



West Midlands Pension Fund – Strategic Risk Register

June 2022

Risk Ref	Risk Theme	Risk title	Current Drivers	Corporate Priority	Previous Risk Score	Current Risk Score	Direction of Travel	Reason for concern and actions underway to mitigate risk	Officer responsible for Action ¹
1	Regulatory and Industry driven demands	Pending consultation and statutory guidance to be forthcoming in the Summer/Autumn period	The delay of guidance and regulatory change seen over the last 2 years has the potential to move rapidly through the Summer/Autumn period with a need for the Fund to react to respond to wide-ranging consultation and implement change in areas of investment governance/pooling, McCloud, Governance (tPR Code and SAB good governance)	Operational Resilience Compliance and Risk			NEW RISK	Throughout 2020/21 we were expecting a number of regulatory changes/statutory guidance to be issued (including the new Pension Regulator's code of practice) which would require a review and assessment of the Fund's compliance with new regulations, delay to the publication of those (in some cases due to the pandemic), means there is the potential for all to be issued at once, impacting the Fund's ability to respond and resource the change. The Fund continues to monitor potential regulator activity taking the opportunity to engage and contribute to consultations on proposed drafting, thereby having a proactive insight to the potential work required.	ALL
		Current economic environment driving behaviours in members and how they manage/access their pension	Financial constraints and the cost of living increases have the potential to drive members to change behaviour, including the potential for increased transfer out requests/opt outs and safeguarding concerns	People and Customers			NEW RISK	The Fund has an internal safeguarding board consisting of the Governance Team, Customer Services, Member Services and Operations Team. The board links all available resource across the UK (noting members live nationwide) with any concerns for individual well-being escalated to appropriate channels. The Fund has reviewed the information available to members on its website to support their access to support.	HOG & ADP

¹ Key to responsible officers on final page

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2	Resourcing	People as a resource risk, with recruitment and retention impacted by the ability of the Fund to keep pace with the market and competition for skilled resource and continue to provide training and opportunities for career development	Competition in the market for skilled and specialist roles which has become more acute post Covid with industry-wide demand for scarce resource and workers seeking greater mobility and flexibility	People and Customers Operational Resilience Corporate Responsibility			↔	The Fund has established good relationships with agencies and recruiters to support its search for specialised roles with targeted campaigns to increase search efficiency. The Fund continues to promote itself as a high-quality employer, supported by core values and beliefs and modern work-space and working practices. Ongoing review of developing market and demands for skill to inform role development and review.	DOP
			High number of priority business as usual and change initiatives with reliance on additional/interim support in addition to individuals who are also key to recruitment to vacant posts					The Fund is undertaking a priority review of all projects identifying resource needs and pulls on individual teams, where it supports service development and the delivery of those priorities, interim/project resource has been sourced. Recruitment plans and resource requirements are routinely monitored by the Fund's Senior Management Team.	HOPs ADP DOP
			Growing complexity in the scheme and changing service delivery requiring a further development of knowledge and skills, exacerbating key person/knowledge risk					The Fund continues to monitor potential regulator activity taking the opportunity to engage and contribute to consultations on proposed drafting, thereby having a proactive insight to the potential response required. Changes to service delivery are identified and supported by project groups and governance to support and manage change.	HoG HOPs

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3	Data, Information and reporting	Increased demands on the quality of data and the ability of the Fund to meet statutory and reporting requirements	Number of key data activities ongoing concurrently including McCloud, Valuation and Pension Admin System Transition (development of automated reporting)	Operational Resilience Compliance and Risk People and Customers				Ongoing focussed resource to support data management with active recruitment to support resource demands. Employer engagement to support Valuation underway to support relationships and understanding throughout the process. Ongoing monitoring and engagement on forthcoming consultations, incorporating new LGPS regulation and guidance due to be published.	HOPs ADP
			Increased oversight on investment governance (and Pools) and the performance of LGPS Assets.					Ongoing collaboration with partner funds and LGPS Central Ltd in the production of statutory reporting and response to information requests. The Fund is developing a Business Information (BI) strategy to ensure consistent, accurate and efficient business reporting.	DOP HoG
			Data being a key element in the triennial valuation to ensure accuracy of liabilities, with timely and accuracy of information exchange being critical to the Fund and employer working partnership in line with the Pension Administration Strategy.					The Fund has developed a Valuation project team which seeks to ensure consistent management and focus across the organisation on the valuation and outcomes, including a focus on employer engagement	HOPs HoG ADP
4	Internal Controls	The Fund is not able to effectively monitor and report on its compliance with regulatory requirements with a need to conduct a full review of those in place due to ongoing regulatory change	Growing complexity in scheme regulations (together with the potential delayed statutory guidance) and the increasing reporting requirements, placing increased demands on the Fund's monitoring processes.	Compliance and Risk Operational Resilience				The Fund is developing its Business Information (BI) strategy to support the development of data reporting through an effective data culture across the organisation. The Fund continues to monitor potential regulator activity taking the opportunity to engage and contribute to consultations on proposed drafting, thereby having a proactive insight to the potential work required.	HoG

