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
		1	2	3	4	5	6
Imp	act Likelihood	Almost Impossible	Very Low	Low	Significant	High	Very High

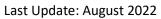
Current Heat Map (where risks NESPF001 through 029 fall)

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

Red = High Priority (urgent action required)

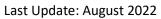
Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

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



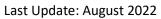


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
Pension Fu	nd Level								
NESPF001	Risk: Lack of effective risk controls	NESPF risk register is reviewed and updated	4	1	4	\leftrightarrow	TREAT		Ongoing
	Causes: Failure to implement risk management framework	quarterly by senior management team Consideration by							
	Potential Impact: Operational, financial and reputational issues	Pensions Committee & Board at quarterly meetings NESPF specific Risk Management Policy in place							
NESPF002	Risk: Poor Governance 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	 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 be taken to December 2022 meeting. Normal governance arrangements are operating. ACC Scheme of Governance annual review completed in April 2022.	Ongoing
NESPF003	Risk: Lack of performance measures Causes: Failure to develop performance reporting framework	 Statutory and local KPI's Pension Administration Strategy published quarterly 	2	3	6	\leftrightarrow	TREAT	Revised PAS to Dec'22 Committee meeting.	Ongoing



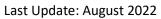


Code	Risk Description	Description Mitigating Controls			ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Lack of transparency, poor performance could go unaddressed	 Investment performance (against benchmark) reported to Committee quarterly 							
NESPF004	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	 Publication of Pension Board Annual Report Training Policy reviewed annually and training register in place Nomination & Appointment procedure Annual Committee Effectiveness Report 	3	2	6	*	TREAT	Normal Governance arrangements are operating. Pension Board Annual Report taken to June 2022 meeting.	Ongoing
NESPF005	Risk: Operational Disaster; unable to access the workplace Causes: Major incident, natural disaster Potential Impact: Loss of service delivery, staff downtime	 ACC Disaster Recovery policy in place NESPF Business Continuity Plan to address loss/disruption to benefit administration system 	2	2	4	\leftrightarrow	TOLERATE		Ongoing
NESPF006	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	 All staff have individual development plans which are reviewed regularly through CR&D Training register to monitor 	3	2	6	\leftrightarrow	TREAT	Operating at almost full staffing capacity. Some posts currently being recruited.	Laura Colliss, ongoing



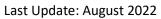


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
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	Potential Impact: Loss of service delivery, risk to succession planning	 2 full time training & development staff Internal 2 year training programme for benefit admin staff Future-focused staffing structure, subject to ongoing review 							
NESPF007	Risk: Pay and price inflation valuation assumptions either higher or lower Causes: Economic factors Potential Impact: Potential increase in employer contribution rates and liabilities	 Quarterly funding updates to Committee (using FSM) Tri-ennial valuation Individual employer contribution rates 	3	5	15	\leftrightarrow	TOLERATE	Discussions to commence for 2023 valuation. Inflation risk and pay inflation continue to be a serious concern, risk level raised as a result.	Ongoing
Governanc	ce								
NESPF008	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	 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 	3	3	9	\leftrightarrow	TREAT	Six monthly compliance review completed in June 2022, no issues. Next Annual Compliance report to Committee in March 2023.	Ongoing



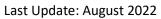


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		 Regular benefit admin team meetings to share knowledge 							
NESPF09	Risk: Failure to comply with FOI or SAR requests Causes: Missed statutory deadlines due to training or resource issues Potential Impact: Audit criticism, legal challenge, reputational risk	 Internal written procedures in place FOI/SAR log to record & monitor Online process through GovServices 	3	1	3	*	TREAT		Ongoing
NESPF010	Risk: Conflicts of Interest Causes: Competing professional and personal interests of staff, Committee and Board members Potential Impact: Audit criticism, legal challenge, reputational risk	 Regular discussions between CO-Finance and Pension Fund Manager Standing agenda item at meetings Conflicts policy & register in place, with conflicts declarations issued annually 	2	4	8	\leftrightarrow	TREAT		Ongoing
Benefit Ad NESPF011	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	 Segregation of duties for benefits staff authorising/submitting lump sum payments Pension payments signed off by benefits senior Participation in National Fraud Initiative exercise Overseas pensioner 	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 with ongoing	Ongoing



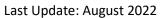


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			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
		Breaches Policy & registerInternal Audit control reviews							
Investment			ľ						·
NESPF012	Risk: Insufficient assets to meet the Funds long term liabilities Causes: Failure of investment strategy or fund managers to produce expected returns Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss	 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	\leftrightarrow	TREAT	Tri-ennial valuation and investment strategy review completed and approved by Committee in March 2021. Investment Management Consultancy Services appointed in August 2021.	Ongoing
NESPF013	Risk: Failure to monitor investment managers and assets Causes: Lack of internal procedures Potential Impact: Audit criticism, legal challenge, reputational risk	 Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	3	9	\leftrightarrow	TREAT		Ongoing
NESPF014	Risk: Failure of world stock markets Causes: Systemic Potential Impact: Increase in employer contribution rates, financial loss	 Diversification of Scheme assets Tri-ennial valuation and investment strategy review 	4	2	8	\leftrightarrow	TOLERATE	Tri-ennial valuation and investment strategy review completed and approved by	Ongoing



