

WYPF Departmental Risk Management and Opportunities Report

Introduction

WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

The process

Risk identification

The first of five stages of the risk management cycle require risk identification. This has been achieved through discussion with senior Managers and covers 15 categories of risk as shown below.



Identified risks

Economic

Scenario	Short name
1	Valuation registers a deficit in the pension fund
2	Reduction in proportion of active members
16	Lack of Admissions and Guarantors

Political

Scenario	Short name
3	Bradford initiatives
4	Central Government regionalisation agenda

Technological

Scenario	Short name
5	Improved Pensions and Investments systems are not developed and adopted
6	Lack of information sharing with employers
7	Current software providers pull out of the market or are taken over
39	Disaster recovery
40	Internal Fraud
42	Loss of sensitive personal data
45	Cyber Crime

Legislative/Regulatory

Scenario	Short name
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8	Failure to administer the scheme in line with regulations and policies
25	Failure to adhere to relevant statutory regulations and guidance.
46	Compliance with GDPR requirements
48	Failure to include all required information issued to members under disclosure regulations

People

Scenario	Short name
9	Greater level of support expected by district councils than other employers
41	Recruitment and retention of experienced staff
43	Key staff on long term absence
44	Access to sensitive/personal data by staff

Financial

Scenario	Short name
10	Finance aren't always involved in other sections' decision making processes
12	External Fraud
13	Admin costs increase above budgeted costs
15	Prompt payment of pensions on the due date.
17	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers

Physical

Scenario	Short name
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Competitive

Scenario	Short name
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11	National and local KPI's are not being met
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Customer

Scenario	Short name
14	Customer Satisfaction below acceptable levels
47	Failure to communicate adequately with scheme members

Social

Scenario	Short name

Partnership / Contractual

Scenario	Short name
18	Provision of shared services to Fire Authorities and other LGPS Funds

Governance

Scenario	Short name
19	The IAP's role within the council is not clearly defined.
20	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.
21	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.
22	The IAP's membership is not chosen with reference to members' investment skills/knowledge.
23	Members take decisions without due regard to advice, along party political lines or with a personal agenda.
24	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.
35	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.
36	Stock lending counterparty failure.
37	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.

38	Pension Fund investments may not be accurately valued.
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Investment Strategy

Scenario	Short name
26	Strategic benchmark not set to meet the return required by the actuarial valuation.
27	Lack of asset class diversification in the strategic benchmark.
28	Investment returns achieved fall below that required by the actuarial valuation.
29	Cash resources insufficient to meet short term liabilities.

Responsible Investment

Scenario	Short name
30	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels
31	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.
32	Climate Risks identified
33	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
34	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken.

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

Appendix 1 shows all the risks that are rated on the profile.

The top risks facing WYPF are identified as:

