





West Midlands Pension Fund – Strategic Risk Register



August/September 2023

Appendix A

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
1	Governance / Regulatory	A number of consultations relevant to the pensions and investment sector (including LGPS) were launched in July which have the potential to result in regulatory change and revised guidance for LGPS Administering Authorities	The Fund will need to review and respond to both cross-cutting industry themes and LGPS-specific consultation, focusing on the key issues for the Fund in the short and longer term where these may result in wide-ranging change impacting a number of service areas (across investment and pension administration functions)	Operational Resilience Compliance and Risk People and Customers				The Fund continues to monitor developing policy and regulatory ambition, activity taking the opportunity to engage with the LGPS and wider pensions-sector to contribute to consultation responses, thereby having a proactive insight and voice to the potential change and response required.	ALL
		Increasing focus on Knowledge and Skills requirement across both Governing Bodies and LGPS Officers	Pending consultation on changes to regulation and guidance from Scheme Advisory Board (SAB) and the Pensions Regulator on the level of knowledge and understanding linked to review of requirements set out in the CIPFA Code and Framework for Knowledge and Skills within the LGPS. DWP/HMT call for evidence on pension trustee capability and culture launched July 2023.					Governing Bodies have a structured training programme and routinely review collective knowledge and experience to perform roles effectively.  The Fund's Senior Managers have individual specialisms and are members of a mix of professional and trade bodies. Officers participate on national working groups and policy committees which supports future planning to aid in meeting evolving requirements.	
		Audit and provision of external assurance	Ongoing delay in external audit work driven by system-wide change, inconsistency and capacity constraints creates inefficiencies in Fund activities.  Also driving and leading to increased challenge for	Compliance and Risk People and Customers				The Fund engages with the sector, its own and employers' auditors to understand the requirements needed to provide assurance and works collaboratively with its employer groups to develop efficiency in the process.	HoF ADP

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			employers' auditors seeking independent assurance					The Fund continues to engage with City of Wolverhampton Council and Grant Thornton on the completion of 2022 year end accounts.	
		Increasing focus on reporting and oversight with evolving standards for governance and reporting.	Increased reporting requests incoming from regulatory/national bodies in areas of Investment, climate, funding, customer servicing, with limited common industry standards and potential for discrepancy with reporting useful to the Fund for management and assurance purposes. Additional resource may be required to further enhance data and reporting tools to meet emerging demands and increase efficiency.	Compliance and risk				The Fund continues to enhance its reporting tools and data / information sets to meet multiple purpose, with current focus on supporting projects, change Climate Reporting and Stewardship.	ALL
2	Operational Resilience	Industry wide resourcing constraints continuing to impact the LGPS and pensions/investment sector industry making recruitment for key skills and knowledge highly competitive  The resilience in our human capital and our ability to adequately, resource, train, and retain.	Employment market remains competitive due to shortage of experience and in-demand skill sets; employee experience and prospects, together with ancillary benefits and flexibility in working practices, continue to impact candidate interest and selection.  In context of resourcing constraints and ongoing business and regulatory change, the ability of the Fund to ensure agility and wellbeing will be key to maintaining services standards and effectively responding to change.	People and Customers Operational resilience  Operational resilience People and customers				The Fund is actively reviewing ways it can market it's offering noting organisational culture, development and employee engagement as being key drivers for recruitment and retention.  The Fund is actively working across all departments to develop knowledge and skills across the employee lifecycle. Training is targeted and tailored to enable individual employee growth and future development of the Fund.	ALL  ALL

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								Change initiatives are prioritised in line with Corporate objectives, with ongoing review of resourcing requirements. Appraisal process and wellbeing checks aid in ensuring employees are supported in their development.	
		The resilience of our third-party suppliers	Ensuring our partners are able to meet our development and ongoing requirements, alongside reliable day-to-day support.	Operational resilience People and customers			➔	Through effectively managing key relationships, contracts and supplier performance, we are able to ensure value added and high quality services to the Fund	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	Maintaining pace of change while limiting impact on customers	A number of potential changes are on the horizon both from industry and wider business change processes which have the potential to change the way customer interact with the Fund.	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 development of services to ensure efficient delivery of value added activities.	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 with agility in its service delivery flexible to the changing environment and	ADP

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								events outside the control of the Fund including regular and targeted engagement to anticipate, collate and action change with ongoing, development of skilled and flexible resource.	
4	Funding and Economic Environment	Market volatility	Global markets reacting to geopolitical issues and emerging economic conditions resulting in short-term volatility and impacting longer term outlook.	Investment implementation Operational Resilience Stewardship				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.  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 2023 Investment Strategy Statement.	ADI
		Forecasting and model risk	Economic indicators monitored by the Fund, financial assumptions and models fail to adequately capture emerging events and the impact on investment returns and funding evolution	Investment implementation, people and customers				The Fund works with appointed advisers to review forward-looking assumptions, stress test investment and funding outcomes and review future economic and environmental scenarios in order to test resilience and model reliance, noting the limitations and wider context needed for policy development and decision making.	ADI, ADP

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		Investment Strategy	The focus and scale of the changes required to implement the new strategy.	Investment implementation			➔	The Fund has put in place a 3-step Plan to implement the revised ISS. Step 1 of the Plan running to end December 2023 is in progress and planning has commenced for Steps 2 and 3 running to April 2025.	ADI
		Employer Risk	Employer funding in the current environment, leading to risk of termination/exit/restructures (leading to transfers between funds within the LGPS) which have the potential to impact cashflows	People and Customers  Compliance and risk			➔	The Fund seeks and maintains awareness of the issues facing employers and maintains a broad engagement programme. The Fund seeks to actively manage the risk of potential employer default on liabilities through non-payment of contributions and/or heightened cessations. Funding policy on cessation is under review to support management of planned employer exit. The Fund continues to monitor employer covenant, maintaining a 'watchlist' to inform engagement with employers.	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