## **Risk Register**



## **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 Refence.

## **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	<b>Very Serious</b>	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
		1	2	3	4	5	6
Imp	act Likelihood	Almost Impossible	Very Low	Low	Significant	High	Very High

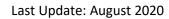
## Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	• •	000	0	•		
3	Serious	•	•••	000	•		
2	Marginal	•	• • •	• • •	00		•
1	Negligible						
		1	2	3	4	5	6
Imp	act Likelihood	Almost Impossible	Very Low	Low	Significant	High	Very High

**Red = High Priority** (urgent action required)

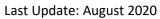
Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

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



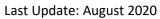


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
Pension Fu	und Level								
NESPF001	Risk: COVID-19  Causes: Global virus pandemic  Potential Impact: Failure to pay pensions, loss of staff due to illness, ability to meet regulatory requirements, financial impact on investment returns, covenant risk for employers	<ul> <li>Government and regulator guidance</li> <li>NESPF risk policy and register</li> <li>Updates/Communication between CO-Finance and Pension Manager</li> <li>Business Continuity plans in place</li> <li>Homeworking for Pensions Staff</li> <li>PAS performance reporting</li> <li>Internal/External audits</li> <li>Regular staff comms and training</li> </ul>	4	4	16	$\leftrightarrow$	TREAT		Laura Colliss, ongoing
NESPF002	Risk: Lack of effective risk controls  Causes: Failure to implement risk management framework  Potential Impact: Operational, financial and reputational issues	<ul> <li>NESPF risk register is reviewed and updated quarterly by senior management team</li> <li>Consideration by Pensions Committee &amp; Board at quarterly meetings</li> <li>NESPF specific Risk Management Policy in place</li> </ul>	4	1	4	$\leftrightarrow$	TREAT		Ongoing
NESPF003	Risk: Poor Governance	·	2	2	4	$\leftrightarrow$	TREAT		Ongoing



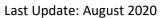


Code	Risk Description	·					Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Causes: Lack of robust and effective governance framework and supporting policies and procedures  Potential Impact: Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk	<ul> <li>Annual review of Funds         Governance Compliance         Statement and         supporting policies and         procedures</li> <li>Adherence to Council's         Scheme of Governance</li> <li>Committee Effectiveness         Report to support good         governance</li> </ul>						June Committee meeting was cancelled due to COVID-19, Committee Effectiveness report will go to September meeting.	
NESPF004	Risk: Lack of performance measures  Causes: Failure to develop performance reporting framework  Potential Impact: Lack of transparency, poor performance could go unaddressed	<ul> <li>Statutory and local KPI's</li> <li>Pension Administration         Strategy published             quarterly         Investment performance             (against benchmark)             reported to Committee             quarterly     </li> </ul>	2	3	6	$\leftrightarrow$	TREAT		Ongoing
NESPF005	Risk: Failure of Pensions Committee and Pension Board to operate effectively 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	<ul> <li>Publication of Pension Board Annual Report</li> <li>Training Policy reviewed annually and training register in place</li> <li>Nomination &amp; Appointment procedure</li> <li>Annual Committee Effectiveness Report</li> </ul>	3	2	6	$\leftrightarrow$	TREAT	19/20 Pension Board Annual Report approved, new Chair/Vice Chair appointed for 20/21.  Normal Governance arrangements to recommence from August 2020	Ongoing



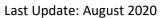


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF006	Risk: Operational Disaster; unable to access the workplace  Causes: Major incident, natural disaster  Potential Impact: Loss of service delivery, staff downtime	<ul> <li>ACC Disaster Recovery policy in place</li> <li>NESPF Business Continuity Plan to address loss/disruption to benefit administration system</li> </ul>	2	2	4	$\leftrightarrow$	TOLERATE		Ongoing
NESPF007	Risk: Failure to recruit, retain and develop staff  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	<ul> <li>All staff have individual development plans which are reviewed regularly through CR&amp;D</li> <li>Training register to monitor</li> <li>2 full time training &amp; development staff</li> <li>Internal 2 year training programme for benefit admin staff</li> <li>Future-focused staffing structure, subject to ongoing review</li> </ul>	4	2	8	$\leftrightarrow$	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 delayed due to COVID-19.	Laura Colliss, December 2020
NESPF008	Risk: Pay and price inflation valuation assumptions either higher or lower  Causes: Economic factors  Potential Impact: Potential increase in employer contribution rates and liabilities	<ul> <li>Quarterly funding updates to Committee (using FSM)</li> <li>Tri-ennial valuation</li> <li>Individual employer contribution rates</li> </ul>	2	2	4	$\leftrightarrow$	TOLERATE	Tri-ennial valuation 2020 in progress	Ongoing