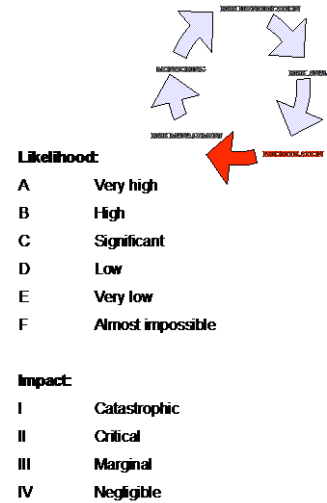
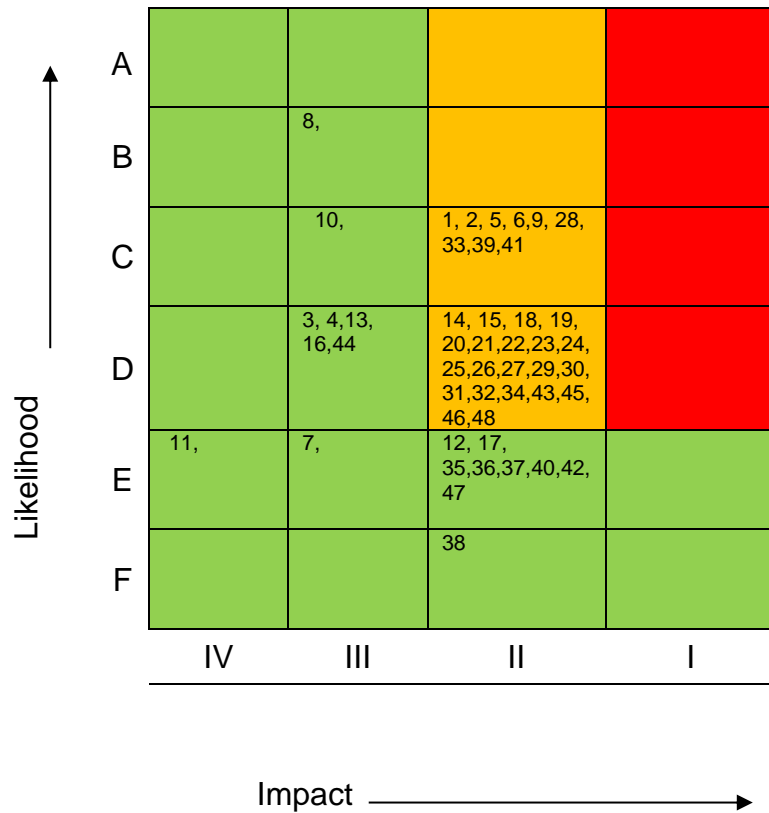
Scenario	Short name
1	Valuation registers a deficit in the pension fund
2	Reduction in proportion of active members
5	Improved Pensions and Investments systems are not developed and adopted
6	Lack of information sharing with employers
9	Greater level of support expected by district councils than other employers
14	Customer Satisfaction below acceptable levels
15	Prompt payment of pensions on the due date.
18	Provision of shared services to Fire Authorities and other LGPS Funds
19	The IAP's role within the council is not clearly defined.
20	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.
21	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.
22	The IAP's membership is not chosen with reference to members' investment skills/knowledge.
23	Members take decisions without due regard to advice, along party political lines or with a personal agenda.
24	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.
25	Failure to adhere to relevant statutory regulations and guidance.
26	Strategic benchmark not set to meet the return required by the actuarial valuation.
27	Lack of asset class diversification in the strategic benchmark.
28	Investment returns achieved fall below that required by the actuarial valuation.
29	Cash resources insufficient to meet short term liabilities.
30	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels

31	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.
32	Climate Risks identified
33	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
34	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
35	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.
36	Stock lending counterparty failure.
37	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.
38	Pension Fund investments may not be accurately valued.
39	Disaster recovery
40	Internal Fraud
41	Recruitment and retention of experienced staff
42	Loss of sensitive personal data
43	Key staff on long term absence
45	Cyber Crime
46	Compliance with GDPR requirements

To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

As part of a regular review, 48 risks have been identified and framed into scenarios. The risks identified have been rated, 30 of these above their acceptable tolerance level, 18 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – January 2022



Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Many of the key risks require immediate attention and it is important that having identified risks that could have critical impact, that the required action is undertaken.

MAP's were then agreed for those risks above the tolerance line and are specified below:

