

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

Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	● ●	● ● ●				
3	Serious	●	● ● ● ●	● ●	●		
2	Marginal	●	● ● ● ●	● ● ● ●	●		
1	Negligible						●
Impact		1	2	3	4	5	6
	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 Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fund Level									
NESPFO01	Risk: Lack of effective risk controls	<ul style="list-style-type: none"> 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	↔	TREAT		Ongoing
	Causes: Failure to implement risk management framework								
	Potential Impact: Operational, financial and reputational issues								
NESPFO02	Risk: Poor Governance	<ul style="list-style-type: none"> 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 taken to December 2023 meeting. ACC Scheme of Governance annual review to Council Summer/Autumn 2024	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								
NESPFO03	Risk: Lack of performance measures	<ul style="list-style-type: none"> Statutory and local KPI's Pension Administration Strategy published quarterly Investment performance (against benchmark) reported to Committee quarterly 	2	3	6	↔	TREAT	Revised PAS effective from Jan'23 with new reporting expected for Sept'24 meeting.	Ongoing
	Causes: Failure to develop performance reporting framework								
	Potential Impact: Lack of transparency, poor								

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	performance could go unaddressed								
NESPF004	Risk: Failure of Pensions Committee and Pension Board to operate effectively	<ul style="list-style-type: none"> • 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	↔	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
	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								
NESPF005	Risk: Operational Disaster; unable to access the workplace	<ul style="list-style-type: none"> • ACC Disaster Recovery policy in place • NESPF Business Continuity Plan to address loss/disruption to benefit administration system 	2	2	4	↔	TOLERATE	Disaster Recovery Testing ongoing.	Ongoing
	Causes: Major incident, natural disaster								
	Potential Impact: Loss of service delivery, staff downtime								
NESPF006	Risk: Failure to recruit, retain and develop staff	<ul style="list-style-type: none"> • All staff have individual development plans 	3	2	6	↔	TREAT	Modern Apprentice placements completed successfully	Laura Colliss, ongoing
	Causes: Limited pool of resources/competition with								

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	<p>private sector, lack of training/development opportunities, resource drain from wider priorities</p> <p>Potential Impact: Loss of service delivery, risk to succession planning</p>	<p>which are reviewed regularly through CR&D</p> <ul style="list-style-type: none"> • 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 						<p>resulting in 2 new permanent staff members.</p> <p>Recruitment process ongoing for any outstanding posts.</p>	
NESPF007	<p>Risk: Pay and price inflation valuation assumptions either higher or lower</p> <p>Causes: Economic factors</p> <p>Potential Impact: Potential increase in employer contribution rates and liabilities</p>	<ul style="list-style-type: none"> • Quarterly funding updates to Committee (using PFaroe) • Tri-ennial valuation • Individual employer contribution rates 	3	4	12	↔	TOLERATE	<p>Short term inflation continues to be impactful, directly affecting liabilities and pensions paid but starting to reduce.</p> <p>2023 valuation sets inflation assumption higher than in 2020 based on current environment but also reflects national long term forecast for lower inflation.</p>	Ongoing
NESPF008	<p>Risk: Over reliance on services provided by the</p>		3	3	9	↔	TOLERATE	<p>Risk remains static due to ongoing</p>	Ongoing

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	<p>Administering Authority (e.g. HR, Payroll, Legal, IT)</p> <p>Causes: VS/ER exercise leading to loss of knowledge and expertise, recruitment freeze, poor service provision</p> <p>Potential Impact: Ability to meet regulatory and tPR requirements, staff downtime, loss of service delivery/delays and staff time</p>	<ul style="list-style-type: none"> Internal controls including policies and procedures Pensions Administration Strategy in place Communication between Pensions Manager and ACC Chief Officers 						<p>issues being experienced.</p> <p>Review to be carried out by Hymans and completed by Aug'24.</p>	
Governance									
NESPF009	<p>Risk: Failure to adhere to relevant pensions legislation and guidance</p> <p>Causes: Political and legislative changes, increased administrative complexity, staff training issue</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action</p>	<ul style="list-style-type: none"> 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	6	↔	TREAT	<p>Annual Compliance Report to Mar'24 committee meeting.</p> <p>Six monthly compliance review due June 2024.</p>	Ongoing
NESPF010	<p>Risk: Failure to comply with FOI or SAR requests</p>		3	1	3	↔	TREAT		Ongoing

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	<p>Causes: Missed statutory deadlines due to training or resource issues</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> Internal written procedures in place FOI/SAR log to record & monitor Online process through GovServices 							
NESPF011	<p>Risk: Conflicts of Interest</p> <p>Causes: Competing professional and personal interests of staff, Committee and Board members</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> 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	↔	TREAT		Ongoing
Benefit Administration									
NESPF012	<p>Risk: Fraud/Negligence</p> <p>Causes: Dishonesty or human error by staff, scheme members</p> <p>Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> 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

