

West Midlands Pension Fund Top Ten Risks 2015

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Risk Identification						Qualitative Risk Assessment				Risk Response Plan		Monitoring and Control																																													
No.	Status	Risk Category	Risk Event	Cause	Effect	Threat or Opportunity	Primary Objective	Probability	Impact	Risk Matrix	Response Strategy	Response Actions	Risk Owner	Interval or Milestone Check	Compliance Monitoring																																										
1	Active	Administration	The Pension Administration Strategy (PAS) is not complied with by employers.	The PAS is not enforced. Employers are unaware of their responsibilities under the PAS.	Customer detriment, reduced cash flow. Inability to exert authority.	Threat	To provide excellent customer service	4	4	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Probability</td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td>Impact</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Yellow	Yellow	Yellow	Red	L	Green	Green	Green	Green	Yellow	VL	Green	Green	Green	Green	Green	Probability	VL	L	M	H	VH	Impact						Treat	Communication with employers to ensure they understand the PAS and their requirements under it. Each employer will be asked to sign an undertaking of their understanding and acceptance of the PAS. PAS regularly reviewed. Monthly monitoring of contribution payments by Finance.	Head of Pensions Administration	Half yearly	Ensure PAS is reviewed annually and approved. Ensure PAS is communicated to all relevant stakeholders. Determine if adherence to the PAS is being monitored and necessary actions taken. Ensure all contributions paid on time, in accordance with Schedule of Contributions.
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2	Active	Governance	The Fund breaches Information Governance and Data Protection law/regulations.	Insufficient training and security arrangements in place for Fund information.	Reputational damage, possible enforcement action from regulators.	Threat	To become a top performing Fund	4	4	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Probability</td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td>Impact</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Yellow	Yellow	Yellow	Red	L	Green	Green	Green	Green	Yellow	VL	Green	Green	Green	Green	Green	Probability	VL	L	M	H	VH	Impact						Treat	Staff training on Information Governance and Data Protection. All information security and data protection breaches are reported and any systemic issues are identified and corrected.	Head of Governance	Quarterly	Determine if all new members of staff have completed the e-learning module and attended mandatory training. Data breach reporting and monitoring.
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3	Active	Administration	Pension benefits are calculated with inaccurate or incomplete data.	Member records have not been accurately maintained or are missing key data. Data provided from external sources is inaccurate.	Overpayment of pensions. Reputational damage. Censure from regulators.	Threat	To provide excellent customer service	4	3	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Probability</td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td>Impact</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Yellow	Yellow	Yellow	Red	L	Green	Green	Green	Green	Yellow	VL	Green	Green	Green	Green	Green	Probability	VL	L	M	H	VH	Impact						Treat	Robust process in place to ensure accuracy of calculations. Induction training to ensure officers are suitably skilled, as well as regular staff training to raise awareness of the importance of data quality. Data quality reviews of common and conditional data in place. Pension Administration Strategy sets out expectations and requirements of employers in relation to data quality.	Head of Pensions Administration	Quarterly	Testing of processes to ensure accuracy of data used in calculations. Review induction to ensure new staff are fully trained prior to being allowed to calculate pension benefits. Monitor data quality reviews ensuring conditional and common data standards are being adhered to. Ensure all employers have signed up to the PAS
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4	Active	Administration	Liabilities need to be orphaned across the Funds remaining employers in the event of an employer failing.	Employer covenant is not strong enough and/or no suitable guarantor is in place.	Increase in liabilities for existing employers.	Threat	To improve our funding level	3	4	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Probability</td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td>Impact</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Yellow	Yellow	Yellow	Red	L	Green	Green	Green	Green	Yellow	VL	Green	Green	Green	Green	Green	Probability	VL	L	M	H	VH	Impact						Treat	All new employer bodies need to have a suitable guarantee in place prior to being admitted into the scheme. Monitoring is carried out on existing employers and the covenant strength is assessed and each employer is risk rated. Higher risk employers are monitored closely by the Employer Team.	Head of Pensions Administration	Quarterly	Sample check new employers and ensure suitable guarantee is in place. Review monitoring process to ensure it is being completed regularly and that reasonable conclusions are being made and necessary actions taken.
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5	Active	Governance	Elected Members do not maintain appropriate levels of independence from their Authorities.	Members are not fully aware of their duties as trustees. Undue pressure from employing authority to obtain beneficial outcomes.	Undue influence from employers represented on Committee could detriment other scheme employers. Reputational Damage.	Threat	To become a top performing Fund	3	4	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Probability</td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td>Impact</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Yellow	Yellow	Yellow	Red	L	Green	Green	Green	Green	Yellow	VL	Green	Green	Green	Green	Green	Probability	VL	L	M	H	VH	Impact						Treat	Full trustee induction training is provided to members on joining the Pension Committee to inform them of their duties and responsibilities. There are sufficient numbers on the Committee to ensure that the Funds interests are put before individual authorities. Members bound by Localism Act and their own codes of conduct. All trustees declare any conflicts and potential conflicts at Committee meetings.	Strategic Director of Pensions	Quarterly	Check all trustees/members have had an induction. Review balance of members representation on Committee (Declaration of Trust). Monitor conflicts minuted at each Committee meeting.
