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

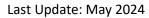
Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	• •	000				
3	Serious	•	•••	00	•		
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)

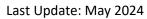
Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

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



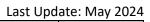


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fu	nd Level								
NESPF001	Risk: Lack of effective risk controls Causes: Failure to implement risk management framework Potential Impact: 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 taken to December 2023 meeting. ACC Scheme of Governance annual review to Council Summer/Autumn 2024	Ongoing
NESPF003	Risk: Lack of performance measures Causes: Failure to develop performance reporting framework Potential Impact: Lack of transparency, poor	 Statutory and local KPI's Pension Administration Strategy published quarterly Investment performance (against benchmark) reported to Committee quarterly 	2	3	6	\leftrightarrow	TREAT	Revised PAS effective from Jan'23 with new reporting expected for Sept'24 meeting.	Ongoing



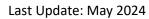


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	performance could go unaddressed								
NESPF004	Risk: Failure of Pensions Committee and Pension Board to operate effectively Causes: Poor attendance/commitment to role, high turnover of members, lack of training Potential Impact: Non- compliance with regulatory requirements, inability to make decisions or policies, reputational risk	 Publication of Pension Board Annual Report Training Policy reviewed annually and training register in place Nomination & Appointment procedure Annual Committee Effectiveness Report Monthly Committee & Board Bulletin Monthly Hymans Progress Report 	3	3	9	\leftrightarrow	TREAT	Pension Board Annual Report to Jun'24 meeting. High turnover of Committee members in previous years. Currently 2 long term vacancies on Committee. Hymans Knowledge Progress Assessment completed in 2023.	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 ongoing.	Ongoing
NESPF006	Risk: Failure to recruit, retain and develop staff Causes: Limited pool of resources/competition with	All staff have individual development plans	3	2	6	\leftrightarrow	TREAT	Modern Apprentice placements completed successfully	Laura Colliss, ongoing



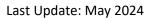


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	private sector, lack of training/development opportunities, resource drain from wider priorities Potential Impact: Loss of service delivery, risk to succession planning	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						resulting in 2 new permanent staff members. Recruitment process ongoing for any outstanding posts.	
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 PFaroe) Tri-ennial valuation Individual employer contribution rates	3	4	12	\leftrightarrow	TOLERATE	Short term inflation continues to be impactful, directly affecting liabilities and pensions paid but starting to reduce. 2023 valuation sets inflation assumption higher than in 2020 based on current environment but also reflects national long term forecast for lower inflation.	Ongoing
NESPF008	Risk: Over reliance on services provided by the		3	3	9	\leftrightarrow	TOLERATE	Risk remains static due to ongoing	Ongoing



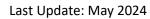


Code	Risk Description	Mitigating Controls		Current Risk			Approach		Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Administering Authority (e.g. HR, Payroll, Legal, IT) Causes: VS/ER exercise leading to loss of knowledge and expertise, recruitment freeze, poor service provision Potential Impact: Ability to meet regulatory and tPR requirements, staff downtime, loss of service delivery/delays and staff time	 Internal controls including policies and procedures Pensions Administration Strategy in place Communication between Pensions Manager and ACC Chief Officers 						issues being experienced. Review to be carried out by Hymans and completed by Aug'24.	
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	2	O)	\	TREAT	Annual Compliance Report to Mar'24 committee meeting. Six monthly compliance review due June 2024.	Ongoing
NESPF010	Risk: Failure to comply with FOI or SAR requests	-	3	1	3	\leftrightarrow	TREAT		Ongoing



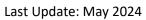


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Causes: Missed statutory deadlines due to training or resource issues Potential Impact: Audit criticism, legal challenge, reputational risk	 Internal written procedures in place FOI/SAR log to record & monitor Online process through GovServices 							
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
NESPF012	i e	 Segregation of duties for benefits staff authorising/submitting lump sum payments Pension payments signed off by benefits senior Enhanced Admin to Pay and Arrears Modules to provide calculation checks Participation in National Fraud Initiative exercise Overseas pensioner existence checking 	2	3	6	↔	TREAT		Ongoing



