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

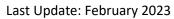
Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	• •	00	0			
3	Serious	•	•••	000		•	
2	Marginal	•	• • •	• • • •	•		•
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)

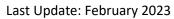
Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

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



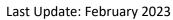


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
Pension Fu	nd Level								
NESPF001	Risk: Lack of effective risk controls Causes: Failure to implement risk management framework Potential Impact: Operational, financial and reputational issues	 NESPF risk register is reviewed and updated quarterly by senior management team Consideration by Pensions Committee & Board at quarterly meetings NESPF specific Risk Management Policy in place 	4	1	4	\leftrightarrow	TREAT		Ongoing
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	\leftrightarrow	TREAT	Committee Effectiveness Report will be taken to September 2023 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



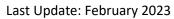


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Lack of transparency, poor performance could go unaddressed	 Investment performance (against benchmark) reported to Committee quarterly 							
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	\leftrightarrow	TREAT	Normal Governance arrangements are operating. Pension Board Annual Report will be taken to June 2023 meeting. Reminders issued Jan'23 for Hymans training to be completed/feedbac k sought for further training areas.	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	Disaster Recovery Testing is underway.	Ongoing
NESPF006	Risk: Failure to recruit, retain and develop staff		3	3	9	\leftrightarrow	TREAT	Some posts currently being	



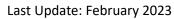


Code	Risk Description	Mitigating Controls		Current Risk			Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
	Causes: Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities Potential Impact: Loss of service delivery, risk to succession planning	 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 						recruited but increased concerns regarding retaining and attracting right applicants. Jobs now advertised on LinkedIn and NESPF website for more targeted advertising. Recruitment process underway for Modern Apprenticeships.	Laura Colliss, ongoing
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 commenced for 2023 valuation. Inflation risk and pay inflation continue to be a serious concern, risk level raised as a result.	Ongoing
NESPF008	Risk: Over reliance on services provided by the Administering Authority (e.g. HR, Payroll, Legal, IT) Causes: VS/ER exercise leading to loss of knowledge and expertise, recruitment	 Internal controls including Policies and procedures Pensions Administration Strategy in place 	3	2	6	*NEW*	TOLERATE		Ongoing



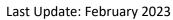


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	freeze, poor service provision Potential Impact: Ability to meet regulatory and tPR requirements, staff downtime, loss of service delivery/delays and staff time	Communication between Pensions Manager and ACC Chief Officers							
Governanc	e								
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	 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 Oversight by Pensions Board Regular benefit admin team meetings to share knowledge 	3	3	9	\leftrightarrow	TREAT	Six monthly compliance review completed Dec'2022 with no issues. Next Annual Compliance report to Committee in March 2023.	Ongoing
NESPF010	Risk: Failure to comply with FOI or SAR requests Causes: Missed statutory deadlines due to training or resource issues	Internal written procedures in place FOI/SAR log to record & monitor	3	1	3	\leftrightarrow	TREAT		Ongoing



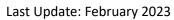


Code	Risk Description Mitigating Controls Current Risk					Approach	Additional	Owner &	
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Audit criticism, legal challenge, reputational risk	 Online process through GovServices 							
NESPF011	Risk: Conflicts of Interest Causes: Competing professional and personal interests of staff, Committee and Board members Potential Impact: Audit criticism, legal challenge, reputational risk	 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
	ministration			2	6	4.	TD54T		
NESPF012	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 existence checking Breaches Policy & register Internal Audit control reviews 	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 developments.	Ongoing
Investment									
NESPF013	Risk: Insufficient assets to meet the Funds long term liabilities		4	3	12	\leftrightarrow	TREAT	Tri-ennial valuation process underway, investment	Ongoing



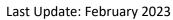


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
	Causes: Failure of investment strategy or fund managers to produce expected returns Potential Impact: Increase in employer contribution rates, investment 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 						strategy review to follow. Investment Management Consultancy Services appointed in August 2021.	
NESPF014	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
NESPF015	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 underway, investment strategy review to follow.	Ongoing
NESPF016	Risk: Negligence/Fraud/Default Causes: Dishonesty by fund managers, lack of care or human error	Due diligence on appointment and appropriate clause in legal agreements	2	1	2	\leftrightarrow	TOLERATE		Ongoing



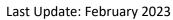


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	Potential Impact: Financial loss, reputational damage	Fund management monitoringSAS 70 reports							
NESPF017	Risk: Failure of Global Custodian Causes: Financial market crisis, regulatory/political Potential Impact: Loss of assets or control of assets	 Regular meeting with custodian Service Level Agreement in place Receipt of SAS 70 reports and monitoring 	4	2	8	*	TOLERATE	Global Custodian tender process to commence end of 2023/early 2024. Risk raised this quarter as service delivery is being impacted on by staffing issues.	Ongoing
NESPF018	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	Training session on Net Zero scheduled for March 27.	Ongoing



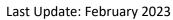


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			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF019	Risk: Poor financial reporting Causes: Lack of internal policies and procedures, failure to keep up to date with changes in the Code of Practice and other overriding changes, 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	Audited Annual Report and Accounts to Dec'22 meeting for approval and signing.	Ongoing
Systems									
NESPF020	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	2	8	\leftrightarrow	TREAT	No new personal data breaches this quarter. Staff undertake annual information governance refresher training. Breaches procedure reviewed Feb 23.	Ongoing
NESPF021	Risk: Failure of the Fund's		3	2	6	\leftrightarrow	TOLERATE	Increased risk of	Ongoing
	administration system							cyber attacks	



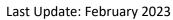


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	Causes: Outages, hardware and software failures and cyber attacks Potential Impact: Staff downtime, loss of service delivery	 Administration system is hosted externally with back up in separate location Regular software updates Business continuity and disaster recovery plans in place 						globally from Russia but mitigations in place. Work underway on new NESPF Cyber Security Policy.	
NESPF022	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
Employer F	Relationship								
NESPF023	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
NESPF024	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



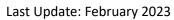


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			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Pressure on cash flows								
NESPF025	Risk: Employers leaving Scheme or closing to new members Causes: Public service cuts to funding, increased pension contribution 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, however it should be noted that the volume of discussions with employers is increasing.	Ongoing
NESPF026	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





Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF027	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	 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	3	6	\leftrightarrow	TREAT	LGPS (Scotland) Regulations Summer 2022 which will help manage risk. Move to investment buckets will provide greater control to manage exits over longer term.	Ongoing
NESPF028	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
NESPF029	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	 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 software sign off.	Ongoing





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