

| Appendix A | | West Midlands Pension Fund Strategic Risk Register | | |
|--------------------------|---|--|---|----------------------------|
| Risk Theme | Area of Focus | Risk Description | Controls | Risk Movement this Quarter |
| Pandemic | Covid 19 | Impact of current global health concerns across all types of risk (regulatory, operational, funding, reputation) and potentially impacting the ability of the Fund to deliver services. | The Fund monitors the ongoing environment through weekly senior management meetings with officers linking into the Council's wider Tactical Group Meetings. Regular employee communications are issued to remind of individual responsibility when working in the office together with regular well being bulletins issued by the Fund's staff forum. | ↑ |
| Regulatory | Scheme benefits | Regulatory change impacting the administration of pension benefits leading to a requirement for increased administration processes, member communications and increased cost, both operational and to employers through increased contributions. | The Fund keeps abreast of development, participating in consultation and calls for evidence. The Fund is responsive to requests for information which may inform regulatory change. | ↑ |
| | Governance and Oversight | Greater oversight from governing bodies (together with evolving guidance from MHCLG, SAB, CIPFA, the Pensions Regulator) with, as yet, unknown reporting requirements. | The Fund keeps abreast of development, participating in consultation and calls for evidence. The Fund is responsive to requests for information which may inform regulatory change and emerging guidance. | ↔ |
| | Investment Strategy and Implementation | Draft updated guidance expected from MHCLG with a number of consultations pending on Stewardship, Climate Change and Investment Pooling. | The Fund keeps abreast of developments, participating in consultation and calls for evidence. The Fund is responsive to requests for information which may inform regulatory change and emerging guidance. | ↔ |
| Resources | People | The Fund is unable to recruit suitably qualified and experienced employees to support the delivery of services to our members. Particular areas of difficulty are all areas of highly specialist technical skills, e.g. investments/ actuarial/ finance/ pensions technical. | This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change. | ↑ |
| | | The Fund is unable to retain employees, resulting in loss of key skills and knowledge, or faces growing financial pressure from the salaries required to retain specialist skills. In addition, the Fund is also facing difficulties training and developing current staff at the present time due to the Covid-19 crisis. | This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change. New ways to deliver training 'virtually' are being investigated and rolled out where possible. | ↔ |
| | | Increasing workloads put strain on key service areas due to changes in regulation and scheme rules. Increasing member and employer numbers increasing demand for services. | This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change. | ↑ |
| | | Impact on capacity and resources in the event of a second wave of the Covid-19 Pandemic resulting in disruption to resourcing and servicing. | Critical areas / functions have been identified and succession planning is ongoing to support these areas in the event of a second wave, this includes redeployment of staff where appropriate | ↔ |
| | Operational Costs | Greater demand on service areas and pending scheme change together with greater oversight and reporting required creates budget pressures impacting the overall cost of delivering the functions of the Pension Fund | This risk is assessed each year as part of the budget setting process to ensure the Fund is adequately resourced to support service delivery; approved and monitored during the year by the Pensions Committee. | ↔ |
| Operational | Increasing Workloads | High volume of scheme change and development co-occurring with transition to working from home arrangements, impacting productivity | Employee surveys undertaken to monitor and review potential sources of inefficiency, return to office planning being undertaken to facilitate phased return over time. Increase in retirement quotes received in the first two weeks of August (<50%), resources are being flexed to try and mitigate | ↔ |
| | Failure by the Fund to deliver on its Service Plan objectives and priorities | Impact on reputation of Fund in failing to deliver on promises made to customers together with potential impact of regulatory enforcement where external drivers are not managed. | The Fund monitors and reports on delivery against corporate priorities on a bi-annual basis to Committee and Board with activity monitored monthly through KPIs. Progress on the delivery of DTEP continues to see progress throughout the quarter | ↔ |
