

1. 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.
2. The risk register is review and updated quarterly, with reporting to the Pensions Committee.

### 3. RAG Summary as at August 2018

Catastophi c	9, 18	1, 16, 21	6			
Critical		4, 19, 20	8, 15, 25	14, 24		
Marginal	17	2, 5, 13, 29	7, 11, 12, 22, 23	3, 10, 28		26
Negligle						
Impact Likelihood	Almost impossible	Very Low	Low	Significant	High	Extremely High

## Pension Fund Risk Register

No	Risk Description	Effect/Consequences	Current Controls	Current Risk		Risk Movement	Current Status/Progress	
				Impact	Likelihood Score			
<b>Pension Fund Level</b>								
1	Lack of effective Risk Management	Failure to identify and respond to risks will impact on service delivery capabilities	Pension Fund Risk Register is reviewed and updated quarterly	4	2	8	↔	Ongoing
2	Poor Governance	Lack of a robust and effective governance framework and suitable policies/procedures could create a regulatory compliance issue, lead to poor service delivery and reputational risk	The Fund has in place an annual review of its governance statement and supporting policies and procedures, ensuring both regulatory and Council objectives compliance	2	2	4	↔	Ongoing - annual review reported to Committee
3	Lack of Performance Measures	Failure to monitor performance across the Fund will provide a lack of transparency on delivering an efficient and effective service	The Fund has in place both statutory and local KPI's	2	4	8	↔	The Fund participates in national benchmarking exercises and has internal measures which are reported to Committee
4	Failure of Pensions Committee and Pension Board to operate effectively	Failure to ensure effective joint working will result in non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk	Annual review of Committee and Board, in consultation with both	3	2	6	↔	Annual Report to Committee and Board on effectiveness and training (March 2018)
5	Operational disaster, unable to access the workplace	Loss of service delivery, staff downtime	Disaster Recovery Policy in place, incorporated into ACC	2	2	4	↔	Ongoing - review underway and Pension Fund Team to be made fully aware once complete
6	Failure to recruit and develop staff	Service delivery and succession planning at risk	Individual staff training plans reviewed annually, ongoing review of staffing requirements	4	3	12	↔	Several vacant posts to be filled
7	Pay and price inflation valuation assumptions either higher or lower	Potential Increase in employer contribution rates	Funding updates reported to Committee quarterly	2	3	6	↔	Information provided by FMS
<b>Governance</b>								
8	Failure to comply with LGPS Regulations, Pensions Act, HMRC and other overriding legislation	Audit criticism, legal challenge, reputational risk, financial loss/penalties	Six monthly compliance review and annual report to Committee	3	3	9	↔	Ongoing - reported to Committee (March 2018)

9	Failure to comply with FOI requests	Audit criticism, legal challenge, reputational risk	Internal controls in place to ensure deadlines adhered to, Pension Fund Manager responsible for all FOI requests	4	1	4	↔	Ongoing
10	Conflicts of Interest	Audit criticism, legal challenge, reputational risk	Regular discussions between CO-Finance and Pension Fund Manager. Areas of risk and conflict declared at Pensions Committee and Pension Board meetings, conflicts register to record and monitor	2	4	8	↔	Ongoing
<b>Benefit Administration</b>								
11	Requirement to complete GMP reconciliation	Failure to ensure future member benefits are calculated correctly, audit criticism and financial loss	Appointment of GMP Project Team	2	3	6	↔	Ongoing
12	Fraud/Negligence	Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk	Pension payments signed off by a SPO-Benefits, segregation of duties for staff authorising/submitted lump sum payments. Admin to Pay to be implemented in 2018.	2	3	6	↔	Ongoing - regular reporting to Committee in place.
13	Overpayments of pension benefits	Audit criticism, legal challenge, reputational risk	Pension payments signed off by a SPO-Benefits, segregation of duties for staff authorising/submitted lump sum payments	2	2	4	↔	Ongoing
<b>Investments</b>								
14	Insufficient assets to meet the Fund's long term liabilities	Increase in employer contribution rates and investment risk, audit criticism, legal challenge, reputational risk, financial loss	Quarterly assessment of investment performance and funding updates, tri-ennial valuation and investment strategy review	3	4	12	↔	Ongoing
15	Failure to monitor investment managers and assets	Audit criticism, legal challenge and reputational risk	Quarterly assessment of asset performance and regular meetings with managers	3	3	9	↔	Ongoing

16	Failure of work stock markets	Increase in employer contribution rates, financial loss	Diversification of scheme assets, tri-ennial valuation and investment strategy review	4	2	8	↔	Ongoing - revised investment strategy to Committee (March 2018)
17	Negligence/fraud/default by investment managers	Financial loss, reputational damage	Due diligence on appointment and appropriate clause in legal agreements, fund management monitoring, SAS 70 reports	2	1	2	↔	Ongoing
18	Failure of Global Custodian	Loss of assets or control of assets	Regular meetings with custodian, receipt of SAS 70 reports and monitoring	4	1	4	↔	Ongoing - new custodian appointed April 2018
<b>Accounting</b>								
19	Poor financial reporting	Qualified accounts	Comprehensive policies and procedures in place	3	2	6	↔	Ongoing
20	Annual review of Code of Practice and any other overriding regulations	Qualified accounts	Review of Code, attending CIPFA meetings/reviews	3	2	6	↔	Ongoing
<b>Technical</b>								
21	Failure to secure and manage personal data in line with Data Protection requirements	Audit criticism, legal challenge, reputational risk, financial penalties	Internal control and procedures for management of data, project group set up to implement GDPR & assess current processes.	4	2	8	↔	Ongoing - revised policies and procedures implemented from May 2018 for GDPR
22	Failure of the Fund's administration system	Staff downtime, loss of service delivery	The administration system is hosted externally with back-up in separate location	2	3	6	↔	Quarterly report is provided to Pension Fund Manager on any hosted system errors/resolutions
23	Failure to carry out effective member tracing	Incorrect pension payments made, incorrect assessment of actuarial liabilities	Tracing Service in place (ATMOS)	2	3	6	↔	Ongoing
<b>Employer Relationship</b>								
24	Failure to monitor employer covenant	Orphaned liabilities could fall on remaining employers	Continued implementation of Employer Covenant Policy	3	4	12	↔	Ongoing
25	Changes in early retirement strategies by employers	Pressure on cash flows	ERT to manage through Employer Covenant Policy and discretions	3	3	9	↔	Ongoing
26	Employers leaving Scheme/closing to new members	Orphaned liabilities could fall to remaining employers	ERT to manage through Employer Covenant Policy	2	6	12	↔	Ongoing

27	Longevity	Increase in employer contribution rates	Actuarial valuation every 3 years which undertakes scheme specific analysis including review of life expectancy/mortality assumptions	2	2	4	↔	Ongoing - revised Investment Strategy and FSS to Committee following tri-ennial valuation (March 2018)
28	Employer contributions not received, collected or recorded accurately	Orphaned liabilities could fall to remaining employers	Accounting Team escalate any issues to Governance/ERT Team, with escalation to tPR if persists. Breaches Policy and Register in place	2	4	8	↔	Ongoing
29	Failure to maintain member records; data incomplete or inaccurate	Incorrect pension payments made, incorrect assessment of actuarial liabilities	All employers required to submit monthly data which is reconciled by the ERT	2	2	4	↔	Quarterly PAS reporting to Committee