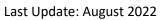


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								Committee in March 2021.	
NESPF015	Risk: Negligence/Fraud/Default Causes: Dishonesty by fund managers, lack of care or human error Potential Impact: Financial loss, reputational damage	 Due diligence on appointment and appropriate clause in legal agreements Fund management monitoring SAS 70 reports 	2	1	2	\leftrightarrow	TOLERATE		Ongoing
NESPF016	Risk: Failure of Global Custodian Causes: Financial market crisis, regulatory/political Potential Impact: Loss of assets or control of assets	 Regular meeting with custodian Service Level Agreement in place Receipt of SAS 70 reports and monitoring 	4	1	4	\leftrightarrow	TOLERATE		Ongoing
NESPF017	Risk: Failure to implement ESG policy Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy Potential Impact: Reputational damage	 Member training on roles and fiduciary duties Policy incorporated within SIP PRI membership, annual signatory assessment Monitor impact of climate change Adoption of TCFD Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work. 	2	3	6	\leftrightarrow	TREAT		Ongoing



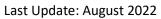


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			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
								Notes	
Accounting			T						
NESPF018	Risk: Poor financial reporting Causes: Lack of internal policies and procedures, failure to keep up to date with changes in the Code of Practice and other overriding changes, training issues Potential Impact: Qualified accounts	 Comprehensive policies and procedures in place and review of the Code Attending CIPFA meeting and reviews Regular reconciliations e.g. fund managers, custodian Internal/External Audits 	3	2	6	\leftrightarrow	TREAT	Draft Annual Report and Accounts to June 2022 meeting. Audited report to be presented for approval and signing (date TBC).	Ongoing
Systems									
NESPF019	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	 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	1	4	\leftrightarrow	TREAT	No personal data breaches this quarter, risk rating static. Staff have begun undertaking annual information governance refresher training with mix of hybrid/in office working. Policies reviewed and updated.	Ongoing



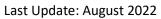


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			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF020	Risk: Failure of the Fund's administration system Causes: Outages, hardware and software failures and cyber attacks Potential Impact: Staff downtime, loss of service delivery	 Administration system is hosted externally with back up in separate location Regular software updates Business continuity and disaster recovery plans in place 	3	2	O	\(\phi \)	TOLERATE	Increased risk of cyber attacks globally from Russia but mitigations in place.	Ongoing
NESPF021	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	 Tracing service in place (ATMOS) Use of 'Tell Us Once' service Data quality improvement plan including measures to trace Existence checking 	2	3	6	\leftrightarrow	TREAT	Tracing exercise underway with Target following committee approval in December 2021.	Ongoing
	Relationship								
NESPF022	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)	2	3	6	\leftrightarrow	TREAT	Online liability monitor now has ability to track funding levels and liabilities for each individual employer.	Ongoing
NESPF023	Risk: Changes in early retirement strategies by employers Causes: Public service cuts to funding	Management through Covenant Assessment and Monitoring Policy (within FSS)	3	3	9	\leftrightarrow	TREAT		Ongoing



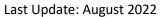


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			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Pressure on cash flows								
NESPF024	Risk: Employers leaving Scheme or closing to new members Causes: Public service cuts to funding, increased pension contribution costs Potential Impact: Orphaned liabilities could fall to remaining employers	 Management through Covenant Assessment and Monitoring Policy (within FSS) Cost Cap mechanism introduced in LGPS regulations 	2	6	12	\leftrightarrow	TREAT	Regulation changes to allow greater flexibilities to exiting employers to reduce risk of orphaned liabilities now introduced. Risk level remains static.	Ongoing
NESPF025	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	Discussions underway to prepare for 2023 valuation. Preparation of new FSS. CMI 2021 published in March'22 provides most up to date information on mortality data and will be used for 2023 valuation assumptions.	Ongoing
NESPF026	Risk: Employer contributions not received, collected or recorded accurately Causes: Lack of staff resources, training issues	 Internal escalation procedures Breaches policy and register 	2	3	6	\leftrightarrow	TREAT	New flexibilities to LGPS (Scotland) Regulations due Summer 2022 which will help	Ongoing





Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Orphaned liabilities could fall to remaining employers	Monthly data submission reconciled by ERT • Quarterly PAS reporting to Committee & Board • Ongoing training provided by dedicated ERT to scheme employers • Employer Briefings						manage risk. Move to investment buckets will provide greater control to manage exits over longer term.	
NESPF027	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	 Monthly data from employers which is reconciled by ERT Quarterly PAS reporting to Committee & Board Data quality improvement plan implemented 	2	2	4	\leftrightarrow	TREAT		Ongoing
NESPF028	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	 SAB and other industry guidance Early and ongoing communication with employers McCloud project team created 	2	3	6	\leftrightarrow	TREAT	Work has begun communicating with employers and updating member records ahead of "McCloud Regulations" and Altair database sign off.	Ongoing





Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
								Notes	
	entitlements, damage to								
	Fund reputation								

Notes:

^{*} Former risk NESPF001: Covid-19 pandemic has been removed this quarter as the risk will now be considered more generally within wider risks.