

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

May/June 2023

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Officer responsible for Action
1	Governance / Regulatory	Increasing focus on Governing Body Knowledge and Skills requirement	Pending statutory guidance from Scheme Advisory Board (SAB) and the Pensions Regulator on level of knowledge and understanding linked to review of requirements set out in CIPFA Knowledge and Skills	People and Customers Compliance and Risk Stewardship	Red	Yellow	Downward arrow	The Fund has an established training policy and programme which seeks to address the requirements the regulatory knowledge and skills requirements.	HGRA
			The potential for change in our Governing Body memberships following Annual Cycle may impact established knowledge and understanding.						
		Audit and provision of external assurance	Increased challenge on independent assurance from employers' auditors together with a lack of consistency in approach from audit firms on requirements	Compliance and Risk	Red	Red	Double-headed arrow	The Fund engages with employers' auditors to understand the requirements needed to provide assurance and works collaboratively with its employer groups to develop efficiency in the process while delivering value add services.	HoF ADP
	2021/2022 accounts yet to be signed off (national not local issue) which may require additional assurance (resource) from the Fund's accounts.								
		Potential for increased regulatory change from a number of LGPS regulatory bodies which may see a divergence in	The LGPS is awaiting a number of national body consultations (some delayed from previous years, e.g., tPR code of practice), and some new consultations	Compliance and Risk	Yellow	Yellow	Double-headed arrow	The Fund's Senior Managers are members of and participate on several national working groups and policy committees which feed	ALL

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		interpretation and practice across the LGPS.	relating to current issues (noting a further consultation was released on McCloud in May)					into the discussion and help shape focus and outcomes. These roles further enable the Fund to understand potential change and supports future planning to aid in meeting evolving requirements.	
		Increasing focus on reporting and oversight with evolving standards for governance and reporting.	Increased reporting from regulatory/national bodies in areas of Investment, climate, funding, customer servicing together with the need for more common industry standards of reporting will require the Fund and its suppliers to enhance data reporting and management tools.	Compliance and risk			↔	The Fund continues to enhance its reporting on data information with ongoing focussed resource to achieve key data targets, and support with data focussed projects such as McCloud, Climate Reporting and Stewardship.	ALL
		Industry wide resourcing constraints across the LGPS and wider pensions industry including regulatory and governing bodies.	Leading to delays or lack of knowledge/experience in wider LGPS, resulting in "short focus" change.	Compliance and Risk			↔	The Fund continues to engage with national bodies and groups to support understanding of local issues within the LGPS.	ALL
		Stewardship	Increasing responsibilities of the Fund as a steward of members benefits as well as assets (e.g. transfer out, scam and fraud management, ESG factors)	People and Customers Compliance and Risk Stewardship			↓	The Fund is a signatory to the Stewardship code and continues to build on the reporting and learning.  The Fund is a signatory to the Pension Regulator's Pension Scam Pledge.  The Fund has a comprehensive employee training programme that supports safeguarding of members.	ALL
2	Operational Resilience	The resilience in our human capital and our ability to adequately, resource, train, and retain.	With a number of changes on the horizon, from business change to regulatory change, the ability of the Fund to ensure its people resource is able to adapt and keep pace will be key to ensuring successful transitions.	Operational resilience People and customers			↓	The Fund is actively working across all departments on employee lifecycle from Recruitment and OD. Training is both bespoke per department, role profile and individually for employee	HoPCs

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								growth and future development at the Fund.  These are complemented with our employee development plans and appraisal process, which is monitored throughout the year as per the goals set.	
		The resilience of our third-party suppliers	Ensuring our partners are able to meet our ongoing business change needs.	Operational resilience  People and customers			↓	Through effectively managing our contracts and supplier performance, we are able to challenge their ability to cope with change and respond to our growing business and customer needs.	ALL
		Cyber and Disaster Recovery	Ensuring our systems and those of our suppliers can withstand disaster and recover to provide continuity in our service delivery.	Operational resilience  People and customers			↓	The Fund undertakes an annual assurance and testing programme of all its IT systems and suppliers, ensuring all are capable of identifying and responding to potential external threats.	HOPs HGRA
3	Value Added Servicing	Keeping up with pace of change while limiting impacts on customers	Several business and regulatory change have the potential to change the way the Fund's customers will be required to interact and service their statutory duties.	People and Customers  Compliance and Risk			↔	The Fund has dedicated member and employer services teams with an active engagement programme that not only seeks to support customers, but also provides opportunities for customers to engage the Fund on issues relevant to them, enabling effective review and build out of services to ensure all processes are built out as efficiently as possible.	ALL
		Ability of Fund to maintain and evolve to meet growing customer expectations.	Potential reputational damage should the Fund be unable to meet customer servicing requirements.	People and Customers  Operational Resilience			↔	The Fund continues to review its customer offering ensuring it is adaptable to changing demands.	ADP

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4	Funding and Economic Environment	Market volatility	Global markets reacting to geopolitical issues and short-term volatility impacting longer term outlook.	Investment implementation Operational Resilience Stewardship			↓	<p>The Fund is a long-term investor taking a strategic approach to asset allocation and building resilience across the investment portfolio in order to help manage the impact of short-term market volatility.</p> <p>The Fund actively monitors its asset positioning and broader markets and has undertaken a fundamental review of its investment strategy in conjunction with the triennial actuarial valuation with updates being reflected in the Investment Strategy Statement.</p>	ADI
		Implementation of the Fund's Revised Investment Strategy	The focus and scale of change in implementing the new strategy.	Investment implementation			↓	<p>The Fund continues to work with investment advisors to ensure the new strategy is delivered</p>	ADI
		Employer Risk	Employer funding in the current environment, leading to risk of termination/exit/restructures (including scheme wide merger) which have the potential to impact cashflows	People and Customers Compliance and risk			↓	<p>The Fund is sensitive to the issues facing employers and has undertaken a broad engagement programme as part of the 2022 actuarial valuation. The key risk being potential employer default on liabilities through non-payment of contributions and/or heightened cessations. The Fund is in the process of reviewing our employer exit strategy for consultation later in the year. The Fund continues to review employer covenant, maintaining and monitoring a 'watchlist' of the employers representing the greatest risk, with associated engagement with employers.</p>	ADP

Officers Responsible for Action

EDOP	Executive Director of Pensions
ADI	Assistant Director Investments
ADIMS	Assistant Director Investment Management and Stewardship
ADP	Assistant Director Pensions
HOPs	Head of Operations
HGRA	Head of Governance, Risk and Assurance
HOF	Head of Finance
HoPCS	Head of People and Corporate Services