

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.

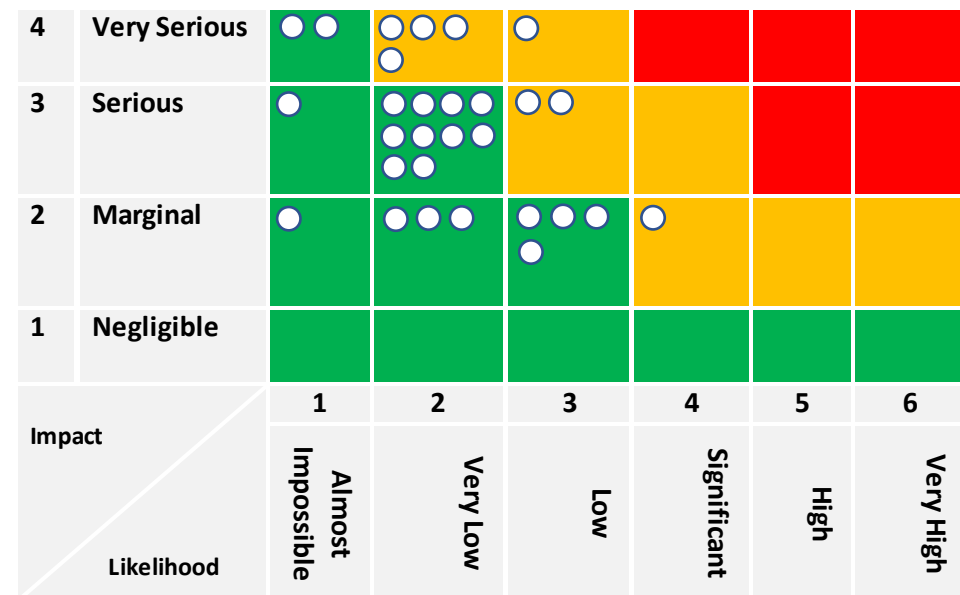
The Pensions Committee is responsible for receiving assurance on the effectiveness of NESPF risk management arrangements as per their Terms of Reference.

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)



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 and reviewed annually 	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 	3	2	6	↑	TREAT	Next Committee Effectiveness Report due Dec'24. ACC Scheme of Governance annual review to be completed by Spring 2025.	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) 	3	2	6	↔	TREAT	KPI review and new PAS reporting to Sept'24 meeting.	Ongoing
	Causes: Failure to develop performance reporting framework								
	Potential Impact: Lack of transparency, poor								

	performance could go unaddressed	reported to Committee quarterly in AIMP report							
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 LOLA Progress Report 	3	3	9	↔	TREAT	Pension Board Annual Report approved Jun'24. Hymans Knowledge Progress Assessment completed in 2023. Training Policy updated and approved Jun'24. 2 long term Committee vacancies.	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 	3	2	6	↑	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, reviewed regularly through CR&D • Training register to monitor 	3	2	6	↔	TREAT	Recruitment process ongoing for any outstanding posts, appointment of Modern Apprentices where appropriate.	Ongoing
	Causes: Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities								

	<p>Potential Impact: Loss of service delivery, risk to succession planning</p>	<ul style="list-style-type: none"> • 2 full time training & development staff • Internal 2 year training programme for benefit admin staff • Future-focused staffing structure, subject to ongoing review 						Operational Effectiveness review by Hymans ongoing.	
NESP007	<p>Risk: Pay and price inflation valuation assumptions either higher or lower</p>	<ul style="list-style-type: none"> • Quarterly funding updates to Committee (using PFaroe) • Tri-ennial valuation • Individual employer contribution rates 	3	3	9	↓	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
	<p>Causes: Economic factors</p> <p>Potential Impact: Potential increase in employer contribution rates and liabilities</p>								
NESP008	<p>Risk: Over reliance on services provided by the Administering Authority (e.g. HR, Payroll, Legal, IT)</p>	<ul style="list-style-type: none"> • Internal controls including policies and procedures • Pensions Administration Strategy in place • Communication between Pensions 	4	3	12	↑	TOLERATE	<p>Ongoing issues being experienced.</p> <p>Operational Effectiveness review by Hymans ongoing.</p>	Ongoing
	<p>Causes: VS/ER exercise leading to loss of knowledge and expertise, recruitment freeze, poor service provision</p>								

