

Pensions Dashboard

In line with best practice and the Pensions Regulator (tPR) Code of Practice, NESPF maintains a risk register to ensure the risks the Fund faces are properly understood, and risk mitigation actions are in place.

This Risk Register is reviewed and updated quarterly, with reporting to the Pensions Committee.

The Pensions Committee is responsible for receiving assurance on the effectiveness of NESPF risk management arrangements as per their Terms of Reference.

Risk Scoring Process

In order to apply an assessment rating (score) to a risk, NESPF implements a 4 x 6 matrix. The 4 scale represents the impact of a risk and the 6 scale represents likelihood of a risk event occurring.

4	Very Serious	4	8	12	16	20	24
3	Serious	3	6	9	12	15	18
2	Marginal	2	4	6	8	10	12
1	Negligible	1	2	3	4	5	6
Impact		1	2	3	4	5	6
	Likelihood	Almost impossible	Very Low	Low	Significant	High	Very High

Current Heat Map (where risks NESPF001 through 028 fall)

4	Very Serious	● ●	● ● ●	●			
3	Serious	●	● ● ●	● ● ●	●		
2	Marginal	●	● ● ●	● ● ●	● ●		●
1	Negligible						
Impact		1	2	3	4	5	6
	Likelihood	Almost impossible	Very Low	Low	Significant	High	Very High

Red = High Priority (urgent action required)

Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

Green = Low Priority (no immediate action subject to exceptions, continue to review)

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fund Level									
NESPFO01	Risk: Lack of effective risk controls	<ul style="list-style-type: none"> NESPF risk register is reviewed and updated quarterly by senior management team Consideration by Pensions Committee & Board at quarterly meetings 	4	1	4	↔	TREAT	New Fund specific risk management policy and risk register created in line with new CIPFA guidance 'Managing Risk in the LGPS' (2018)	Completed, approved by Committee (Nov'19)
	Causes: Failure to implement risk management framework								
	Potential Impact: Operational, financial and reputational issues								
NESPFO02	Risk: Poor Governance	<ul style="list-style-type: none"> Annual review of Funds Governance Compliance Statement and supporting policies and procedures Adherence to Council's Scheme of Governance New Committee Effectiveness Report (June 2019) to support good governance 	2	2	4	↔	TREAT	Committee ToFR reviewed January 2020 as part of annual ACC governance review, compliance report to Committee in March 2020.	Ongoing
	Causes: Lack of robust and effective governance framework and supporting policies and procedures								
	Potential Impact: Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk								
NESPFO03	Risk: Lack of performance measures	<ul style="list-style-type: none"> Statutory and local KPI's Pension Administration Strategy published quarterly Investment performance (against benchmark) reported to Committee quarterly 	2	3	6	↔	TREAT		Ongoing
	Causes: Failure to develop performance reporting framework								
	Potential Impact: Lack of transparency, poor performance could go unaddressed								

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NESPF004	Risk: Failure of Pensions Committee and Pension Board to operate effectively	<ul style="list-style-type: none"> • Publication of Pension Board Annual Report • Training Policy reviewed annually and training register in place • Nomination & Appointment procedure • Committee Effectiveness Report introduced (June 2019) 	3	2	6	↔	TREAT		Ongoing
	Causes: Poor attendance/commitment to role, high turnover of members, lack of training								
	Potential Impact: Non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk								
NESPF005	Risk: Operational Disaster; unable to access the workplace	<ul style="list-style-type: none"> • ACC Disaster Recovery policy in place • NESPF Business Continuity Plan to address loss/disruption to benefit administration system 	2	2	4	↔	TOLERATE		Ongoing
	Causes: Major incident, natural disaster								
	Potential Impact: Loss of service delivery, staff downtime								
NESPF006	Risk: Failure to recruit, retain and develop staff	<ul style="list-style-type: none"> • All staff have individual development plans which are reviewed regularly through CR&D • Training register to monitor • 2 full time training & development staff • Internal 2 year training programme for benefit admin staff • Future-focused staffing 	4	2	8	↔	TREAT	Posts approved in March 2019 to be filled. Staff job profile review underway to ensure clear understanding of roles and training requirements. Office relocation by summer 2020.	Laura Colliss, August 2020
	Causes: Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities								
	Potential Impact: Loss of service delivery, risk to succession planning								

