

# 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.

<b>4</b>	<b>Very Serious</b>	4	8	12	16	20	24
<b>3</b>	<b>Serious</b>	3	6	9	12	15	18
<b>2</b>	<b>Marginal</b>	2	4	6	8	10	12
<b>1</b>	<b>Negligible</b>	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 029 fall)

<b>4</b>	<b>Very Serious</b>	●●	●●●	●	●	●	●
<b>3</b>	<b>Serious</b>	●	●●●	●●●	●	●	●
<b>2</b>	<b>Marginal</b>	●	●●●	●●●	●●	●	●
<b>1</b>	<b>Negligible</b>						
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			
<b>Pension Fund Level</b>									
NESPFO01	<b>Risk:</b> COVID-19	<ul style="list-style-type: none"> <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	↔	TREAT		Laura Colliss, ongoing
	<b>Causes:</b> Global virus pandemic								
	<b>Potential Impact:</b> Failure to pay pensions, loss of staff due to illness, ability to meet regulatory requirements, financial impact on investment returns, covenant risk for employers								
NESPFO02	<b>Risk:</b> Lack of effective risk controls	<ul style="list-style-type: none"> <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	↔	TREAT		Ongoing
	<b>Causes:</b> Failure to implement risk management framework								
	<b>Potential Impact:</b> Operational, financial and reputational issues								
NESPFO03	<b>Risk:</b> Poor Governance		2	2	4	↔	TREAT		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<p><b>Causes:</b> Lack of robust and effective governance framework and supporting policies and procedures</p> <p><b>Potential Impact:</b> Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk</p>	<ul style="list-style-type: none"> <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>						<p>Committee Effectiveness Report presented to September 2020 meeting.</p> <p>Temporary governance arrangements in place due to COVID 19 ceased in August.</p>	
NESPF004	<p><b>Risk:</b> Lack of performance measures</p> <p><b>Causes:</b> Failure to develop performance reporting framework</p> <p><b>Potential Impact:</b> Lack of transparency, poor performance could go unaddressed</p>	<ul style="list-style-type: none"> <li>Statutory and local KPI's</li> <li>Pension Administration Strategy published quarterly</li> <li>Investment performance (against benchmark) reported to Committee quarterly</li> </ul>	2	3	6	↔	TREAT		Ongoing
NESPF005	<p><b>Risk:</b> Failure of Pensions Committee and Pension Board to operate effectively</p> <p><b>Causes:</b> Poor attendance/commitment to role, high turnover of members, lack of training</p> <p><b>Potential Impact:</b> Non-compliance with regulatory requirements, inability to</p>	<ul style="list-style-type: none"> <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	↔	TREAT	Normal Governance arrangements to recommenced from August 2020.	Ongoing

