

West Midlands Pension Fund – Strategic Risk Register

September 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 across areas of investment governance and administration	Operational Resilience Compliance and Risk			↔	The Fund continues to monitor potential regulator activity taking the opportunity to engage and contribute to consultation responses, thereby having a proactive insight and voice to the potential change and response required. There is potential for further delay and unexpected change in focus areas, noting the current political environment.	ALL
		Current economic environment driving behaviours in members and how they manage/access their pension	Financial constraints and the increasing cost of living have the potential to drive change in Fund member behaviour, including the potential for increased transfer out requests/opt outs and safeguarding concerns	People and Customers			↔	The Fund continues to monitor trends in workloads and member led processes and remains acutely aware to the potential pressures on individuals, maintaining a strong focus on supporting members at this time, enhancing employee understanding of potential concerns through specific training on Customer safeguarding and the potential for transfer scams.	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 and in context of industry-wide demand for scarce resource to respond to wide-spread pensions regulatory change and workers seeking greater mobility and flexibility	People and Customers Operational Resilience Corporate Responsibility				The Fund continues to promote itself as a high-quality employer, supported by core values and beliefs with modern work-space and working practices. Bespoke recruitment campaigns are created for individual roles. The Fund has enhanced focus on employee development and our people strategy with the development of senior and specialist roles. Ongoing review of developing market and key skill sets and increasing pressure points to inform training, role development and service review.	EDOP
			High number of priority business as usual and change initiatives with reliance on additional/interim support and key persons			Service enhancement and ensuring efficient deployment of resource to enable response to regulatory change continues to be a focussed priority for the Fund. Additional resources secured for key projects (i.e. Pension Administration System Transfer) and Recruitment plans and resource requirements are routinely monitored by the Fund's Senior Management Team. Resilience planning continues to develop to support resource allocation and prioritisation.		HOPs ADP EDOP	
			Growing complexity in the scheme and changing service delivery requiring a further development of knowledge and skills, exacerbating key person and knowledge risk			The Fund continues to monitor potential regulator activity and the potential change required to ensure effective implementation. Where change is required, the Fund seeking engagement and knowledge sharing to increase resilience in operational processes.		HoG HOPs	

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								The Fund continues to review its employee training and development program forming positive partnerships with training providers.	
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, triennial Investment and Funding reviews and Pension Admin System Transition (development of automated reporting)	Operational Resilience Compliance and Risk People and Customers			↔	The Fund continues to enhance its reporting on data quality with ongoing focussed resource to achieve key data targets, and support with data focussed projects such as McCloud.	HOPs ADP HoF
			Increased oversight on investment governance (and pooling) and interest in stewardship, climate risk reporting and drivers of performance.					The Fund is working to enhance its reporting and monitoring framework, with investment governance supported by independent oversight through the Investment Advisory Panel on the implementation of investment strategy.	ADI HoG
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 has undertaken a review of its senior roles to ensure a dedicated function and role to lead on ensuring strength in the first line of internal controls.	HoG
			Changes to system and processes will require a refresh to compliance monitoring program.					The Fund's assurance program is being reviewed alongside the controls to ensure the Fund maintains a robust framework	HoG
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 ongoing development of cyber risks Increase awareness and requirements to build and demonstrate operational	Operational Resilience			↔	The Fund continues to develop its cyber resilience through annual review and external assessment of its cyber strategy. Supplier assurance questionnaires have been developed and issued and responses are being analysed.	HOPs

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			resilience across people, process and systems						
		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				<p>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.</p> <p>The Fund continues to review its employee training and development program forming positive partnerships with training providers</p>	<p>HOPs</p> <p>HoG</p> <p>HoF</p>
6	Service Delivery	The Fund is unable to deliver its services due to the volume of change required and the competing statutory demands, which includes the impact of system change and adequate resourcing	<p>Pending administration system change over, there is a pause on system development resulting in some processes continuing to operate with less efficiency pending automation</p> <p>Vacancies across service areas pending recruitment in an increasingly competitive market.</p>	<p>People and Customers</p> <p>Operational Resilience</p> <p>Compliance and Risk</p>			<p>↔</p>	<p>Service enhancement and response to regulatory change continues to be a focussed priority for the Fund.</p> <p>In line with its Corporate Objective on Operational Resilience, the Fund is assessing resource plans, knowledge succession together with interim project support to ensure the ongoing delivery of services while delivering service enhancements.</p>	<p>HOPs</p> <p>EDOP</p>
7	Service Delivery – Third Parties	The Fund is unable to deliver its services due to the reliance on third parties	<p>Number of key service deliverables are reliant on third parties, some of whom provide multiple services to the Fund</p> <p>Employer capacity, particularly in the provision of data, limits the ability to deliver information and benefits to Fund members</p>	<p>People and Customers</p> <p>Operational Resilience</p> <p>Compliance and Risk</p>			<p>↔</p>	<p>The Fund has undergone early engagement with suppliers as part of its engagement on regulatory change and has developed an annual monitoring framework which seeks to provide assurance of a supplier's contract delivery, Cyber resilience and Data Protection.</p> <p>The Fund engages with employers regularly and supports their understanding of the new requirements through employer coaching programs. The Fund has developed and implemented greater efficiencies in</p>	<p>HoG</p> <p>HOPs</p> <p>ADP</p>

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								<p>the exchange of information and data with employers to improve capacity e.g. employer worktrays, employer portal.</p> <p>Early engagement with the Fund stakeholders is a key priority on all projects.</p>	
8	Funding and Cost Management	The uncertainty and volatility in key markets indicators affecting financial assumptions including long term inflation and the discount rate in the context of Employer budget constraints	<p>Changing market conditions impact on investment returns and pace of change in strategy implementation leads to widening funding gap</p> <p>Rising cost of benefits (inflation) and lower outlook for future investment returns impacts upon contribution outcomes for employers in the near term. Rising inflation also places increased pressure upon employer financials and supply chain in the context of their budgets. 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.</p>	<p>Investment Implementation</p> <p>Stewardship</p> <p>Compliance and Risk</p>			↔	<p>The Fund is a long-term investor. Its strategic approach to setting asset allocations seeks to mitigate impacts of short-term volatility.</p> <p>The Fund will undertake a full review of its investment strategy as part of the valuation process ensuring investment risk is understood and managed optimally within constraints, seeking long term returns that meet the anticipated liabilities.</p> <p>The Fund has launched its actuarial valuation project, noting these potential risks and concerns with a focus on engaging employers early to understand potential impact on employer affordability.</p> <p>The Fund has implemented an extensive covenant monitoring framework to continually review participating employers' ability to fund liabilities now and in the future.</p> <p>Following updated LGPS Regs, the Fund has implemented strategies to enable flexibility for employers upon exit. This strategy also reflects the differing maturity and exit time horizons for employers</p> <p>The Fund investment strategy will be review alongside the funding strategy over 2022/23.</p>	<p>ADP</p> <p>ADI</p> <p>ADP</p> <p>ADI</p>
9	Investment Risk	Shifting market sentiment and global	Global markets reacting to geopolitical issues and					The Fund is a long-term investor. Its strategic approach to setting asset	ADI

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		policy levers to manage slowing grow and rising inflation leading to market volatility and persistent higher inflation	expectation and confidence in the utilisation of policy tools.	Investment Implementation			↑	allocations seeks to mitigate impacts of short-term volatility.	
			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 Fund's Internal Investment Committee and discussed with the Investment Advisory Panel	ADI EDOP

1- Officers Responsible for Action

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