (2)	Medium (3)	Medium (6)	Adhoc Monthly	N/A Aug 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.	Medium (3)	Medium (3)	Medium (9)	1. Compliance questionnaires sent out to managers annually. 2. Annual review of AAF/Internal Control reports for managers. 3. Compliance visits to managers where issues are identified 4. Internal control arrangements reviewed in due diligence process on manager selection. 5. Monthly reconciliations of assets is conducted. 6. Annual review of custodian. 7. Regular valuation and benchmarking exercises carried out. 8. Use of a highly respected global custodian for safekeeping of assets and entitlements. 9. Trained and experienced staff. 10. Regular reconciliations of assets including physical reconciliation of ownership documentation. 11. Collateral collected prior to all stock lending arrangements and the collateral received is greater than that lent out. 12. Reputable custodian	1. Proposed 2. Implemented 3. Implemented 4. Implemented 5. Implemented 6. Implemented 7. Implemented 8. Implemented 9. Implemented 10. Implemented 11. Implemented 12. Implemented	0% 100%	Medium (3)	Low (2)	Medium (6)	1 - 4. Annually 5. Monthly 6 - 9. Annually 10 - 12. Quarterly	Jun 16 Aug 15 Feb 16 Sep 15	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	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.	High (4)	Very high (5)	High (20)	1. Continuous staff training 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. System back-up to protect against data loss.	7. Implemented	100%						
In Top 20	To become a top performing fund	Governance	G2	Lack of independence between the Fund, elected members and pension board representatives from their authorities, resulting in poor decision making	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	Sep 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%						
								5. All districts are represented and have voting powers.	5. Implemented	100%						
								6. Clear delegation of authority within the Council and the Fund's separate constitutions, setting out the roles and responsibilities of the Fund.	6. Implemented	100%						
								7. Conflicts of interest policy in place for Pensions Committee and Pensions Board.	7. Implemented	100%						
In Top 20	To provide excellent customer service	Governance	G3	The Fund cannot continue to operate and deliver its priority services following a disaster, IT incident or data loss scenario.	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)	Medium (3)	Medium (9)	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	G4	The Fund is subject to fraud.	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	Aug 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	G5	Failure to recruit and retain people with the right experience, qualifications and skill sets.	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	Aug 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%						

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		Area at risk	Risk ref.	Risk event	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To provide excellent customer service	Governance	G6	Failure to adhere to statutory requirements/LGPS regulations.	High (4)	Medium (3)	Medium (12)	1. Governance team in place to help translate regulations 2. Technical team in place to help translate regulations and to ensure new systems meet regulatory requirements. 3. Robust testing process for any system changes. 4. Use of other Fund's (that use UPM) knowledge. 5. Civica have enhanced their specialist LGPS knowledge and can challenge any changes which do not adhere to the regulations. 6. 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.	1. Implemented 1. In progress 2. In progress 3. In progress 4. In progress 5. Implemented	100% 70%	High (4)	Low (2)	Medium (8)	Fortnightly	W/c 5th May 2015	Head of Pensions Administration
In Top 20	All objectives	Governance	G7	Change in government policy/LGPS reforms	Very high (5)	High (4)	High (20)	1. The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds.	1. Implemented	100%	High (4)	High (4)	High (16)	Monthly	Aug-15	Strategic Director of Pensions

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	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To provide excellent customer service	Finance	F1	Payments are delayed	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	Jul 15	Head of Finance
In Top 20	To become a top performing Fund	Finance	F2	Inability to settle trades due to inadequate cash flow.	Medium (3)	High (4)	Medium (12)	1. Monthly cash flow monitoring is conducted by the Finance team with regular reports to IMT.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	1. Monthly	Jul 15	Head of Finance
								2. Fund holds liquid assets, the levels of which it reviews at monthly IMT meetings.	2. Implemented	100%				2. Monthly	Jul 15	
								3. Constant dialogue between investments and finance setting out investment intentions early.	3. Implemented	100%				3. Monthly	Jul 15	