| | Cyber Security | The Fund retains a large amount of personal data and financial information which could be impacted by a cyber attack | The Fund has developed an annual programme of assurance surrounding its cyber risk and controls which includes an annual programme of testing. The Fund's internal audit team included this work in their annual plan to further build out the second line of assurance. | ↔ |
| | Reliance on 3rd Party Providers | The Fund is heavily reliant on a small number of 3rd parties to be able to deliver a range of key services | This risk is assessed as part of the Fund's contract management framework, it is part of a regular and ongoing review of contractor delivery on services. | ↑ |
| | Information and Data Quality | The Fund is unable to pay pension benefits when they fall due due to inaccurate member data nor respond to national and industry data disclosures (including those on investment data and cost reporting). | Monitoring and oversight of data and financial information supplied by employers; employer support and communication. The Fund is actively engaged with all stakeholders regarding the timely provision of data to facilitate its statutory reporting duty. | ↔ |
| Funding and Investment | Funding Management | Poor oversight of funding level; increase in liabilities; overstating employer covenants; employers falling into financial difficulties. | In addition to the annual review of the Fund's Funding Strategy, ongoing reviews of employer strength and monitoring of contributions have been actively undertaken through employer resilience surveys to identify and potential difficulties. | ↑ |
| | Investment Management | Volatility in investment markets leading to lower than required / expected returns impacting the Fund's ability to manage its funding level resulting in higher employer costs. | The Fund sets strategic investment allocation benchmarks providing a diversified portfolio and actively manages investment risks by monitoring investment markets and performance. The Fund is also able to take a long term approach to investments and whilst may be impacted by short term volatility, longer term funding implications are not clear. | ↔ |
| | Responsible Investment | WMPF fails to develop or implement suitable RI policies leading to potentially decreased returns and increased external scrutiny; Fund fails to take into account potential risks from climate change impacting on the portfolio. | Regular reviews of responsible investment strategy and activities are undertaken, development of climate change strategies and monitoring. The Fund has been assessed for PRI achievement achieving A or A+ in all aspects of assessment. | ↔ |
| | Investment Pooling | The fund is unable to deliver investment strategy through pooling due to lack of appropriate products; cost savings fail to be delivered; divergence from strategic objectives | The Fund works with investment pooling Partner Funds and LGPS Central Limited to develop a product development protocol which is responsive to product need and gives due consideration to costs. | ↔ |
| | | Investment Pooling fails to meet timelines set out in statutory guidance resulting in sanctions against the Fund from Government. | The Fund works collaboratively with investment pooling Partner Funds and LGPS Central Limited to deliver investment pooling and inputs into National debate and consultations on investment pooling. | ↔ |
| Reputational | Customer Delivery | The Fund is unable to respond to the changing demands of our customers and/or is unable to flex its approach. | Following the issuance of surveys the Fund has developed a suite of resources to support its customers, including the creation of E-Books, Webinars and online one-to-one interactions. | ↓ |
| | Information Management | The Fund fails to adequately protect members' data in line with Data Protection Requirements. | The Fund has a data protection framework which includes the appointment of Data Champions across the Fund's service areas. | ↔ |
| | | The Fund fails to hold accurate information leading to an inability to meet statutory reporting disclosures. | The Fund has a data management strategy which seeks to identify and action data quality issues which may lead to the inability to produce accurate benefit statements. National developments of scheme specific data reporting are being tested by the Fund within its software system. | ↓ |
| | Failure to act on issues | The Fund is faced with a multitude of issues that it needs to address in response to national and local change and could face poor publicity from failing to take action e.g. in relation to TPR guidelines, responsible investment activities, local/regional issues that affect local stakeholders etc. | The Fund keeps abreast of current issues that may arise; accountability of Senior Management to consider issues that might impact on the Fund's reputation. | ↔ |
| Compliance and Assurance | The Fund is unable to provide assurance of its control framework or has an inadequate assurance of the controls in its processes. | The Fund undertakes quarterly compliance monitoring of key service areas. Annual Internal Audit reviews provide added assurance on identified high risk activities. | ↔ | |