

# 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, time lost due to connectivity issues while homeworking, 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>Normal governance arrangements operating.</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 make decisions or policies, reputational risk</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 September 2020.	Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
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		
	<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	<p>Recruitment underway to fill vacant posts through new Re.cru.it scheme.</p> <p>Staffing and accommodation update to March 2021 Committee meeting.</p>	
	<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> <li>Tri-ennial valuation</li> <li>Individual employer contribution rates</li> </ul>	2	2	4	↔	TOLERATE	<p>Tri-ennial valuation 2020 in progress.</p> <p>Update report to March 2021 Committee meeting.</p>	
	<b>Causes:</b> Economic factors								
	<b>Potential Impact:</b> Potential increase in employer contribution rates and liabilities								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
NESPF009	<b>Risk:</b> Failure to adhere to relevant pensions legislation and guidance	<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
	<b>Causes:</b> Political and legislative changes, increased administrative complexity, staff training issue								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial loss and tPR action								
NESPF010	<b>Risk:</b> Failure to comply with FOI or SAR requests	<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
	<b>Causes:</b> Missed statutory deadlines due to training or resource issues								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk								
NESPF011	<b>Risk:</b> Conflicts of Interest	<ul style="list-style-type: none"> <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	↔	TREAT		Ongoing
	<b>Causes:</b> Competing professional and personal interests of staff, Committee and Board members								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
NESPFO12	<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, further work is required to complete the project.	Gary Gray, ongoing
	<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								
NESPFO13	<b>Risk:</b> Fraud/Negligence	<ul style="list-style-type: none"> <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	↔	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								
<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> </ul>	4	3	12	↔	TREAT	Tri-ennial valuation in progress, investment strategy review outcome to follow.	Ongoing
	<b>Causes:</b> Failure of investment strategy or fund								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	managers to produce expected returns <b>Potential Impact:</b> Increase in employer contribution rates, investment risk, audit criticism, financial loss	<ul style="list-style-type: none"> <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>						Tender underway for new investment management consultancy services.	
NESPF015	<b>Risk:</b> Failure to monitor investment managers and assets  <b>Causes:</b> Lack of internal procedures  <b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk	<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
NESPF016	<b>Risk:</b> Failure of world stock markets  <b>Causes:</b> Systemic  <b>Potential Impact:</b> Increase in employer contribution rates, financial loss	<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
NESPF017	<b>Risk:</b> Negligence/Fraud/Default  <b>Causes:</b> Dishonesty by fund managers, lack of care or human error  <b>Potential Impact:</b> Financial loss, reputational damage	<ul style="list-style-type: none"> <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	↔	TOLERATE		Ongoing
NESPF018	<b>Risk:</b> Failure of Global Custodian		4	1	4	↔	TOLERATE		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<p><b>Causes:</b> Financial market crisis, regulatory/political</p> <p><b>Potential Impact:</b> Loss of assets or control of assets</p>	<ul style="list-style-type: none"> <li>Regular meeting with custodian</li> <li>Receipt of SAS 70 reports and monitoring</li> </ul>							
NESPF019	<p><b>Risk:</b> Failure to implement ESG policy</p> <p><b>Causes:</b> Lack of skills/knowledge, lack of transparency on practices or clear policy</p> <p><b>Potential Impact:</b> Reputational damage</p>	<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>Accounting</b>									
NESPF020	<p><b>Risk:</b> Poor financial reporting</p> <p><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</p> <p><b>Potential Impact:</b> Qualified accounts</p>	<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	Work commenced in preparation for year end accounts.	Ongoing
<b>Systems</b>									
NESPF021	<p><b>Risk:</b> Failure to secure and manage personal data in line with data protection requirements</p> <p><b>Causes:</b> Cyber-attack, human processing error</p>	<ul style="list-style-type: none"> <li>Annual information governance training for staff</li> <li>Policies and procedures in place and reviewed</li> </ul>	4	2	8	↔	TREAT	No data breaches this quarter, however risk rating left at same level due to ongoing COVID-19 and	Ongoing



Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial penalties	<p>regularly (Breaches, Data Protection, Systems Access and Retention Schedule)</p> <ul style="list-style-type: none"> <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>						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 assessment of actuarial liabilities, tPR action</p>	<ul style="list-style-type: none"> <li>Tracing service in place (ATMOS)</li> <li>Use of 'Tell Us Once' service</li> <li>Data quality improvement plan including measures to trace</li> <li>Existence checking</li> </ul>	2	3	6	↔	TREAT		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
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 specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases</li> </ul>	2	2	4	↔	TOLERATE	Tri-ennial valuation in progress	Ongoing
	<b>Causes:</b> Increasing life expectancy rates								
	<b>Potential Impact:</b> Increase in employer contribution rates and liabilities								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
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		
	<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		
	<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								
NESPFO30	<b>Risk:</b> The Fund is unable to adequately comply with required administrative processes owing to McCloud Judgement	<ul style="list-style-type: none"> <li>• SAB and other industry guidance</li> <li>• Early and ongoing communication with employers</li> <li>• McCloud project team created</li> </ul>	2	3	6	**NEW**			
	<b>Causes:</b> Not having the required historic data, adequate resources, sufficient guidance								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<b>Potential Impact:</b> Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation								

DRAFT