

Appendix B

| West Midlands Pension Fund Risk Register - Areas of Concern Q2 2020 |  |  |                  |   |          |
|---|--|--|------------------|---|----------|
| Risk Theme  | Specific Concern   | Description  | Level of Concern | Action taken  | Movement |
| Pandemic  | Covid 19   | Impact of current global health concerns on the ability of the Fund to deliver services.   | Medium           | The Fund in response to the pandemic has changed a number of processes effecting more efficient working from home. Should a second wave hit, the Fund is comfortable with its ability to respond and maintain services to members.  | ↓        |
| Regulatory  | Public Service Pension Schemes: Changes to the transitional arrangements to the 2015 schemes     | The outcome of the court case has increased the risk of amendments to the calculation and administration of scheme benefits, introducing the potential for increased costs and contributions for employers. Both MHCLG and GAD have encouraged Fund's to make an allowance ahead of finalising the Actuarial Valuation 2019 but the remedy and how it will be applied within the LGPS may not be determined for some time, creating uncertainty and frustration across the industry with an extended period over which changes may need to be backdated. | High             | The Fund as responded to the consultation released which is due to close early Autumn.  | ↔        |
|   | Good Governance Review   | The outcome of the Scheme Advisory Board Good Governance Review suggests a greater level of oversight and reporting for LGPS Funds. The West Midlands Pension Fund already operates a high level of governance, as confirmed by the external audit conducted in 2018, however the full outcome of these requirements is not yet known.   | Low              | The Fund has engaged with the Scheme Advisory Board and Hymans' (the advisors appointed to support the review), feeding into the review. The Fund has already started to build out the initial requirements into its governance assurance framework   | ↓        |
|   | The Pensions Regulator's Code of Practice  | The tPR is currently in the early stages of conducting a formal review of all of its codes of practices with the aim of issuing a single code to apply to all pension schemes, it is unlikely there will be a public sector/LGPS Specific code.  | Medium           | No further information is yet forthcoming on this issue.  | ↔        |
|   | Regulatory Disclosure  | The Fund is currently undertaking its annual production of annual benefit statements. The Fund has reported its non-production for the last 2 years and an assessment will need to be made on a self report this year  | Medium           | Initial analysis suggests the Fund's production rates to be no worse than 2019, and note the Regulator's focus on delivering priority services with ABS a second priority due to the Covid pandemic.  | ↔        |
|   | Statutory Guidance   | A number of statutory guidance are on the horizon in relation to the governance of investment management by LGPS Funds, including new Stewardship Code, a focus on investment governance coming from the tPR and amendments arising from the new Pensions Schemes Bill.  | Medium           | The Fund is engaged with relevant bodies responsible for drafting statutory guidance and has a number of these policies in place which will be reviewed in consideration of new guidance when issued.   | ↔        |
| Operational   | Available resource to respond to service change and increase in regulatory requirements          | A number of statutory changes and amendments are on the horizon which potential change redundancy and compensation payments which may affect the calculation and application of pension benefits. The Fund will require statutory guidance on how these changes are implemented with a number proposed to come before year end (Dec).  | High             | The Fund is fully engaged in all consultations with senior officers sitting on national working groups to inform the statutory drafting. The Fund's Technical team will seek to implement temporary solutions through manual calculation of pension benefits to support the transitional changes. | ↑        |
|   | Timely delivery of software and system support to achieve targets on service developments (DTEP) | Poor quality and/or late deliveries of system upgrades/developments leading to an inability to process member data creating backlog and/or delays.   | Medium           | The Fund is engaging with its software supplier through appropriate contract management and has escalated concerns within the organisation. Roadmap for resolution has been developed and will be reviewed.   | ↔        |
|   | Information and Data Management  | The inability of the Fund to report on statutory data quality and deliver accurate Benefit Information to all eligible members.<br>The inability of the Fund to adequately report on investments disclosure due to risks associated with manual data processing and inefficient systems architecture   | Medium           | The Fund has completed its run of Annual Benefit statements achieving comparable production rates with 2019.<br>Work continues to develop investment reporting disclosures.   | ↓        |
|   | Employer Resilience  | Noting the unknown impact of Covid 19 on some Fund employers this remains a concern going forward as it is likely that the true impact in relation to funding and sustainability will not be known for some time   | Medium           | The Fund has undertaken a series of engagements with Employers during this time, with the outcomes of surveys resulting in targeted engagement where identified as necessary.   | NEW      |
| Reputational  | Transfer out claims  | The Fund is seeing an increase in third party information requests (SARs) in light of the LGPS Hampshire case with one letter before action having been received. The potential for these cases to escalate is a concern with limited national response/positioning on how Funds should response.  | High             | The Fund has seen an increase in requests for information from its members since the determination of the Hampshire case and is monitoring these requests and activity across the industry where there appears to be a number targeted requests from claims companies                             | ↔        |