## **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

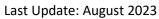
## **Current Heat Map (where risks NESPF001 through 029 fall)**

4	Very Serious	• •	00	•			
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)

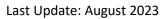
Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

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



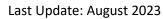


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fu	ind Level								
NESPF001	Risk: Lack of effective risk controls  Causes: Failure to implement risk management framework  Potential Impact: 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
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	<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>	2	2	4	$\leftrightarrow$	TREAT	Committee Effectiveness Report will be taken to December 2023 meeting.  ACC Scheme of Governance annual review completed and approved in June 2023.	Ongoing
NESPF003	Risk: Lack of performance measures  Causes: Failure to develop performance reporting framework  Potential Impact: Lack of transparency, poor	<ul> <li>Statutory and local KPI's</li> <li>Pension Administration         Strategy published             quarterly         Investment performance             (against benchmark)             reported to Committee             quarterly     </li> </ul>	2	3	6	$\leftrightarrow$	TREAT	Revised PAS effective from Jan'23 with new reporting to Sept'23 committee meeting.	Ongoing



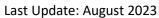


	performance could go unaddressed								
NESPF004	Risk: Failure of Pensions Committee and Pension Board to operate effectively Causes: Poor attendance/commitment to role, high turnover of members, lack of training Potential Impact: Non- compliance with regulatory requirements, inability to make decisions or policies, reputational risk	<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	3	9	$\leftrightarrow$	TREAT	Pension Board Annual Report was approved at June 2023 meeting.  High turnover of Committee members in 2022/23. A Committee bulletin was launched to increase member engagement and participation in training. Currently 2 vacancies on Committee.	Ongoing
NESPF005	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	Disaster Recovery Testing is underway.	Ongoing
NESPF006	Risk: Failure to recruit, retain and develop staff  Causes: Limited pool of resources/competition with private sector, lack of training/development	All staff have individual development plans which are reviewed regularly through CR&D	3	2	6	$\leftrightarrow$	TREAT	Two Modern Apprentices started in May'23. 1 Trainee Pensions Officer successfully completed their	Laura Colliss, ongoing



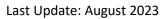


	opportunities, resource drain from wider priorities <b>Potential Impact:</b> Loss of service delivery, risk to succession planning	<ul> <li>Training register to monitor</li> <li>2 full time training &amp; development staff</li> <li>Internal 2 year training programme for benefit admin staff</li> <li>Future-focused staffing structure, subject to ongoing review</li> </ul>						final exams to become a fully qualified Pensions Officer. 1 TPO left post and vacancy will be advertised.	
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	4	12	<b>\</b>	TOLERATE	Work underway on 2023 valuation.  Inflation risk and pay inflation continue to be a serious concern, however risk level lowered slightly due to early indications of surplus from valuation.	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 freeze, poor service provision  Potential Impact: Ability to meet regulatory and tPR	<ul> <li>Internal controls including Policies and procedures</li> <li>Pensions         <ul> <li>Administration</li> <li>Strategy in place</li> </ul> </li> <li>Communication between Pensions         <ul> <li>Manager and ACC</li> <li>Chief Officers</li> </ul> </li> </ul>	3	2	6	$\leftrightarrow$	TOLERATE		Ongoing



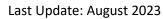


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	requirements, staff downtime, loss of service delivery/delays and staff time								
Governanc	e								
NESPF009	Risk: Failure to adhere to relevant pensions legislation and guidance  Causes: Political and legislative changes, increased administrative complexity, staff training issue  Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action	<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>Oversight by Pensions Board</li> <li>Regular benefit admin team meetings to share knowledge</li> </ul>	3	3	9	$\leftrightarrow$	TREAT	Annual Compliance Report went to Committee in March 2023.  Six monthly compliance review completed in June 2023, with no issues reported.	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	$\leftrightarrow$	TREAT		Ongoing
NESPF011	Risk: Conflicts of Interest  Causes: Competing professional and personal interests of staff, Committee and Board members	Regular discussions between CO-Finance and Pension Fund Manager	2	4	8	$\leftrightarrow$	TREAT		Ongoing