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6	Active	Investment	The Fund invests in an inappropriate asset allocation.	Trustees and officers do not receive appropriate investment advice and/or are not suitably skilled to make the decisions they are tasked with.	The Fund investment strategy does not deliver growth in line with expectations which has an adverse impact on the funding level. Increase in funding deficit.	Threat	To achieve target investment returns	3	4	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Probability</td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td>Impact</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Yellow	Yellow	Yellow	Red	L	Green	Green	Green	Green	Yellow	VL	Green	Green	Green	Green	Green	Probability	VL	L	M	H	VH	Impact						Treat	Trustee training programme, including presentations before, during and after Committees. Annual reviews by external investment advisors. Support and guidance from experienced staff. Diversification of asset classes. Asset allocation is reviewed alongside that of peers to identify too much deviation from the 'norm'. Structure in place for the setting and approval of the asset allocation.	Assistant Director - Investments	Quarterly	Ensure regular recording of training hours takes place. Random sample of training logs. Review of training quality to determine if it adds value. Ensure necessary action is taken where skills gaps are identified or none achievement of hours is evident. Review Committee papers for an audit trail of decisions made.
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7	Active	Administration	Payment of pensions increase is not made	Civica do not deliver the specification to be uploaded to the Pensions Administration system.	Customer detriment and reputational damage.	Threat	To provide excellent customer service	2	5	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Probability</td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td>Impact</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Yellow	Yellow	Yellow	Red	L	Green	Green	Green	Green	Yellow	VL	Green	Green	Green	Green	Green	Probability	VL	L	M	H	VH	Impact						Treat	Ensure testing of Civica software and that contingencies are put in place to cover the pensions payroll.	Head of Pensions Administration	Annual	Ensure testing of Civica software is carried out and that contingencies are in place to cover the payroll.
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8	Active	Investment	The Fund invests with unsuitable managers	Inadequate due diligence carried out on prospective opportunities.	Financial loss and reputational damage.	Threat	To achieve target investment returns	2	4	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Probability</td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td>Impact</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Yellow	Yellow	Yellow	Red	L	Green	Green	Green	Green	Yellow	VL	Green	Green	Green	Green	Green	Probability	VL	L	M	H	VH	Impact						Treat	Due diligence is carried out on all investment managers prior to agreeing to invest. Any investment is approved by the Assistant Director - Investments and the Director of Pensions. Manager performance is monitored at monthly Investment meetings.	Assistant Director - Investments	Quarterly	Review any new Fund managers from the period and ensure suitable due diligence has been conducted and that relevant approval and notification has been given to trustees. Ensure managers with significant holdings and/or causing concern are contacted on a regular basis, e.g. meeting, telephone call, letter.
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Risk Identification					Qualitative Risk Assessment					Risk Response Plan		Monitoring and Control																																													
9	Active	Governance	The Fund cannot continue to operate and deliver its priority services following a disaster or data loss scenario.	Inability of WCC to be able to recover data or to provide the Fund with adequate systems following a disaster recovery incident.	The Fund cannot continue to operate and deliver its priority services.	Threat	To provide excellent customer service	2	4	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Green	Yellow	Yellow	Red	L	Green	Green	Green	Yellow	Yellow	VL	Green	Green	Green	Green	Green		VL	L	M	H	VH		Impact					Treat	Business continuity plan (BCP) in place for incidents which deny access to Mander House. Regular testing and review of plan. Homeworking arrangements in place for key staff. Currently in discussions with WCC to ensure the Fund is adequately covered in WCC's recovery plan.	Head of Governance	Annual	Regular review of BCP and annual testing undertaken.
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10	Active	Governance	Fund processes are subjected to fraud.	Suitable controls are not in place within Fund processes, systems/processes are not adequately documented.	Financial loss and reputational damage.	Threat	To become a top performing Fund	2	4	<table border="1"> <tr><td>VH</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr> <tr><td>H</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td>M</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr> <tr><td>L</td><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td>VL</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> <tr><td></td><td colspan="5">Impact</td></tr> </table>	VH	Green	Yellow	Red	Red	Red	H	Green	Yellow	Yellow	Red	Red	M	Green	Green	Yellow	Yellow	Red	L	Green	Green	Green	Yellow	Yellow	VL	Green	Green	Green	Green	Green		VL	L	M	H	VH		Impact					Treat	Pensions systems have in built controls which require segregation of duties. Regular external and internal audit reviews carried out on Fund systems and processes. Annual undertaking for all staff in relation to conduct and behaviour.	Head of Governance	Quarterly	Testing of payments/processes to ensure adequate separation of duties is evident. Especially for manual payments or work done outside of the system.
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