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		structure, subject to ongoing review							
NESPFO07	Risk: Pay and price inflation valuation assumptions either higher or lower	<ul style="list-style-type: none"> Quarterly funding updates to Committee (using FSM) Tri-ennial valuation Individual employer contribution rates 	2	2	4	↔	TOLERATE	Tri-ennial valuation due March 2020	Ongoing
	Causes: Economic factors								
	Potential Impact: Potential increase in employer contribution rates and liabilities								
Governance									
NESPFO08	Risk: Failure to adhere to relevant pensions legislation and guidance	<ul style="list-style-type: none"> Six monthly compliance review, with annual reporting to Pensions Committee and Board Active participation at LGPS events, Testing Working Party for administration software updates Established processes for staff training Regular benefit admin team meetings to share knowledge 	3	3	9	↔	TREAT		Ongoing
	Causes: Political and legislative changes, increased administrative complexity, staff training issue								
	Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action								
NESPFO09	Risk: Failure to comply with FOI or SAR requests	<ul style="list-style-type: none"> Internal written procedures in place FOI/SAR log to record & monitor 	3	1	3	↔	TREAT		Ongoing
	Causes: Missed statutory deadlines due to training or resource issues								

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	Potential Impact: Audit criticism, legal challenge, reputational risk								
NESPF010	Risk: Conflicts of Interest	<ul style="list-style-type: none"> Regular discussions between CO-Finance and Pension Fund Manager Standing item at meetings Conflicts policy & register in place, with conflicts declarations issued annually 	2	4	8	↔	TREAT		
	Causes: Competing professional and personal interests of staff, Committee and Board members								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
Benefit Administration									
NESPF011	Risk: Requirement to complete GMP reconciliation	<ul style="list-style-type: none"> Dedicated GMP project team reporting to Operations Manager Regular updates to Committee and Board 	2	2	4	↔	TREAT	IPE regulations with effect 1 March 2020. Rectification work ongoing and final file is due from HMRC.	Ongoing
	Causes: End of contracting out due to reforms of state pension								
	Potential Impact: Failure to calculate future benefits correctly, audit criticism, financial loss								
NESPF012	Risk: Fraud/Negligence	<ul style="list-style-type: none"> Segregation of duties for benefits staff authorising/submitting lump sum payments Pension payments signed off by benefits senior Participation in National Fraud Initiative exercise 	2	3	6	↔	TREAT	Implementation of enhanced Admin to Pay module to provide secondary calculation checks as system requirement. Testing commenced	Neil Middleton, March 2020
	Causes: Dishonesty or human error by staff, Scheme members								
	Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism,								

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	legal challenge, reputational risk	<ul style="list-style-type: none"> Overseas pensioner existence checking Breaches Policy & register Internal Audit control reviews 						January 2020.	
Investments									
NESPF013	Risk: Insufficient assets to meet the Funds long term liabilities	<ul style="list-style-type: none"> Quarterly assessment of investment performance and funding updates Tri-ennial valuation and investment strategy review Diversification of assets Due diligence of fund managers External advisor for specialist guidance on strategy 	4	3	12	↔	TREAT	Tri-ennial valuation due March 2020	Ongoing
	Causes: Failure of investment strategy or fund managers to produce expected returns								
	Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss								
NESPF014	Risk: Failure to monitor investment managers and assets	<ul style="list-style-type: none"> Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	3	9	↔	TREAT		Ongoing
	Causes: Lack of internal procedures								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
NESPF015	Risk: Failure of world stock markets	<ul style="list-style-type: none"> Diversification of Scheme assets 	4	2	8	↔	TOLERATE		Ongoing
	Causes: Systemic								

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	Potential Impact: Increase in employer contribution rates, financial loss	<ul style="list-style-type: none"> • Tri-ennial valuation and investment strategy review 							
NESPF016	Risk: Negligence/Fraud/Default	<ul style="list-style-type: none"> • Due diligence on appointment and appropriate clause in legal agreements • Fund management monitoring • SAS 70 reports 	2	1	2	↔	TOLERATE		Ongoing
	Causes: Dishonesty by fund managers, lack of care or human error								
	Potential Impact: Financial loss, reputational damage								
NESPF017	Risk: Failure of Global Custodian	<ul style="list-style-type: none"> • Regular meeting with custodian • Receipt of SAS 70 reports and monitoring 	4	1	4	↔	TOLERATE		Ongoing
	Causes: Financial market crisis, regulatory/political								
	Potential Impact: Loss of assets or control of assets								
NESPF018	Risk: Failure to fulfil fiduciary duties with appropriate regard to ESG responsibilities	<ul style="list-style-type: none"> • Member training on roles and fiduciary duties • Policy incorporated within SIP 	2	3	6	↔	TREAT	Revised SIP to Nov'19 meeting for approval. New UK Stewardship Code, ESG training undertaken Jan'20.	Graham Buntain, June 2020
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy								
	Potential Impact: Reputational damage								
Accounting									
NESPF019	Risk: Poor financial reporting	<ul style="list-style-type: none"> • Comprehensive policies and procedures in place and review of <i>the Code</i> • Attending CIPFA meeting 	3	2	6	↔	TREAT		Ongoing
	Causes: Lack of internal policies and procedures, failure to keep up to date								