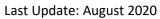


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			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF009	Risk: Failure to adhere to relevant pensions legislation and guidance  Causes: Political and legislative changes, increased administrative complexity, staff training issue  Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action	<ul> <li>Six monthly compliance review, with annual reporting to Pensions         Committee and Board</li> <li>Active participation at LGPS events, Testing         Working Party for administration software updates</li> <li>Established processes for staff training</li> <li>Regular benefit admin team meetings to share knowledge</li> </ul>	3	3	9	$\leftrightarrow$	TREAT	Review completed June 2020	Ongoing
NESPF010	Risk: Failure to comply with FOI or SAR requests  Causes: Missed statutory deadlines due to training or resource issues  Potential Impact: Audit criticism, legal challenge, reputational risk	<ul> <li>Internal written procedures in place</li> <li>FOI/SAR log to record &amp; monitor</li> </ul>	3	1	3	$\leftrightarrow$	TREAT		Ongoing
NESPF011	Risk: Conflicts of Interest  Causes: Competing professional and personal interests of staff, Committee and Board members  Potential Impact: Audit criticism, legal challenge, reputational risk  ministration	<ul> <li>Regular discussions between CO-Finance and Pension Fund Manager</li> <li>Standing agenda item at meetings</li> <li>Conflicts policy &amp; register in place, with conflicts declarations issued annually</li> </ul>	2	4	8	$\leftrightarrow$	TREAT		Ongoing



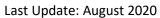


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			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF012	Risk: Requirement to complete GMP reconciliation  Causes: End of contracting out due to reforms of state pension  Potential Impact: Failure to calculate future benefits correctly, audit criticism, financial loss	<ul> <li>Dedicated GMP project team reporting to Operations Manager</li> <li>Regular updates to Committee and Board</li> </ul>	2	2	4	<b>\( \)</b>	TREAT	IPE regulations with effect 1 March 2020. Final file received from HMRC in June 2020, work to be finalised by end of year.	Gary Gray, December 2020
NESPF013	Risk: Fraud/Negligence  Causes: Dishonesty or human error by staff, scheme members  Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk	<ul> <li>Segregation of duties for benefits staff authorising/submitting lump sum payments</li> <li>Pension payments signed off by benefits senior</li> <li>Participation in National Fraud Initiative exercise</li> <li>Overseas pensioner existence checking</li> <li>Breaches Policy &amp; register</li> <li>Internal Audit control reviews</li> </ul>	2	3	6	$\leftrightarrow$	TREAT	Implementation of enhanced Admin to Pay module to provide secondary calculation checks as system requirement. Testing commenced January 2020.  Implementation date delayed (from March) due to COVID-19.	Marie McLean, September 2020
Investmen	ts								
NESPF014	Risk: Insufficient assets to meet the Funds long term liabilities  Causes: Failure of investment strategy or fund	Quarterly assessment of investment performance and funding updates	4	3	12	$\leftrightarrow$	TREAT	Tri-ennial valuation in progress, investment strategy review outcome to follow	Ongoing



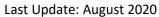


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	managers to produce expected returns  Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss	<ul> <li>Tri-ennial valuation and investment strategy review</li> <li>Diversification of assets</li> <li>Due diligence of fund managers</li> <li>External advisor for specialist guidance on strategy</li> </ul>							
NESPF015	Risk: Failure to monitor investment managers and assets	Quarterly assessment and reporting of asset performance	3	3	9	$\leftrightarrow$	TREAT		Ongoing
	Causes: Lack of internal procedures  Potential Impact: Audit criticism, legal challenge,	Regular meetings with investment managers							
NESPF016	reputational risk  Risk: Failure of world stock markets  Causes: Systemic  Potential Impact: Increase in employer contribution rates, financial loss	<ul> <li>Diversification of Scheme assets</li> <li>Tri-ennial valuation and investment strategy review</li> </ul>	4	2	8	$\leftrightarrow$	TOLERATE		Ongoing
NESPF017	Risk: Negligence/Fraud/Default Causes: Dishonesty by fund managers, lack of care or human error Potential Impact: Financial loss, reputational damage	<ul> <li>Due diligence on appointment and appropriate clause in legal agreements</li> <li>Fund management monitoring</li> <li>SAS 70 reports</li> </ul>	2	1	2	$\leftrightarrow$	TOLERATE		Ongoing
NESPF018	Risk: Failure of Global Custodian	·	4	1	4	$\leftrightarrow$	TOLERATE		Ongoing