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		<ul style="list-style-type: none"> Breaches Policy & register Internal Audit control reviews 							
Investments									
NESPF013	<p>Risk: Insufficient assets to meet the Funds long term liabilities</p> <p>Causes: Failure of investment strategy or fund managers to produce expected returns</p> <p>Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss</p>	<ul style="list-style-type: none"> 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 prudence, therefore risk reduced. Investment strategy review to June 2024 meeting.	Ongoing
NESPF014	<p>Risk: Failure to monitor investment managers and assets</p> <p>Causes: Lack of internal procedures</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	2	6	↔	TREAT		Ongoing
NESPF015	<p>Risk: Failure of world stock markets</p> <p>Causes: Systemic</p>	<ul style="list-style-type: none"> Diversification of Scheme assets 	4	2	8	↔	TOLERATE	Tri-ennial valuation completed, investment	Ongoing

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	Potential Impact: Increase in employer contribution rates, financial loss	<ul style="list-style-type: none"> • Tri-ennial valuation and investment strategy review 						strategy review to Jun'24 meeting.	
NESPF016	Risk: Negligence/Fraud/Default	<ul style="list-style-type: none"> • Due diligence on appointment and appropriate clause in legal agreements • Fund management monitoring • SAS 70 reports 	2	1	2	↔	TOLERATE		Ongoing
	Causes: Dishonesty by fund managers, lack of care or human error								
	Potential Impact: Financial loss, reputational damage								
NESPF017	Risk: Failure of Global Custodian	<ul style="list-style-type: none"> • Regular meeting with custodian • Service Level Agreement in place • Receipt of SAS 70 reports and monitoring 	4	2	8	↔	TOLERATE	Global Custodian tender process underway following approval at Sept'23 Committee & Board meeting.	Ongoing
	Causes: Financial market crisis, regulatory/political								
	Potential Impact: Loss of assets or control of assets								
NESPF018	Risk: Failure to implement ESG policy	<ul style="list-style-type: none"> • Member training on roles and fiduciary duties • Policy incorporated within SIP • PRI membership, annual signatory assessment 	2	3	6	↔	TREAT	Members of Committee and Board attended Net Zero training in March 2023.	Ongoing
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy								
	Potential Impact: Reputational damage								

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		<ul style="list-style-type: none"> Monitor impact of climate change Adoption of TCFD Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work. 							
Accounting									
NESPFO19	Risk: Poor financial reporting	<ul style="list-style-type: none"> Comprehensive policies and procedures in place and review of <i>the Code</i> 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
	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								
Systems									
NESPFO20	Risk: Failure to secure and manage personal data in line with data protection requirements	<ul style="list-style-type: none"> 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	↔	TREAT	Staff complete annual information governance refresher training and further training to be carried out over 2024.	Ongoing
	Causes: Cyber-attack, human processing error								
	Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties								

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		<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	↔	TOLERATE	Increased risk of cyber-attacks globally, mitigations in place.	Ongoing
	Causes: Outages, hardware and software failures and cyber attacks								
	Potential Impact: Staff downtime, loss of service delivery								
NESPF022	Risk: Failure to track member status and trace information	<ul style="list-style-type: none"> Tracing service in place (ATMOS) Use of 'Tell Us Once' service Data quality improvement plan including measures to trace Existence checking 	2	3	6	↔	TREAT	New mortality tracing has been in place, data uploaded and checked against national death records and automatically creates cases on	Ongoing
	Causes: Poor record keeping								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action								

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							Altair administration database with output dashboard with lower priority matches. Review of new process ongoing.		
Employer Relationship									
NESPF023	Risk: Failure to monitor employer covenant	<ul style="list-style-type: none"> Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) 	2	3	6	↔	TREAT	Online liability monitor now has ability to track funding levels and liabilities for each individual employer.	Ongoing
	Causes: Failure of internal procedures								
	Potential Impact: Orphaned liabilities could fall on remaining employers								
NESPF024	Risk: Changes in early retirement strategies by employers	<ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy (within FSS) 	2	3	6	↔	TREAT	Increasing budget constraints are leading more employers to redundancy/early retirement exercises. Employers are aware of cost implications. Strain on Fund factors reviewed by scheme actuary in 2023.	Ongoing
	Causes: Public service cuts to funding								
	Potential Impact: Pressure on cash flows								

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NESPF025	Risk: Employers leaving Scheme or closing to new members	<ul style="list-style-type: none"> • 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
	Causes: Public service cuts to funding, increased pension contribution costs								
	Potential Impact: Orphaned liabilities could fall to remaining employers								
NESPF026	Risk: Longevity	<ul style="list-style-type: none"> • 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	↔	TOLERATE	Demographic assessment carried out by the scheme actuary in 2022/23 which was fed into 2023 valuation.	Ongoing
	Causes: Increasing life expectancy rates								
	Potential Impact: Increase in employer contribution rates and liabilities								
NESPF027	Risk: Employer contributions not received, collected or recorded accurately	<ul style="list-style-type: none"> • 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	↔	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
	Causes: Lack of staff resources, training issues								
	Potential Impact: Orphaned liabilities could fall to remaining employers								

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							reduced for inter-valuation period 2024-27.		
NESPF028	Risk: Failure to maintain member records; data incomplete or inaccurate	<ul style="list-style-type: none"> 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	↔	TREAT		
	Causes: Lack of staff resources, training issues								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action								
NESPF029	Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement	<ul style="list-style-type: none"> 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.	
	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								