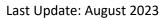


	Potential Impact: Audit criticism, legal challenge, reputational risk	<ul> <li>Standing agenda item at meetings</li> <li>Conflicts policy &amp; register in place, with conflicts declarations issued annually</li> </ul>							
Benefit Ad	ministration								
NESPF012	Risk: Fraud/Negligence  Causes: Dishonesty or human error by staff, scheme members  Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk	<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 with ongoing developments.  1 Fraud case detected in July 2023 – see risk NESPF020, risk remains static. 1 further personal data breach (incorrect address).	Ongoing
Investment	ts								
NESPF013	Risk: Insufficient assets to meet the Funds long term liabilities  Causes: Failure of investment strategy or fund	Quarterly assessment of investment performance and funding updates	4	3	12	$\leftrightarrow$	TREAT	Tri-ennial valuation process underway with early indications that Fund is in very	Ongoing





	managers to produce expected returns  Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss	<ul> <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>						healthy position, investment 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	<ul> <li>Quarterly assessment and reporting of asset performance</li> <li>Regular meetings with</li> </ul>	3	3	9	$\leftrightarrow$	TREAT	5	Ongoing
	Potential Impact: Audit criticism, legal challenge, reputational risk	investment managers							
NESPF015	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 underway, investment strategy review to follow.	Ongoing
NESPF016	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
NESPF017	Risk: Failure of Global Custodian Causes: Financial market crisis, regulatory/political	Regular meeting with custodian	4	2	8	$\leftrightarrow$	TOLERATE	Global Custodian tender process to commence Autumn 2023.	Ongoing

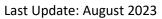




	<b>Potential Impact:</b> Loss of assets or control of assets	<ul> <li>Service Level Agreement in place</li> <li>Receipt of SAS 70 reports and monitoring</li> </ul>						Risk remains static as service delivery is being impacted on by their staffing issues.	
NESPF018	Risk: Failure to implement ESG policy  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> <li>Monitor impact of climate change</li> <li>Adoption of TCFD</li> <li>Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work.</li> </ul>	2	3	6	$\leftrightarrow$	TREAT	Members of Committee and Board attended Net Zero training in March 2023.	Ongoing
Accounting									
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	<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	Audited Annual Report & Accounts to September 2023 Committee & Board meeting for approval and signing.	Ongoing

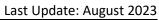


Systems									
NESPF020	Risk: Failure to secure and manage personal data in line with data protection requirements  Causes: Cyber-attack, human processing error  Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties	<ul> <li>Annual information governance training 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 protections against cyber threats including encryption, firewalls, annual 3<sup>rd</sup> party penetration testing etc</li> </ul>	4	2	8	$\leftrightarrow$	TREAT	Staff undertake annual information governance refresher training.  Breaches procedure reviewed Feb 23.  NESPF staff liaising with Fraud and DPO team over fraudulent access of 1 pensioner account. Risk remains static, procedures to be reviewed and staff to receive further training. Breach will not be reported to ICO.	Ongoing
NESPF021	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	$\leftrightarrow$	TOLERATE	Increased risk of cyber attacks globally, mitigations in place.  Work underway on new NESPF Cyber Security Policy and data mapping.	Ongoing
NESPF022	<b>Risk</b> Failure to track member status and trace information		2	3	6	$\leftrightarrow$	TREAT	Tracing exercise underway with	Ongoing





	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>						Target following committee approval in December 2021.	
	Relationship			1					ı
NESPF023	Risk: Failure to monitor employer covenant  Causes: Failure of internal procedures  Potential Impact: Orphaned liabilities could fall on remaining employers	<ul> <li>Continued implementation of Covenant Assessment and Monitoring Policy (within FSS)</li> </ul>	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  Potential Impact: Pressure on cash flows	<ul> <li>Management through Covenant Assessment and Monitoring Policy (within FSS)</li> </ul>	3	3	9	$\leftrightarrow$	TREAT		Ongoing
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	<ul> <li>Management through Covenant Assessment and Monitoring Policy (within FSS)</li> <li>Cost Cap mechanism introduced in LGPS regulations</li> <li>Termination Policy to be reassessed in line with the 2023 Fund Valuation</li> </ul>	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	Ongoing





NESPF026	Risk: Longevity	Tri-ennial valuation	2	2	4	$\leftrightarrow$	TOLERATE	discussions with employers is increasing.  Work underway on	Ongoing
NESPFOZO	Causes: Increasing life expectancy rates  Potential Impact: Increase in employer contribution rates and liabilities	undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases	2	2	4		TOLERATE	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.	Oligoling
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	<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 ERT to scheme employers</li> <li>Employer Briefings</li> </ul>	2	3	6	$\leftrightarrow$	TREAT	LGPS (Scotland) Regulations in Summer 2022 to 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	<ul> <li>Monthly data from employers which is reconciled by ERT</li> <li>Quarterly PAS reporting to Committee &amp; Board</li> </ul>	2	2	4	$\leftrightarrow$	TREAT		Ongoing



	assessment of actuarial liabilities, reputational damage, tPR action	<ul> <li>Data quality improvement plan implemented</li> <li>Data readiness assessment for Pensions</li> </ul>							
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  Potential Impact: Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation	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