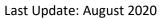


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			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Causes: Financial market crisis, regulatory/political	<ul> <li>Regular meeting with custodian</li> </ul>							
	Potential Impact: Loss of assets or control of assets	Receipt of SAS 70     reports and monitoring							
NESPF019	Risk: Failure to implement ESG policy Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy Potential Impact: Reputational damage	<ul> <li>Member training on roles and fiduciary duties</li> <li>Policy incorporated within SIP</li> <li>PRI membership</li> </ul>	2	3	6	$\leftrightarrow$	TREAT	Annual PRI signatory assessment completed	Ongoing
Accounting									
NESPF020	Risk: Poor financial reporting  Causes: Lack of internal policies and procedures, failure to keep up to date with changes in the Code of Practice and other overriding changes, training issues  Potential Impact: Qualified accounts	<ul> <li>Comprehensive policies and procedures in place and review of the Code</li> <li>Attending CIPFA meeting and reviews</li> <li>Regular reconciliations e.g. fund managers, custodian</li> <li>Internal/External Audits</li> </ul>	3	2	6	$\leftrightarrow$	TREAT	Draft Annual Accounts approved by the UBC in June 2020. Audited accounts to September meeting.	Ongoing
NESPF021	Risk: Failure to secure and manage personal data in line with data protection requirements  Causes: Cyber-attack, human processing error	<ul> <li>Annual information governance training for staff</li> <li>Policies and procedures in place and reviewed</li> </ul>	4	2	8	$\leftrightarrow$	TREAT	2 personal data breaches this quarter, both reported to DPO but did not require	Ongoing



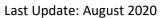


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
								Notes	
	Potential Impact: Audit	regularly (Breaches, Data						further reporting to	
	criticism, legal challenge,	Protection, Systems						ICO.	
	reputational risk, financial	Access and Retention							
	penalties	Schedule)						Annual information	
		Secure physical storage						governance	
		measures						refresher training	
		Admin system providers						completed by all	
		implement range of						staff.	
		protections against							
		cyber threats including							
		encryption, firewalls,							
		annual 3 <sup>rd</sup> party							
NESPF022	Risk: Failure of the Fund's	penetration testing etc	2	2			TOLERATE		Ongoing
NESPFUZZ	administration system	<ul> <li>Administration system is hosted externally with</li> </ul>	3	2	6	$\leftrightarrow$	IOLEKATE		Ongoing
	Causes: Outages, hardware	back up in separate							
	and software failures and	location							
	cyber attacks	Regular software							
	Potential Impact: Staff	updates							
	downtime, loss of service	Business continuity and							
	delivery	disaster recovery plans							
	,	in place							
NESPF023	Risk Failure to track member	Tracing service in place	2	3	6	$\leftrightarrow$	TREAT		Ongoing
	status and trace information	(ATMOS)							
	Causes: Poor record keeping	Use of 'Tell Us Once'							
	Potential Impact: Incorrect	service							
	pension payments, incorrect	Data quality							
	assessment of actuarial	improvement plan							
	liabilities, tPR action	including measures to							
		trace							
		Existence checking							





Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF024	Risk: Failure to monitor employer covenant  Causes: Failure of internal procedures  Potential Impact: Orphaned liabilities could fall on remaining employers	Continued implementation of Covenant Assessment and Monitoring Policy (within FSS)	3	4	12	$\leftrightarrow$	TREAT		Ongoing
NESPF025	Risk: Changes in early retirement strategies by employers  Causes: Public service cuts to funding  Potential Impact: Pressure on cash flows	Management through     Covenant Assessment     and Monitoring Policy     (within FSS)	3	3	9	$\leftrightarrow$	TREAT		Ongoing
NESPF026	Risk: Employers leaving Scheme or closing to new members  Causes: Public service cuts to funding, increased pension contribution costs  Potential Impact: Orphaned liabilities could fall to remaining employers	<ul> <li>Management through Covenant Assessment and Monitoring Policy (within FSS)</li> <li>Cost Cap mechanism introduced in LGPS regulations</li> </ul>	2	6	12	$\leftrightarrow$	TREAT		Ongoing
NESPF027	Risk: Longevity  Causes: Increasing life expectancy rates  Potential Impact: Increase in employer contribution rates and liabilities	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	$\leftrightarrow$	TOLERATE	Tri-ennial valuation in progress	Ongoing





Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF028	Risk: Employer contributions not received, collected or recorded accurately  Causes: Lack of staff resources, training issues  Potential Impact: Orphaned liabilities could fall to remaining employers	<ul> <li>Internal escalation procedures</li> <li>Breaches policy and register         Monthly data submission reconciled by ERT</li> <li>Quarterly PAS reporting to Committee &amp; Board</li> <li>Ongoing training provided by dedicated ERT to Scheme employers</li> <li>Employer Briefings</li> </ul>	2	4	8	$\leftrightarrow$	TREAT		Ongoing
NESPF029	Risk: Failure to maintain member records; data incomplete or inaccurate  Causes: Lack of staff resources, training issues  Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action	<ul> <li>Monthly data from employers which is reconciled by ERT</li> <li>Quarterly PAS reporting to Committee &amp; Board</li> <li>Data quality improvement plan implemented</li> </ul>	2	2	4	<b>\</b>	TREAT	Data quality improvement plan update to Committee in March 2020	Ongoing