Management Action Plans

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
1	C II	<p>Valuation registers a deficit in the Fund.</p> <p>Triennial Valuation undertaken on the Fund using a range of financial assumptions as agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least:</p> <ul style="list-style-type: none"> • Falls in expected investment returns • Fall in markets values • Rising inflation • members living longer <p>the funding position of the fund could deteriorate</p>	<p>Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making</p> <p>Due to potentially decreasing payroll deficit amounts are set as -monetary amounts at the valuation</p> <p>Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years</p> <p>Monitoring of closed employers</p> <p>Quarterly funding updates provided by Funds Actuary</p>	<p>Deteriorating funding positions could result in an increased employers deficit contributions to eliminate deficit</p> <p>Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS</p>	Director WYPF JAG	Funding position to remain within 90 to 110%	triennial	Every three years - 31 March 2022	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
2	C II	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings as detailed in the Funds Communication Policy. Introduction of Auto Enrolment has increased membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 400+ including 5 district councils.	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> Fund continues to show as positive cashflow The ISS is regularly reviewed to ensure its consistent with maturity profile of the Fund 	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.
5	D II	Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: <ul style="list-style-type: none"> Civica user group LGPS group Payroll user group 	Ensure regular attendance and report back from the User Groups/Meetings as necessary.	Assistant Director (Finance, Administration and Governance)	Improved systems, costs savings, better reporting, employer internet, member internet facilities available, increase the number of UPM auto calculations Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market, Effective and efficient system, with scalable capacity to support shared services.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
6	C II	Lack of information sharing with employers	Enhancements to UPM2 are continuing. Monthly Returns expanded to increase the information supplied electronically	Develop employers web site	Assistant Director (Finance, Administration and Governance)/ Head of Finance	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication. Build scalable system capacity, improved vfm for shared services.
9	C II	Greater level of support required / expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Assistant Director (Finance, Administration and Governance)	Reduce the number of non-standard requests	Monthly	Ongoing	Provide more online training. Could be offered to other LGPS funds.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
14	D II	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance compliance statement and Communications policy published.	Revise ISS each year Review annually: Pensions Administration Strategy, Communication Strategy	Assistant Director (Finance, Administration and Governance) JAG	Reduction in complaints Reduction in IDRP cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	Annually	Attract new business to the Fund

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> • Pensioners not getting paid on time • Cause financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors 	DII	Finance	Prompt payment of pensions on the due date.
18	D II	Partnership/ Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads WYPF not being able to meet contractual obligations	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> • Will not be able to provide a pensions administration service • Will not be able to pay pensions or process work • Staff leave • Damage to WYPF Reputation • Bad publicity • Loss of income • 	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
19	D II	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments. Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.	Control is adequate	Regular review of constitution and Statement of General Approach to the Management of Pension Fund Investments	City Solicitor Director	Documents up to date.	Annual and when regulation change.	May	
20	D II	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose. Detrimental decisions made in relation to investments. Annual Review of delegations.	Control is adequate, annual review when Independent Advisor reports on IAP Governance Arrangements.	Director to consider changes required following Annual Governance Report.	City Solicitor Director	Documents up to date.	Annual and when regulation change.	May	