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			Changes to system and processes will require a refresh to compliance monitoring program.					The Fund's assurance program is being reviewed alongside controls ensuring a robust framework	HoG
			Ongoing challenge to manage and process high volumes of member, financial and asset data together with oversight of a large numbers of fund employers and asset managers					The Fund is developing its Business Information (BI) strategy to support the development of data reporting through an effective data culture across the organisation. End to end process reviews are being initiated to ensure key dependencies (including on third party's) are understood and managed to aid operational resilience.	HoF ADI
5	Operational Resilience and Cyber Risk	The Fund is unable to perform its functions due to internal and external vulnerabilities to its operational resilience.	Global concern on increasing Cyber risk and evolving practices required to mitigate in light of current global environment Increase awareness and requirements to build and demonstrate operational resilience across people, process and systems	Operational Resilience			↔	The Fund continues to develop its cyber resilience through annual review and external assessment of its cyber strategy. The Fund is enhancing the management of cyber risk through development of the Fund's assurance programme and management of suppliers through the mapping of the funds data and asset footprints A broad programme of activity has been established to assess and develop operational resilience alongside planned service transformation.	HOPs
		The Fund is unable to support end to end business critical activities	Reliance on individual/key knowledge across the organisation unsupported by technologies (manual process)	Operational Resilience			NEW RISK	The Fund is proactively responding to anticipated changes through the development of our core business activities, working to adapt to increased resilience where vulnerabilities are identified.	HOPs HoG
6	Service Delivery	The Fund is unable to deliver its services due to the volume of change required and the competing statutory demands,	Pending administration system change over, there is a pause on system development resulting in some processes continuing to operate with less	People and Customers Operational Resilience			↔	The Fund is undertaking a priority review of all projects identifying resource needs and pulls on individual teams, where it supports service development and the delivery	HOPs

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		which includes the impact of system change and adequate resourcing	efficiency pending automation	Compliance and Risk				of those priorities, interim/project resource has been sourced.	
			Vacancies across service areas following resource reviews which are pending recruitment against a competitive market.						The Fund has established good relationships with agencies and recruiters to support its search for specialised roles with targeted campaigns to increase search efficiency. The Fund continues to promote itself as a high-quality employer, supported by core values and beliefs and modern work-space and working practices. Ongoing review of developing market and demands for skill to inform role development and review.
7	Service Delivery – Third Parties	The Fund is unable to deliver its services due to the reliance on third parties	Number of key service deliverables are reliant on third parties with a number of services provided	People and Customers Operational Resilience Compliance and Risk			↔	The Fund has undergone early engagement with suppliers as part of its engagement on regulatory change. In addition, key suppliers to the Fund (admin system) have been part of national working groups to develop understanding of the changes and how they need to be provided for in systems.	HoG HOPs
			Employer capacity, particularly in the provision of data, limits ability to deliver requirements for the Fund					The Fund engages with employers regularly and supports their understanding of the new requirements through employer coaching programs. Early engagement with the Fund stakeholders is a key priority on all projects.	ADP
8	Funding and Cost Management	The uncertainty of long term volatility in markets affecting inflation and the discount rate in a backdrop of local government budget constraints	Changing market conditions impact on investment returns and pace of change in asset allocation leads to widening funding gap	Investment Implementation Stewardship Compliance and Risk			↔	The Fund is a long term investor. Its strategic approach to setting asset allocations seeks to mitigate impacts of short term volatility.	ADP ADI
			Rising cost of benefits (inflation) and lower outlook for future investment returns impacts upon contribution outcomes for					The Fund has launched its actuarial valuation project, noting these potential risks and concerns with a focus on engaging employers early to	ADP

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			employers in the near term. Increased level of employer interest in risk management options and/or exit from the LGPS combined with broader affordability considerations changes longer term fund cashflow profile.					understand potential impact on employer covenant. The Fund investment strategy will be review alongside the funding strategy over 2022/23.	ADI
9	Investment Risk	Shifting market sentiment and global policy levers to manage slowing grow and rising inflation leading to market volatility and persistent higher inflation	Global markets reacting to geopolitical issues affecting markets and inflation.	Investment Implementation			↑	The Fund is a long term investor. Its strategic approach to setting asset allocations seeks to mitigate impacts of short term volatility.	ADI
			Increasing pressure on member and employer costs/finances leading to short term view on pensions saving/funding	Stewardship Compliance and Risk				Changing market conditions and the potential implications and considerations for the Fund's strategic asset allocation are routinely reviewed by the Investment Committee and discussed with the Investment Advisory Panel	ADI DOP

1- Officers Responsible for Action

DOP	Director of Pensions
ADI	Assistant Director Investments
ADP	Assistant Director Pensions
HOPs	Head of Operations
HOG	Head of Governance
HOF	Head of Finance