	Potential Impact: Ability to meet regulatory and tPR requirements, staff downtime, loss of service delivery/delays and staff time	Manager and ACC Chief Officers							
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>Next six monthly compliance review due Dec'24.</p> <p>Ongoing review against TPR's new General Code.</p>	Ongoing
NESPF010	<p>Risk: Failure to comply with FOI or SAR requests</p> <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 	3	1	3	↔	TREAT		Ongoing
NESPF011	<p>Risk: Conflicts of Interest</p> <p>Causes: Competing professional and personal</p>		2	3	6	↓	TREAT		Ongoing

	interests of staff, Committee and Board members Potential Impact: Audit criticism, legal challenge, reputational risk	<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 							
Benefit Administration									
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 style="list-style-type: none"> Segregation of duties for benefits staff authorising/submitted 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 Breaches Policy & register Internal Audit control reviews 	3	2	6	↔	TREAT		Ongoing
Investments									
NESPF013	Risk: Insufficient assets to meet the Funds long term liabilities Causes: Failure of investment strategy or fund	<ul style="list-style-type: none"> Quarterly assessment of investment performance and funding updates 	4	1	4	↓	TREAT	Tri-ennial valuation process completed, Fund in very healthy position (126% funded) and	Ongoing

	managers to produce expected returns Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss	<ul style="list-style-type: none"> • Tri-ennial valuation and investment strategy review • Diversification of assets • Due diligence of fund managers • External advisor for specialist guidance on strategy 						valuation approach continues to ensure high level of prudence. Investment strategy approved at Jun' 2024 meeting.	
NESPF014	Risk: Failure to monitor investment managers and assets Causes: Lack of internal procedures Potential Impact: Audit criticism, legal challenge, reputational risk	<ul style="list-style-type: none"> • Quarterly assessment and reporting of asset performance • Regular meetings with investment managers 	3	2	6	↔	TREAT		Ongoing
NESPF015	Risk: Failure of world stock markets Causes: Systemic Potential Impact: Increase in employer contribution rates, financial loss	<ul style="list-style-type: none"> • Diversification of Scheme assets • Tri-ennial valuation and investment strategy review 	4	2	8	↔	TOLERATE	Tri-ennial valuation completed, investment strategy approved at Jun'24 meeting.	Ongoing
NESPF016	Risk: Negligence/Fraud/Default Causes: Dishonesty by fund managers, lack of care or human error Potential Impact: Financial loss, reputational damage	<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
NESPF017	Risk: Failure of Global Custodian Causes: Financial market crisis, regulatory/political	<ul style="list-style-type: none"> • Regular meeting with custodian 	4	2	8	↔	TOLERATE	Global Custodian tender process underway following approval	Ongoing

	Potential Impact: Loss of assets or control of assets	<ul style="list-style-type: none"> • Service Level Agreement in place • Receipt of SAS 70 reports and monitoring 						at Sept'23 Committee & Board meeting.	
NESPFO18	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 • Monitor impact of climate change • Adoption of TCFD • Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work. • Risk assessments with Fund Managers and Investment Consultant including Climate Scenario Analysis 	3	2	6	↔	TREAT		Ongoing
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy								
	Potential Impact: Reputational damage								
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 	3	2	6	↔	TREAT	Draft Annual Report & Accounts approved Jun'24 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	<ul style="list-style-type: none"> Regular reconciliations e.g. fund managers, custodian Internal/External Audits 							
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 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) 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	↔	TREAT	Staff complete annual information governance refresher training and further training to be carried out over 2024.	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 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 	4	2	8	↔	TOLERATE	Increased risk of cyber-attacks globally, mitigations in place. NESPF Cyber Security Policy and Cyber Incident Response Plan in place.	Ongoing

NESPFO22	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. Data uploaded and checked against national death records, automatically creates cases on Altair administration database with output dashboard with lower priority matches. Review of new process ongoing.	Ongoing
	Causes: Poor record keeping								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action								
Employer Relationship									
NESPFO23	Risk: Failure to monitor employer covenant	<ul style="list-style-type: none"> • Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) • Online liability monitor which tracks funding levels and liabilities for each individual employer 	2	2	4	↓	TREAT		Ongoing
	Causes: Failure of internal procedures								
	Potential Impact: Orphaned liabilities could fall on remaining employers								
ESPF024	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	Ongoing
	Causes: Public service cuts to funding								
	Potential Impact: Pressure on cash flows								

								aware of cost implications. Strain on Fund factors reviewed by scheme actuary in 2023.	
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 reassessed in line with the 2023 Fund Valuation 	2	4	8	↑	TREAT	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 	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	Ongoing
	Causes: Lack of staff resources, training issues								
	Potential Impact: Orphaned liabilities could fall to remaining employers								

		ERT to scheme employers • Employer Briefings						employer contribution requirements reduced for inter-valuation period 2024-27.	
NESP028	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 	3	2	6	↑	TREAT	Work is ongoing to ensure records are as up to date as possible in readiness for Pensions Dashboard connection by 2026.	Ongoing
	Causes: Lack of staff resources, training issues								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action								
NESP029	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.	Ongng
	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								