## **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

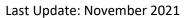
## Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	• •	000	0	•		
3	Serious	•	•••	000	•		
2	Marginal	•	•••	•••	000		•
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)

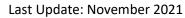




Code	Risk Description Mitigating Controls Current Risk					Approach	Additional	Owner &	
			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
								Notes	
Pension Fu									,
NESPF001	Risk: COVID-19  Causes: Global virus pandemic  Potential Impact: Failure to pay pensions, loss of staff due to illness, time lost due to connectivity issues while homeworking, ability to meet regulatory requirements, financial impact on investment returns, covenant risk for employers	<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 &amp; rollout of vaccination programme</li> <li>PAS performance reporting</li> <li>Internal/External audits</li> <li>Regular staff comms and training</li> </ul>	4	4	16	$\leftrightarrow$	TREAT	Risk score remains high; vaccination rollout has been very successful but cases are still high. Full return to office has not been possible.	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

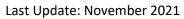


	Causes: Lack of robust and effective governance framework and supporting policies and procedures  Potential Impact: Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk	<ul> <li>Annual review of Funds         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>						Committee Effectiveness Report will be taken to December 2021 meeting.  Normal governance arrangements currently operating. ACC Scheme of Governance annual review completed in April 2021.	
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</li> <li>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	<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	Normal Governance arrangements currently operating. Pension Board report agreed in June 2021.	Ongoing





NECESCOC	make decisions or policies, reputational risk	4000					70150475		
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		TREAT	Business cases signed off and recruitment underway for a number of posts including additional PO in Training & Development.	Laura Colliss, December 2021
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	4	8	$\leftrightarrow$	TOLERATE	Tri-ennial valuation 2020 is now complete.  Inflation risk and pay inflation continue to be a concern.	Ongoing





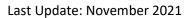
Governanc	ee								
NESPF009	Risk: Failure to adhere to relevant pensions legislation and guidance  Causes: Political and legislative changes, increased administrative complexity, staff training issue  Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action	<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	<b>\(\phi\)</b>	TREAT	Six monthly compliance review completed in July, no issues.	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> <li>Online process through GovServices</li> </ul>	3	1	3	<b>⇔</b>	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



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	$\leftrightarrow$	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
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	Enhanced Admin to Pay module to provide secondary calculation checks as system requirement implemented into Live system in October 2020.	Ongoing
Investment									
NESPF014	Risk: Insufficient assets to meet the Funds long term liabilities  Causes: Failure of investment strategy or fund managers to produce expected returns  Potential Impact: Increase in employer contribution	<ul> <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> </ul>	4	3	12	$\leftrightarrow$	TREAT	Tri-ennial valuation and investment strategy review completed and approved by Committee in March 2021.	Ongoing

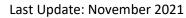


	rates, investment risk, audit criticism, financial loss	External advisor for specialist guidance on strategy						Investment Management Consultancy Services appointed in August 2021.	
NESPF015	Risk: Failure to monitor investment managers and assets  Causes: Lack of internal procedures  Potential Impact: Audit criticism, legal challenge, reputational risk	<ul> <li>Quarterly assessment and reporting of asset performance</li> <li>Regular meetings with investment managers</li> </ul>	3	3	9	$\leftrightarrow$	TREAT		Ongoing
NESPF016	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	Tri-ennial valuation and investment strategy review completed and approved by Committee in March 2021.	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 Causes: Financial market crisis, regulatory/political Potential Impact: Loss of assets or control of assets	<ul> <li>Regular meeting with custodian</li> <li>Receipt of SAS 70 reports and monitoring</li> </ul>	4	1	4	$\leftrightarrow$	TOLERATE		Ongoing



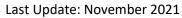


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NESPF019	Risk: Failure to implement ESG policy Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy Potential Impact: Reputational damage	<ul> <li>Member training on roles and fiduciary duties</li> <li>Policy incorporated within SIP</li> <li>PRI membership, annual signatory assessment</li> </ul>	2	3	6	$\leftrightarrow$	TREAT		Ongoing
Accounting									
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	Annual Report and Accounts signed off September 2021	Ongoing
Systems									
NESPF021	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> <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</li> </ul>	4	2	8	$\leftrightarrow$	TREAT	1 further personal data breach this quarter, risk rating left at same level due to ongoing COVID-19 and homeworking situation.	Ongoing





		protections against cyber threats including							
		encryption, firewalls, annual 3 <sup>rd</sup> party penetration testing etc							
NESPF022	Risk: Failure of the Fund's administration system  Causes: Outages, hardware and software failures and cyber attacks  Potential Impact: Staff downtime, loss of service delivery	<ul> <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	<b>\( \)</b>	TOLERATE		Ongoing
NESPF023	Risk Failure to track member status and trace information  Causes: Poor record keeping  Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action	<ul> <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	$\leftrightarrow$	TREAT		Ongoing
Employer F	Relationship								
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	Online liability monitor now has ability to track funding levels and liabilities for each individual employer.	Ongoing
NESPF025	Risk: Changes in early retirement strategies by employers	Management through Covenant Assessment	3	3	9	$\leftrightarrow$	TREAT		Ongoing





	Causes: Public service cuts to funding  Potential Impact: Pressure on cash flows	and Monitoring Policy (within FSS)							
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	<b>\$</b>	TREAT	Expected changes to Regulations to allow greater flexibilities to exiting employers which may reduce risk of orphaned liabilities. Risk level remains unchanged due to ongoing uncertainty from COVID-19.	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 completed.	Ongoing
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</li> </ul>	2	4	8	$\leftrightarrow$	TREAT		Ongoing



		ERT to scheme employers • Employer Briefings						
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	$\leftrightarrow$	TREAT	Ongoing
NESPF030	Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement  Causes: Not having the required historic data, adequate resources, sufficient guidance  Potential Impact: Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation	<ul> <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	$\leftrightarrow$	TREAT	Ongoing