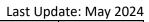


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
		 Breaches Policy & register Internal Audit control reviews 							
Investment	i e e e e e e e e e e e e e e e e e e e		4	1	4	1 1	TDEAT	Tri annial valuation	Onceine
NESPF013	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	1	4	\	TREAT	Tri-ennial valuation process completed, Fund in very healthy position (126% funded) and valuation approach continues to ensure high level of prudency, therefore risk reduced. Investment strategy review to June 2024 meeting.	Ongoing
NESPF014	Risk: Failure to monitor investment managers and assets Causes: Lack of internal procedures Potential Impact: Audit	 Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	2	6	\leftrightarrow	TREAT		Ongoing
	criticism, legal challenge, reputational risk								
NESPF015	Risk: Failure of world stock markets Causes: Systemic	Diversification of Scheme assets	4	2	8	\leftrightarrow	TOLERATE	Tri-ennial valuation completed, investment	Ongoing



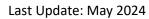


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Increase in employer contribution rates, financial loss	 Tri-ennial valuation and investment strategy review 						strategy review to Jun'24 meeting.	
NESPF016	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
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	\leftrightarrow	TOLERATE	Global Custodian tender process underway following approval at Sept'23 Committee & Board meeting. Risk remains static as service delivery is being impacted on by HSBC's staffing issues.	Ongoing
NESPF018	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 	2	3	6	\leftrightarrow	TREAT	Members of Committee and Board attended Net Zero training in March 2023.	Ongoing



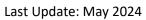


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
		 Monitor impact of climate change Adoption of TCFD Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work. 							
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	 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	⇔	TREAT	Draft Annual Report & Accounts to June 2024 meeting.	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) 	4	2	8	\leftrightarrow	TREAT	Staff complete annual information governance refresher training and further training to be carried out over 2024.	Ongoing



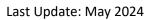


Code	Risk Description	Mitigating Controls		Current Risk				h Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
		 Secure physical storage measures Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3rd party penetration testing etc 							
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	 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	\leftrightarrow	TOLERATE	Increased risk of cyber-attacks globally, mitigations in place. NESPF Cyber Security Policy went to Sept'23 Committee & Board meeting. Cyber Incident Response Plan now in place.	Ongoing
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	New mortality tracing has been in place, data uploaded and checked against national death records and automatically creates cases on	Ongoing



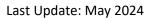


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			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
								Notes	
								Altair	
								administration	
								database with	
								output dashboard	
								with lower priority	
								matches. Review of	
								new process	
								ongoing.	
	Relationship		ı				T	·	
NESPF023	Risk: Failure to monitor	Continued	2	3	6	\leftrightarrow	TREAT	Online liability	Ongoing
	employer covenant	implementation of						monitor now has	
	Causes: Failure of internal	Covenant Assessment						ability to track	
	procedures	and Monitoring Policy						funding levels and	
	Potential Impact: Orphaned	(within FSS)						liabilities for each	
	liabilities could fall on							individual	
	remaining employers		_	_	_			employer.	
NESPF024	Risk: Changes in early	Management through	2	3	6	\leftrightarrow	TREAT	Increasing budget	Ongoing
	retirement strategies by	Covenant Assessment						constraints are	
	employers	and Monitoring Policy						leading more	
	Causes: Public service cuts	(within FSS)						employers to redundancy/early	
	to funding							retirement	
	Potential Impact: Pressure on cash flows							exercises.	
	on cash nows							Employers are	
								aware of cost	
								implications. Strain	
								on Fund factors	
								reviewed by	
								scheme actuary in	
								2023.	





Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
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 Termination Policy to be reassessed in line with the 2023 Fund Valuation 	1	6	6	→	TREAT	Risk reduced due to new flexibilities, guarantors in place, new Termination Policy and current funding position.	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	Demographic assessment carried out by the scheme actuary in 2022/23 which was fed into 2023 valuation.	Ongoing
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 delivered Summer 2022 to help manage risk. New employer contribution rates put in place following 2023 valuation. All employer contribution requirements	Ongoing





Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
								reduced for intervaluation period 2024-27.	
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 Data readiness assessment for Pensions Dashboard Project 	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 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	2	4	\	TREAT	Now "Live" with McCloud. Majority of historic recalculations completed. Risk reduced.	Ongoing