21	D II	<p>Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively. Members fail to act in the best interests of the fund.</p> <p>A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.</p> <p>The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time.</p> <p>The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences</p>	Control is adequate	Director to facilitate training arrangements and to report to IAP as required.	Director IAP Members	Training and other records kept up to date.	Ongoing		
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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
		The IAP is very experienced and knowledgeable and monitors the performance of the Fund							
22	D II	The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions. As per risk 3 above.	Control is adequate	Director to facilitate training arrangements and to report to IAP as required.	Director IAP Members	Training and other records kept up to date.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
23	D II	Members take decisions without due regard to advice, along party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions. All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not made in the best interests of the Fund may be overruled.	Control is adequate.	Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	Director	Decisions to be in the best interest of the Fund.	Quarterly		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
24	D II	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF. Detrimental decisions made in relation to investments. Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.	Control is adequate.	Advisor selection process followed. Advisors to confirm appropriate Continuing Professional Development during appointment.	Director	CPD confirmation obtained.	Annual.		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
25	D II	<p>Failure to adhere to relevant statutory regulations and guidance. Fund not invested in accordance with requirements. Reputational damage to fund within sector and investment markets.</p> <p>An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these. Sufficient resources are in place to implement any changes. Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates</p>	Control is adequate.	Technical team to flag investment regulatory changes proposed at consultation stage. Investment team to maintain contacts within the sector to identify non LGPS specific regulatory changes.	Assistant Directors	Full compliance with all regulatory requirements.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
26	D II	Strategic benchmark not set to meet the return required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Director	Fund maintains a consistent high level of funding	Triennial	Receipt of 2022 valuation	
27	D II	Lack of asset class diversification in the strategic benchmark. Increased risk of a funding shortfall due to excessive portfolio volatility. As per risk 12 above.	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
28	C II	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.	Control is adequate.	Actuarial return agreed with actuary at each valuation date to achieve full funding on the 22 year horizon.	IAP Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
29	D II	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value. Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.	Control is adequate.	Cash resources and commitments managed to ensure liabilities are met on due date.	IAP Director Head of Finance	Cash resources maintained at an appropriate level.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
30	D II	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels. The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.	Control is adequate.	ESG policies are based on a set of overarching environmental, social and governance principles which guide our processes and goals.	IAP	Fund assets safeguarded and returns achieved.	Ongoing		
31	D II	Measurement and reporting of Engagement is not performed, unfocussed or insufficient. Actions not agreed where engagement has failed. Engagement is unsuccessful and does not promote change.	Control is adequate.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly.	Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
32	D II	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water. The fund fails to recognise and manage physical and transition risks due to focus on emissions and is exposed to undue loss of value or volatility.	Control is adequate.	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance.
33	C II	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks. Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.	Control depends on quality of external data.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	Director, Assistant Directors and ESG Manager.	Fund assets safeguarded and returns achieved.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
34	DII	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken. The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.	Control is adequate.	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	Director, Assistant Directors and Investment Managers	Fund assets safeguarded and returns achieved.	Ongoing		Investment in developing sectors diversifies the portfolio and improves returns.
39	C II	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems (refer to Business Continuity Plan).	Staff enabled to work from home with access to all systems.	Assistant Director (Finance, Administration and Governance)	Full disaster recovery plan in place which enables business to operate as usual during any disaster	Annual	Ongoing	System resilience, essential in providing 3 rd party services – shared services.
41	C II	Recruitment and retention of experienced staff	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure. Restructure of WYPF completed September 2020	Monitor salaries in both public and private sector. Increase flexible working to retain staff, home working available to all staff. Looking at 2 to 3 days in the office.	Director Assistant Director (Finance, Administration and Governance) Director of HR	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodical review of salaries and grades. Attractive flexible working, home working and mobile working

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
43	D II	Key staff on long term absence	Document all procedures to ensure cover is available from other staff.	Monitor absences and take action at key dates. Delegation and succession planning.	Senior Managers	No effect on service provision	As required	As required Annually	A register of casual staff is maintained to provide cover at short notice.
45	D II	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal. Staff training / awareness, increased IT equipment / asset control. Routine blog to employers and members to raise cyber crime awareness	Assistant Director (Finance, Administration and Governance)	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
46	D II	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3 rd parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff. Accreditation to ISO 27001	Security policies in place, Mandatory Training for Staff	Assistant Director (Finance, Administration and Governance)	A reduction in security breaches	Ongoing		
48	D II	Failure to include all required information issued to members under disclosure regulations	Letters updated and checked regularly	Working instructions updated, workflow processes updated	Head of Employer Relations and Compliance	Meet disclosure time limits	Ongoing		

The risks identified but below their acceptable tolerance level require no further action at this time.

Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition, each risk is owned where possible by one member of the management team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The management team have agreed that the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be quarterly at Management Review.

