

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	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 029 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: COVID-19	<ul style="list-style-type: none"> Government and regulator guidance NESPF risk policy and register Updates/Communication between CO-Finance and Pension Manager Business Continuity plans in place Homeworking for Pensions Staff & rollout of vaccination programme PAS performance reporting Internal/External audits Regular staff comms and training 	4	4	16	↔	TREAT		Laura Colliss, ongoing
	Causes: Global virus pandemic								
	Potential Impact: 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	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		Ongoing
	Causes: Failure to implement risk management framework								
	Potential Impact: Operational, financial and reputational issues								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		<ul style="list-style-type: none"> NESPF specific Risk Management Policy in place 							
NESPF003	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 Committee Effectiveness Report to support good governance 	2	2	4	↔	TREAT	Committee Effectiveness Report will now be taken to December 2021 meeting. Normal governance arrangements operating.	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								
NESPF004	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								
NESPF005	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 	3	2	6	↔	TREAT	Normal Governance arrangements operating.	Ongoing
	Causes: Poor attendance/commitment to role, high turnover of members, lack of training								

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	Potential Impact: Non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk	<ul style="list-style-type: none"> Nomination & Appointment procedure Annual Committee Effectiveness Report 							
NESPFO06	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								
NESPFO07	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 structure, subject to ongoing review 	4	2	8	↔	TREAT	Recruitment underway to fill vacant posts within Investment and Governance teams.	Laura Colliss, September 2021
	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								
NESPFO08	Risk: Pay and price inflation valuation assumptions either higher or lower	<ul style="list-style-type: none"> Quarterly funding updates to Committee (using FSM) 	2	4	8	↑	TOLERATE	Tri-ennial valuation 2020 in now complete.	Ongoing
	Causes: Economic factors								

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

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	Potential Impact: Audit criticism, legal challenge, reputational risk	<ul style="list-style-type: none"> • Standing agenda item at meetings • Conflicts policy & register in place, with conflicts declarations issued annually 							
Benefit Administration									
NESPF012	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. Final file received from HMRC in June 2020, further work is required to complete the project.	Gary Gray, ongoing
	Causes: End of contracting out due to reforms of state pension								
	Potential Impact: Failure to calculate future benefits correctly, audit criticism, financial loss								
NESPF013	Risk: Fraud/Negligence	<ul style="list-style-type: none"> • Segregation of duties for benefits staff authorising/submitted lump sum payments • Pension payments signed off by benefits senior • Participation in National Fraud Initiative exercise • Overseas pensioner existence checking • Breaches Policy & register • Internal Audit control reviews 	2	3	6	↔	TREAT	Enhanced Admin to Pay module to provide secondary calculation checks as system requirement implemented into Live system during October 2020.	Ongoing
	Causes: Dishonesty or human error by staff, scheme members								
	Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk								

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Investments									
NESPFO14	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 is complete, investment strategy review completed and approved by Committee in March 2021. Tender underway for new investment management consultancy services.	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								
NESPFO15	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								
NESPFO16	Risk: Failure of world stock markets	<ul style="list-style-type: none"> Diversification of Scheme assets Tri-ennial valuation and investment strategy review 	4	2	8	↔	TOLERATE	Tri-ennial valuation is complete, investment strategy review completed and approved by Committee in March 2021.	Ongoing
	Causes: Systemic								
	Potential Impact: Increase in employer contribution rates, financial loss								

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NESPFO17	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								
NESPFO18	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								
NESPFO19	Risk: Failure to implement ESG policy	<ul style="list-style-type: none"> • Member training on roles and fiduciary duties • Policy incorporated within SIP • PRI membership 	2	3	6	↔	TREAT	Annual PRI signatory assessment completed	Ongoing
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy								
	Potential Impact: Reputational damage								
Accounting									
NESPFO20	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 and reviews • Regular reconciliations e.g. fund managers, custodian 	3	2	6	↔	TREAT	Draft unaudited accounts to Committee in June 2021.	Ongoing
	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								

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	Potential Impact: Qualified accounts	<ul style="list-style-type: none"> Internal/External Audits 							
Systems									
NESPF021	<p>Risk: Failure to secure and manage personal data in line with data protection requirements</p> <p>Causes: Cyber-attack, human processing error</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties</p>	<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	No data breaches this quarter, however risk rating left at same level due to ongoing COVID-19 and homeworking situation.	Ongoing
NESPF022	<p>Risk: Failure of the Fund's administration system</p> <p>Causes: Outages, hardware and software failures and cyber attacks</p> <p>Potential Impact: Staff downtime, loss of service delivery</p>	<ul style="list-style-type: none"> Administration system is hosted externally with back up in separate location Regular software updates Business continuity and disaster recovery plans in place 	3	2	6	↔	TOLERATE		Ongoing
NESPF023	Risk: Failure to track member status and trace information		2	3	6	↔	TREAT		Ongoing

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	<p>Causes: Poor record keeping</p> <p>Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action</p>	<ul style="list-style-type: none"> Tracing service in place (ATMOS) Use of 'Tell Us Once' service Data quality improvement plan including measures to trace Existence checking 							
Employer Relationship									
NESPF024	<p>Risk: Failure to monitor employer covenant</p> <p>Causes: Failure of internal procedures</p> <p>Potential Impact: Orphaned liabilities could fall on remaining employers</p>	<ul style="list-style-type: none"> Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) 	3	4	12	↔	TREAT		Ongoing
NESPF025	<p>Risk: Changes in early retirement strategies by employers</p> <p>Causes: Public service cuts to funding</p> <p>Potential Impact: Pressure on cash flows</p>	<ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy (within FSS) 	3	3	9	↔	TREAT		Ongoing
NESPF026	<p>Risk: Employers leaving Scheme or closing to new members</p> <p>Causes: Public service cuts to funding, increased pension contribution costs</p>	<ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy (within FSS) 	2	6	12	↔	TREAT	Expected changes to Regulations to allow greater flexibilities to exiting employers which may reduce	Ongoing

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	Potential Impact: Orphaned liabilities could fall to remaining employers	<ul style="list-style-type: none"> Cost Cap mechanism introduced in LGPS regulations 						risk of orphaned liabilities. Risk level remains unchanged due to ongoing uncertainty from COVID-19.	
NESPFO27	Risk: Longevity	<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 completed.	Ongoing
	Causes: Increasing life expectancy rates								
	Potential Impact: Increase in employer contribution rates and liabilities								
NESPFO28	Risk: Employer contributions not received, collected or recorded accurately	<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 Employer Briefings 	2	4	8	↔	TREAT		Ongoing
	Causes: Lack of staff resources, training issues								
	Potential Impact: Orphaned liabilities could fall to remaining employers								
NESPFO29	Risk: Failure to maintain member records; data incomplete or inaccurate	<ul style="list-style-type: none"> Monthly data from employers which is reconciled by ERT 	2	2	4	↔	TREAT		Ongoing
	Causes: Lack of staff resources, training issues								

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	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action	<ul style="list-style-type: none"> Quarterly PAS reporting to Committee & Board Data quality improvement plan implemented 							
NESPF030	<p>Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud Judgement</p> <p>Causes: Not having the required historic data, adequate resources, sufficient guidance</p> <p>Potential Impact: Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation</p>	<ul style="list-style-type: none"> SAB and other industry guidance Early and ongoing communication with employers McCloud project team created 	2	3	6	↔			Ongoing