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	with changes in the Code of Practice and other overriding changes, training issues Potential Impact: Qualified accounts	and reviews <ul style="list-style-type: none"> Regular reconciliations e.g. fund managers, custodian Internal/External Audits 							
Technical									
NESPF020	Risk: Failure to secure and manage personal data in line with data protection requirements Causes: Cyber-attack, human processing error Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties	<ul style="list-style-type: none"> Annual information governance training for staff Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule) Secure physical storage measures Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3rd party penetration testing etc 	4	2	8	↔	TREAT	Revised Breaches procedure and policy approved Nov'19. No further personal data breaches this quarter.	Ongoing
NESPF021	Risk: Failure of the Fund's administration system Causes: Outages, hardware and software failures and cyber attacks	<ul style="list-style-type: none"> Administration system is hosted externally with back up in separate location 	3	2	6	↔	TOLERATE		Ongoing

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	Potential Impact: Staff downtime, loss of service delivery	<ul style="list-style-type: none"> Regular software updates Business continuity and disaster recovery plans in place 							
NESPFO22	Risk Failure to track member status and trace information	<ul style="list-style-type: none"> Tracing service in place (ATMOS) 	2	3	6	↔	TREAT		Ongoing
	Causes: Poor record keeping	<ul style="list-style-type: none"> Use of 'Tell Us Once' service 							
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action	<ul style="list-style-type: none"> Data quality improvement plan in place including measures to trace Existence checking 							
Employer Relationship									
NESPFO23	Risk: Failure to monitor employer covenant	<ul style="list-style-type: none"> Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) 	3	4	12	↔	TREAT		Ongoing
	Causes: Failure of internal procedures								
	Potential Impact: Orphaned liabilities could fall on remaining employers								
NESPFO24	Risk: Changes in early retirement strategies by employers	<ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy (within FSS) 	3	3	9	↔	TREAT		Ongoing
	Causes: Public service cuts to funding								
	Potential Impact: Pressure on cash flows								
NESPFO25	Risk: Employers leaving Scheme or closing to new members	<ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy 	2	6	12	↔	TREAT		Ongoing

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	<p>Causes: Public service cuts to funding, increased pension contribution costs</p> <p>Potential Impact: Orphaned liabilities could fall to remaining employers</p>	<p>(within FSS)</p> <ul style="list-style-type: none"> • Cost Cap mechanism introduced in LGPS regulations 							
NESPF026	<p>Risk: Longevity</p> <p>Causes: Increasing life expectancy rates</p> <p>Potential Impact: Increase in employer contribution rates and liabilities</p>	<ul style="list-style-type: none"> • Tri-ennial valuation undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases 	2	2	4	↔	TOLERATE	Tri-ennial valuation due March 2020	Ongoing
NESPF027	<p>Risk: Employer contributions not received, collected or recorded accurately</p> <p>Causes: Lack of staff resources, training issues</p> <p>Potential Impact: Orphaned liabilities could fall to remaining employers</p>	<ul style="list-style-type: none"> • Internal escalation procedures • Breaches policy and register • Monthly data submission reconciled by ERT • Quarterly PAS reporting to Committee & Board • Ongoing training provided by dedicated ERT to Scheme employers 	2	4	8	↔	TREAT	Reminder due in next Employer Bulletin on statutory responsibilities	Ongoing
NESPF028	<p>Risk: Failure to maintain member records; data incomplete or inaccurate</p> <p>Causes: Lack of staff resources, training issues</p>	<ul style="list-style-type: none"> • Monthly data from employers which is reconciled by ERT • Quarterly PAS reporting 	2	2	4	↔	TREAT	Data quality improvement plan update to Committee (March 2020)	Ongoing

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	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, TPR action	to Committee & Board • Data quality improvement plan implemented							