Appendix 1

Risks register

PENSIONS ADMINISTRATION RISKS

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C II	Economic	Valuation registers a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions Rise in longevity (Funding level remains the main comparator)	<ul style="list-style-type: none"> • Contribution rate rises • Budget cuts and/or council tax increases • Bad publicity for employers • Bad publicity for WYPF • Bad publicity for LGPS • Increased Central Government pressure for changes to LGPS • Admitted bodies review provision of LGPS to employees • Admitted bodies to WYPF seek reduced rates with other LGPS providers • Political impact • Customer complaints about 'pension pay-offs'
2	C II	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	<ul style="list-style-type: none"> • Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and ISS become out of date • Less time to make up any deficits so more unstable contribution rates

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
3	D III	Political	Bradford initiatives	<p>The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs.</p> <p>Initiatives divert management time from core activities</p>	WYPF as a financial service provider and not a LG service provider not recognised or considered	<ul style="list-style-type: none"> • Loss of control over budget spend • Imposition of "Bradford" systems inappropriate to WYPF • Politicises JAG and Investment Panel • Service delivery reduced • Diversion from core activity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
4	D III	Political	Central Government regionalisation agenda	<p>Possible regionalisation of pension funds</p> <p>Could be asked to compete against other LG Funds or the private sector</p>	Becomes Government policy	<ul style="list-style-type: none"> • Admin costs rise to unacceptable levels • Culture change • Cost pressure • Fail to become provider for Yorkshire region • Staff relocation • Staff redundancies • Bad publicity for Bradford • Become provider for Yorkshire • Increased resource requirement • Good publicity
5	D II	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	<ul style="list-style-type: none"> • E-government cannot be supported • Increased time and support needed for number crunching • Less added value support
6	C II	Technological	Lack of information sharing with employers	<p>Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system.</p> <p>Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.</p>	<p>Don't progress direct input or do but on a piecemeal basis</p> <p>Deadlines not met</p>	<ul style="list-style-type: none"> • People can't access vital information in a timely manner • Sustainability issues • Transcription errors • Delays • Invalid employer contribution rates set • Invalid ABS's sent to members • ABS's not sent to members • Non compliance • Bad publicity • Key objective not met

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
7	E III	Technological	Current software providers pull out of the market or are taken over	Current providers –Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	<ul style="list-style-type: none"> • other systems available but enforced change time consuming • pressure on staff
8	B III	Legislative/Regulatory	Failure to administer the scheme in line with regulations and policies	Lots of legislative/regulatory change resulting in additional work. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/regulatory changes adequately	<ul style="list-style-type: none"> • Benchmarking costs rise • Increased pressure on staff • Don't adopt legislation • Service criticised • Duties and responsibilities not fully adopted • Ombudsman cases • Incorrect payment of benefits • Growing complexity of administration • Risk of non-compliance • Key objective not met • general pensions knowledge declines • pressure on staff • staff don't have up to date, consistent knowledge and understanding • recalculations of pensions to do

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9	C II	People	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	<ul style="list-style-type: none"> • Staff frustrated • Reduced level of service to other employers
10	C III	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	<ul style="list-style-type: none"> • Act 'ultra vires' • Promises made that can't be met
11	E IV	Competitive	National and local KPI's are not being met		Poor performance leading to complaints and reduction in service to stakeholders	<ul style="list-style-type: none"> • Can't manage performance effectively • Fail to meet explicit objective
12	E II	Finance	External Fraud	Pensions paid where there is no entitlement	Returned payments/payslips, non return of life certificates, flagged by NFI	<ul style="list-style-type: none"> • overpaid pensions • court cases • time commitment • key objective not met

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
13	D III	Finance	Admin costs increase above budgeted costs	He cost per member increase and the Fund is expensive to run.	<ul style="list-style-type: none"> • Inefficiencies in operations • Lack of automation • Poor benchmarking returns 	<ul style="list-style-type: none"> • Review in-house provision • Budget cuts • Service cuts • Partnership arrangements • Bad publicity
14	D II	Customer	Customer Satisfaction below acceptable levels	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	<ul style="list-style-type: none"> • Fines • Bad publicity • Shrinking user base
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	<ul style="list-style-type: none"> • Pensioners not getting paid on time • Cause financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
16	D III	Economic	Lack of Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	<ul style="list-style-type: none"> • Increase in employer contribution rate across the Fund • Increase in liabilities across the Fund Possible bad publicity
17	E II	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	<ul style="list-style-type: none"> • Funds might go bust resulting in losses for the Fund
18	D II	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads	WYPF not being able to meet contractual obligations	<ul style="list-style-type: none"> • Will not be able to provide a pensions administration service • Will not be able to pay pensions or process work • Staff leave • Damage to WYPF Reputation • Bad publicity • Loss of income •