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			Impact	Likelihood	Score	Movement			
	make decisions or policies, reputational risk								
NESPFO06	<b>Risk:</b> Operational Disaster; unable to access the workplace	<ul style="list-style-type: none"> <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	↔	TOLERATE		Ongoing
	<b>Causes:</b> Major incident, natural disaster								
	<b>Potential Impact:</b> Loss of service delivery, staff downtime								
NESPFO07	<b>Risk:</b> Failure to recruit, retain and develop staff	<ul style="list-style-type: none"> <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	↔	TREAT	Recruitment underway to fill vacant posts. Staffing update to December Committee meeting.  Office relocation is on schedule to be completed by December.	<b>Laura Colliss, December 2020</b>
	<b>Causes:</b> Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities								
	<b>Potential Impact:</b> Loss of service delivery, risk to succession planning								
NESPFO08	<b>Risk:</b> Pay and price inflation valuation assumptions either higher or lower	<ul style="list-style-type: none"> <li>Quarterly funding updates to Committee (using FSM)</li> </ul>	2	2	4	↔	TOLERATE	Tri-ennial valuation 2020 in progress	Ongoing
	<b>Causes:</b> Economic factors								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<b>Potential Impact:</b> Potential increase in employer contribution rates and liabilities	<ul style="list-style-type: none"> <li>• Tri-ennial valuation</li> <li>• Individual employer contribution rates</li> </ul>							
<b>Governance</b>									
NESPF009	<p><b>Risk:</b> Failure to adhere to relevant pensions legislation and guidance</p> <p><b>Causes:</b> Political and legislative changes, increased administrative complexity, staff training issue</p> <p><b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial loss and tPR action</p>	<ul style="list-style-type: none"> <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	↔	TREAT		Ongoing
NESPF010	<p><b>Risk:</b> Failure to comply with FOI or SAR requests</p> <p><b>Causes:</b> Missed statutory deadlines due to training or resource issues</p> <p><b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> <li>• Internal written procedures in place</li> <li>• FOI/SAR log to record &amp; monitor</li> </ul>	3	1	3	↔	TREAT	New online process through GovServices implemented to manage FOI requests	Ongoing
NESPF011	<p><b>Risk:</b> Conflicts of Interest</p> <p><b>Causes:</b> Competing professional and personal interests of staff, Committee and Board members</p>	<ul style="list-style-type: none"> <li>• Regular discussions between CO-Finance and Pension Fund Manager</li> </ul>	2	4	8	↔	TREAT		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
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	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk	<ul style="list-style-type: none"> <li>• Standing agenda item at meetings</li> <li>• Conflicts policy &amp; register in place, with conflicts declarations issued annually</li> </ul>							
<b>Benefit Administration</b>									
NESPF012	<b>Risk:</b> Requirement to complete GMP reconciliation	<ul style="list-style-type: none"> <li>• Dedicated GMP project team reporting to Operations Manager</li> <li>• Regular updates to Committee and Board</li> </ul>	2	2	4	↔	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
	<b>Causes:</b> End of contracting out due to reforms of state pension								
	<b>Potential Impact:</b> Failure to calculate future benefits correctly, audit criticism, financial loss								
NESPF013	<b>Risk:</b> Fraud/Negligence	<ul style="list-style-type: none"> <li>• Segregation of duties for benefits staff authorising/submitted 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	↔	TREAT	Enhanced Admin to Pay module to provide secondary calculation checks as system requirement implemented into Live system during October 2020. Procedure testing underway and full review to be completed in New Year.	Ongoing
	<b>Causes:</b> Dishonesty or human error by staff, scheme members								
	<b>Potential Impact:</b> Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
<b>Investments</b>									
NESPFO14	<b>Risk:</b> Insufficient assets to meet the Funds long term liabilities	<ul style="list-style-type: none"> <li>Quarterly assessment of investment performance and funding updates</li> <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>	4	3	12	↔	TREAT	Tri-ennial valuation in progress, investment strategy review outcome to follow.  Tender underway for new investment management consultancy services.	Ongoing
	<b>Causes:</b> Failure of investment strategy or fund managers to produce expected returns								
	<b>Potential Impact:</b> Increase in employer contribution rates, investment risk, audit criticism, financial loss								
NESPFO15	<b>Risk:</b> Failure to monitor investment managers and assets	<ul style="list-style-type: none"> <li>Quarterly assessment and reporting of asset performance</li> <li>Regular meetings with investment managers</li> </ul>	3	3	9	↔	TREAT		Ongoing
	<b>Causes:</b> Lack of internal procedures								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk								
NESPFO16	<b>Risk:</b> Failure of world stock markets	<ul style="list-style-type: none"> <li>Diversification of Scheme assets</li> <li>Tri-ennial valuation and investment strategy review</li> </ul>	4	2	8	↔	TOLERATE		Ongoing
	<b>Causes:</b> Systemic								
	<b>Potential Impact:</b> Increase in employer contribution rates, financial loss								
NESPFO17	<b>Risk:</b> Negligence/Fraud/Default	<ul style="list-style-type: none"> <li>Due diligence on appointment and appropriate clause in legal agreements</li> </ul>	2	1	2	↔	TOLERATE		Ongoing
	<b>Causes:</b> Dishonesty by fund managers, lack of care or human error								

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			Impact	Likelihood	Score	Movement			
	<b>Potential Impact:</b> Financial loss, reputational damage	<ul style="list-style-type: none"> <li>Fund management monitoring</li> <li>SAS 70 reports</li> </ul>							
NESPFO18	<b>Risk:</b> Failure of Global Custodian	<ul style="list-style-type: none"> <li>Regular meeting with custodian</li> <li>Receipt of SAS 70 reports and monitoring</li> </ul>	4	1	4	↔	TOLERATE		Ongoing
	<b>Causes:</b> Financial market crisis, regulatory/political								
	<b>Potential Impact:</b> Loss of assets or control of assets								
NESPFO19	<b>Risk:</b> Failure to implement ESG policy	<ul style="list-style-type: none"> <li>Member training on roles and fiduciary duties</li> <li>Policy incorporated within SIP</li> <li>PRI membership</li> </ul>	2	3	6	↔	TREAT	Annual PRI signatory assessment completed	Ongoing
	<b>Causes:</b> Lack of skills/knowledge, lack of transparency on practices or clear policy								
	<b>Potential Impact:</b> Reputational damage								
<b>Accounting</b>									
NESPFO20	<b>Risk:</b> Poor financial reporting	<ul style="list-style-type: none"> <li>Comprehensive policies and procedures in place and review of <i>the Code</i></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	↔	TREAT	Audited accounts signed following September's Committee meeting.	Ongoing
	<b>Causes:</b> 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								
	<b>Potential Impact:</b> Qualified accounts								
<b>Technical</b>									
NESPFO21	<b>Risk:</b> Failure to secure and manage personal data in line		4	2	8	↔	TREAT	No data breaches this quarter,	Ongoing



