

**APPENDIX B: West Midlands Pension Fund – Strategic Risk Register**

December 2022

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
1	Economic Environment	Market Volatility	Global markets reacting to geopolitical issues and short-term volatility impacting longer term outlook	Investment implementation Operational Resilience Stewardship	The Fund is a long-term investor taking a strategic approach to asset performance building in resilience to its overall allocation strategy with the aim of withstanding short term market impacts.  The Fund actively monitors and is engaged in global market and industry reaction to the current environment which has seen some steadyng over this last quarter.	ADP			
		Member behaviours	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 Corporate responsibility	The Fund has a proactive member engagement strategy which seeks to support members with their pension choices and wider financial support, including signposting to government initiatives such as Money Advice services.  The Fund continues to monitor workload trends in member-led processes which will feed into and shape member engagement activity.  This quarter the Fund hasn't seen an increased change in member behaviour.	ADP			
		Employer funding and budget stretch	Pressure on employer covenant being driven by rising inflation and costs leading to the need to balance the setting of contributions against a backdrop of budget constraints and reduced income sources.	People and Customers Corporate Responsibility Operational Resilience Corporate Communications	The Fund is sensitive to the issues facing employers and is undertaking a broad engagement program as part of the 2022 actuarial valuation.  The Fund is currently engaging with employers on the outcome of the valuation and future contribution requirements.	ADP			

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
		Rising costs and inflation on goods and services received	Annual inflation uplift on contracted goods and services may see an additional increase in Fund costs and budget into next year	Operational Resilience People and Customers	The Fund undertakes early engagement with suppliers to identify potential increases in costs as part of its budget planning process.	The Fund has a contract management process supported by CWC procurement which provides consistency in contract terms and management.	HOF	The Fund's investment strategy is being reviewed alongside the funding strategy over 2022/23.	
2	Keeping pace with change	Resourcing	The scale of undertaking multiple business change initiatives (driven by regulatory and service development needs), results in conflicting priorities for internal resource and the need to compromise with short term Business As Usual activities.	People and Customers Compliance and Risk Operational Resilience	Third party contractors as project reliant resource and the Fund's ability to maintain delivery in line with project scope and timeline.	The Fund continues to review its resource requirements recruiting temporary and project resource where required to support delivery.	Progress with all major projects is monitored and reported to Project leads and steering committees, escalating risks and issues as these emerge.	All Senior Managers	
	Specialist/Technical Knowledge capabilities		Increasing complexity and reporting demands across the scheme and pensions industry is bringing a step change in capacity, knowledge and skill requirements in both the Fund and its stakeholders/service delivery partners.	People and Customers Compliance and Risk Operational Resilience			The Fund continues to develop its knowledge and development framework supporting upskilling of colleagues where change occurs.	HGRA	

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
3	Assurance and Internal Controls	Evolving standards for governance and reporting requirements	The Fund continues to wait for delayed regulatory guidance on areas such as Governance and Investment however there is a general shift to increased reporting with a focus on Management Information to support trend monitoring and performance.	Compliance and Risk Operational Resilience				The Fund is reliant on guidance from Regulatory bodies and has engaged in consultations to inform and shape outcomes. However the final outcomes are an unknown at this time.  During the most recent quarter the Fund has responded to the DLUHC consultation on Climate Risk Governance and Reporting	HGRA
		Process inefficiencies and manual intervention	As the Fund transitions to the new Pension Admin System, there is a risk that there will be increased reliance on manual processing as the system transitions and embeds across all service areas.	Operational Resilience				The Fund continues to work with the software supplier to mitigate impact on workload and processing with the aim of reducing the risk and reliance for manual processing.	HOPs
4	Data Information and Reporting	Increased demands for data and data review and the ability of the Fund to meet statutory and reporting requirements	Number of key projects reliant on data management and rectification (including system transition)	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.	HGRA ADP HOPs
5	Cyber Risk	The Fund is unable to perform its functions due to internal and external vulnerabilities to its operating systems.	Global concern on increasing Cyber risk and evolving practices required to mitigate in light of ongoing development of cyber risks	Operational Resilience People and Customers				Employee refresher training has been provided in the last quarter to increase awareness of potential risk areas together with highlighting individual responsibility to protect data.  Supplier assurance questionnaires have been developed and issued and responses are being analysed.	HOPs

Officers Responsible for Action

EDOP	Executive Director of Pensions
ADI	Assistant Director Investments
ADP	Assistant Director Pensions
HOPS	Head of Operations
HGRA	Head of Governance, Risk and Assurance
HOF	Head of Finance