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
47	E II	Customer	Failure to communicate adequately with scheme members	<ul style="list-style-type: none"> Website regularly updated. Newsletters are published at least annually, Annual Benefit Statements and Deferred benefit Statements issued annually 	Complaints or cases going to IDRP	<ul style="list-style-type: none"> Fines from TPR Bad publicity Members not able to make timely decisions Reduction in value of pension benefits
48	D II	Legislation	Failure to include all required information issued to members under disclosure regulations	Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails.		<ul style="list-style-type: none"> Fines from TPR Bad publicity Members not able to make timely decisions
INVESTMENT RISKS						
19	D II	Governance	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments.	Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.	Review of roles or constitution	<ul style="list-style-type: none"> Detrimental decisions made in relation to investments.
20	D II	Governance	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.		Annual Review of delegations	<ul style="list-style-type: none"> Detrimental decisions made in relation to investments.
21	D II	Governance	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.		<ul style="list-style-type: none"> Members fail to act in the best interests of the fund.

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				<p>The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time.</p> <p>The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences.</p> <p>The IAP is very experienced and knowledgeable and monitors the performance of the Fund</p>		
22	D II	Governance	<p>The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions</p>	<p>A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.</p> <p>The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time.</p> <p>The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences.</p> <p>The IAP is very experienced and knowledgeable and monitors the performance of the Fund</p>		<ul style="list-style-type: none"> Members fail to act in the best interests of the fund.
23	D II	Governance	<p>Members take decisions without due regard to advice, along party political lines or</p>	<p>Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.</p>	<p>All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not</p>	<ul style="list-style-type: none"> Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.		made in the best interests of the Fund may be overruled.	
24	D II	Governance	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.	Detrimental decisions made in relation to investments.	Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.	<ul style="list-style-type: none"> • Advice of poor quality or not tailored to WYPF. • Detrimental decisions made in relation to investments.
25	D II	Legislative /Regulatory	Failure to adhere to relevant statutory regulations and guidance.	An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these. Sufficient resources are in place to implement any changes. Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates	Changes in regulations	<ul style="list-style-type: none"> • Fund not invested in accordance with requirements. • Reputational damage to fund within sector and investment markets.
26	D II	Investment Strategy	Strategic benchmark not set to meet the return required by the actuarial valuation.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Benchmark reviewed after each actuarial valuation.	<ul style="list-style-type: none"> • Funding shortfall has to be made good by employer contribution increases.
27	D II	Investment Strategy	Lack of asset class diversification in the strategic benchmark.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including	Benchmark reviewed after each actuarial valuation.	<ul style="list-style-type: none"> • Increased risk of a funding shortfall due to excessive portfolio volatility.

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.		
28	C II	Investment Strategy	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases.	Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.	Valuation	<ul style="list-style-type: none"> Funding shortfall has to be made good by employer contribution increases.
29	D II	Investment Strategy	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value.	Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.	Negative cashflow	<ul style="list-style-type: none"> Fund has to sell investment at an inopportune time, risking a loss of value.
30	D II	Responsible Investment	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels.	The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.	ESG policies are based on a set of overarching environmental, social and governance principles which guide our processes and goals.	<ul style="list-style-type: none"> Expected returns not achieved Asset values decrease
31	D II	Responsible Investment	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	<ul style="list-style-type: none"> Actions not agreed where engagement has failed.
32	D II	Responsible Investment	Climate Risks identified - Green House Gas Emissions - Transition risk	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Loss of value of assets or volatility in the value	<ul style="list-style-type: none"> The fund fails to recognise and manage physical and transition risks due to focus on emissions