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	<p>with data protection requirements</p> <p><b>Causes:</b> Cyber-attack, human processing error</p> <p><b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial penalties</p>	<ul style="list-style-type: none"> <li>Annual information governance training for staff</li> <li>Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule)</li> <li>Secure physical storage measures</li> <li>Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3<sup>rd</sup> party penetration testing etc</li> </ul>						however risk rating left at same level due to ongoing COVID-19 and homeworking situation.	
NESPF022	<p><b>Risk:</b> Failure of the Fund's administration system</p> <p><b>Causes:</b> Outages, hardware and software failures and cyber attacks</p> <p><b>Potential Impact:</b> Staff downtime, loss of service delivery</p>	<ul style="list-style-type: none"> <li>Administration system is hosted externally with back up in separate location</li> <li>Regular software updates</li> <li>Business continuity and disaster recovery plans in place</li> </ul>	3	2	6	↔	TOLERATE		Ongoing
NESPF023	<p><b>Risk:</b> Failure to track member status and trace information</p> <p><b>Causes:</b> Poor record keeping</p> <p><b>Potential Impact:</b> Incorrect pension payments, incorrect</p>	<ul style="list-style-type: none"> <li>Tracing service in place (ATMOS)</li> <li>Use of 'Tell Us Once' service</li> </ul>	2	3	6	↔	TREAT		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
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	assessment of actuarial liabilities, tPR action	<ul style="list-style-type: none"> <li>Data quality improvement plan including measures to trace</li> <li>Existence checking</li> </ul>							
<b>Employer Relationship</b>									
NESPFO24	<b>Risk:</b> Failure to monitor employer covenant	<ul style="list-style-type: none"> <li>Continued implementation of Covenant Assessment and Monitoring Policy (within FSS)</li> </ul>	3	4	12	↔	TREAT		Ongoing
	<b>Causes:</b> Failure of internal procedures								
	<b>Potential Impact:</b> Orphaned liabilities could fall on remaining employers								
NESPFO25	<b>Risk:</b> Changes in early retirement strategies by employers	<ul style="list-style-type: none"> <li>Management through Covenant Assessment and Monitoring Policy (within FSS)</li> </ul>	3	3	9	↔	TREAT		Ongoing
	<b>Causes:</b> Public service cuts to funding								
	<b>Potential Impact:</b> Pressure on cash flows								
NESPFO26	<b>Risk:</b> Employers leaving Scheme or closing to new members	<ul style="list-style-type: none"> <li>Management through Covenant Assessment and Monitoring Policy (within FSS)</li> <li>Cost Cap mechanism introduced in LGPS regulations</li> </ul>	2	6	12	↔	TREAT		Ongoing
	<b>Causes:</b> Public service cuts to funding, increased pension contribution costs								
	<b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers								
NESPFO27	<b>Risk:</b> Longevity	<ul style="list-style-type: none"> <li>Tri-ennial valuation undertakes scheme</li> </ul>	2	2	4	↔	TOLERATE	Tri-ennial valuation in progress	Ongoing
	<b>Causes:</b> Increasing life expectancy rates								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<b>Potential Impact:</b> Increase in employer contribution rates and liabilities	specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases							
NESPFO28	<b>Risk:</b> Employer contributions not received, collected or recorded accurately	<ul style="list-style-type: none"> <li>Internal escalation procedures</li> <li>Breaches policy and register</li> <li>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	↔	TREAT		Ongoing
	<b>Causes:</b> Lack of staff resources, training issues								
	<b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers								
NESPFO29	<b>Risk:</b> Failure to maintain member records; data incomplete or inaccurate	<ul style="list-style-type: none"> <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	↔	TREAT		Ongoing
	<b>Causes:</b> Lack of staff resources, training issues								
	<b>Potential Impact:</b> Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action								