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			- physical risks use of scarce resources e.g. minerals, water.			and is exposed to undue loss of value or volatility.
33	C II	Responsible Investment	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	To safeguard Fund assets and achieve target returns.	<ul style="list-style-type: none"> Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.
34	D II	Responsible Investment	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	To safeguard Fund assets and achieve target returns.	<ul style="list-style-type: none"> The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.
35	E II	Governance	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.	Complete and authorised agreements are in place with external custodian as part of NLGPS. External custodian is in compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations, and report presented to IAP annually. Regular reconciliations carried out to check external custodian records to nominal ledger.	Regular reconciliations carried out to check external custodian records to nominal ledger.	<ul style="list-style-type: none"> Fund assets not safeguarded
36	E II	Governance	Stock lending counterparty failure. Fund assets at risk.	Credit rating of counterparties verified before adding to approved list. Guarantee from external custodian for all stock on loan.	Verify credit ratings of approved counterparties. Ensure custodian agreement fully documented.	<ul style="list-style-type: none"> Losses on stock lending

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
37	E II	Governance	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.	A robust framework of controls, including separation of investment managers from settlement arrangements, is in place, which is regularly tested by internal audit. Daily reconciliation of transactions against external custodian records.	Settlement and reconciliation processes maintained and verified.	<ul style="list-style-type: none"> Fund assets at risk, fraud.
38	F II	Governance	Pension Fund investments may not be accurately valued. Strategic asset allocation not delivered as a result, poor investment decisions on future investment, fund assets at risk.	Investments are valued using current prices obtained from independent pricing sources wherever possible. Unlisted valuations provided by managers monitored to ensure any sales are above manager valuation. Quarterly valuations reconciled to custodian valuation. Internal and external audit verification work completed for year-end valuation. Portfolio valuations are completed and reported to the IAP	Internal valuation reconciled to custodian data. Unlisted valuations from external managers reviewed for reasonableness and consistency over time or on sale.	<ul style="list-style-type: none"> poor investment decisions on future investment, fund assets at risk
JOINT ADMINISTRATION AND INVESTMENT RISKS						
39	C II	Technological	Disaster recovery	<p>Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e-mail system and the main council systems and communication links</p> <p>ICT – risk of loss of service because of physical disaster, system failure or deliberate</p>	<p>Minor incident occurs</p> <p>Major incident occurs</p>	<ul style="list-style-type: none"> Can't back up the data Loss of service Permanent data loss Loss of income

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc.		<ul style="list-style-type: none"> • Inability to pay pensioners
40	E II	Technological	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	<ul style="list-style-type: none"> • Loss of data • Corrupt data • Incorrect payments • Breach of DP Act
41	C II	People	Recruitment and retention of experienced staff	Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age Difficulties in attracting staff to Bradford	Recruitment and retention of staff does not improve	<ul style="list-style-type: none"> • Pressures on existing staff • Activities are ineffectively carried out • Difficulties in succession planning • Pressure to offer more lucrative packages • Reliance on agency/temporary staff • Escalating staff costs • Gaps appear in structures • Adverse impact on service delivery • Loss of experienced staff • Stagnation • Carrying vacancies

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
42	E II	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	<ul style="list-style-type: none"> • Data falls in the wrong hands and used for criminal purposes • Bad publicity • Loss of trust and confidence in WYPF
43	D II	People	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	<ul style="list-style-type: none"> • Impact on service provision (Staff, Employers, Scheme Members etc) • Crucial tasks are not performed
44	D III	People	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	<ul style="list-style-type: none"> • Information could be passed on • Records updated inappropriately • Contravene DP Act
45	D II	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	<ul style="list-style-type: none"> • Vulnerable to extortion • Damage to WYPF reputation • Impact on service delivery • Bad publicity • Fines by tPR
46	D II	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	<ul style="list-style-type: none"> • Massive fines by the ICO • Damage to WYPF reputation • Bad publicity • Loss of contracts