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

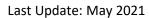
Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	• •	000	0	•		
3	Serious	•	•••	000	•		
2	Marginal	•	•••	• • •	000		•
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)

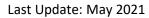
Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

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



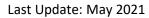


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
Pension Fu	ind Level								
NESPF001	Risk: COVID-19 Causes: Global virus pandemic Potential Impact: Failure to pay pensions, loss of staff due to illness, time lost due to connectivity issues while homeworking, ability to meet regulatory requirements, financial impact on investment returns, covenant risk for employers	 Government and regulator guidance NESPF risk policy and register Updates/Communication between CO-Finance and Pension Manager Business Continuity plans in place Homeworking for Pensions Staff & rollout of vaccination programme PAS performance reporting 	4	4	16	\leftrightarrow	TREAT		Laura Colliss, ongoing
NESPF002	Risk: Lack of effective risk controls Causes: Failure to	 Internal/External audits Regular staff comms and training NESPF risk register is reviewed and updated quarterly by senior 	4	1	4	\leftrightarrow	TREAT		Ongoing
	implement risk management framework Potential Impact: Operational, financial and reputational issues	 management team Consideration by Pensions Committee & Board at quarterly meetings 							



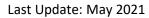


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
		 NESPF specific Risk Management Policy in place 							
NESPF003	Risk: Poor Governance Causes: Lack of robust and effective governance framework 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	*	TREAT	Committee Effectiveness Report will now be taken to December 2021 meeting. Normal governance arrangements operating.	Ongoing
NESPF004	Risk: Lack of performance measures Causes: Failure to develop performance reporting framework Potential Impact: Lack of transparency, poor performance could go unaddressed	 Statutory and local KPI's Pension Administration Strategy published quarterly Investment performance (against benchmark) reported to Committee quarterly 	2	3	6	\leftrightarrow	TREAT		Ongoing
NESPF005	Risk: Failure of Pensions Committee and Pension Board to operate effectively Causes: Poor attendance/commitment to role, high turnover of members, lack of training	 Publication of Pension Board Annual Report Training Policy reviewed annually and training register in place 	3	2	6	\leftrightarrow	TREAT	Normal Governance arrangements operating.	Ongoing



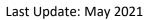


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Non- compliance with regulatory requirements, inability to make decisions or policies, reputational risk	 Nomination & Appointment procedure Annual Committee Effectiveness Report 							
NESPF006	Risk: Operational Disaster; unable to access the workplace	ACC Disaster Recovery policy in placeNESPF Business	2	2	4	\leftrightarrow	TOLERATE		Ongoing
	Causes: Major incident, natural disaster	Continuity Plan to address loss/disruption							
	Potential Impact: Loss of service delivery, staff downtime	to benefit administration system							
NESPF007	Risk: Failure to recruit, retain and develop staff Causes: Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities Potential Impact: Loss of service delivery, risk to succession planning	 All staff have individual development plans 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 	4	2	8	\leftrightarrow	TREAT	Recruitment underway to fill vacant posts within Investment and Governance teams.	Laura Colliss, September 2021
NESPF008	Risk: Pay and price inflation valuation assumptions either higher or lower Causes: Economic factors	Quarterly funding updates to Committee (using FSM)	2	4	8	↑	TOLERATE	Tri-ennial valuation 2020 in now complete.	Ongoing



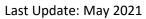


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Potential increase in employer contribution rates and liabilities	Tri-ennial valuationIndividual employer contribution rates							
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 Regular benefit admin team meetings to share knowledge 	3	3	9	\leftrightarrow	TREAT		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	 Internal written procedures in place FOI/SAR log to record & monitor 	3	1	3	\leftrightarrow	TREAT	New online process through GovServices implemented to manage FOI requests	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



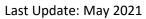


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Audit criticism, legal challenge, reputational risk	 Standing agenda item at meetings Conflicts policy & register in place, with conflicts declarations issued annually 							
	ministration						ı		ı
NESPF012	Risk: Requirement to complete GMP reconciliation Causes: End of contracting out due to reforms of state pension Potential Impact: Failure to calculate future benefits	 Dedicated GMP project team reporting to Operations Manager Regular updates to Committee and Board 	2	2	4	\leftrightarrow	TREAT	IPE regulations with effect 1 March 2020. Final file received from HMRC in June 2020, further work is required to complete the	Gary Gray, ongoing
	correctly, audit criticism, financial loss							project.	
NESPF013	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	 Segregation of duties for benefits staff authorising/submitting lump sum payments Pension payments signed off by benefits senior Participation in National Fraud Initiative exercise Overseas pensioner existence checking Breaches Policy & register Internal Audit control reviews 	2	3	6	\leftrightarrow	TREAT	Enhanced Admin to Pay module to provide secondary calculation checks as system requirement implemented into Live system during October 2020.	Ongoing



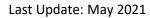


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
Investmen	ts								
NESPF014	Risk: Insufficient assets to meet the Funds long term liabilities Causes: Failure of investment strategy or fund managers 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	3	12	\leftrightarrow	TREAT	Tri-ennial valuation is complete, investment strategy review completed and approved by Committee in March 2021. Tender underway for new investment management consultancy services.	Ongoing
NESPF015	Risk: Failure to monitor investment managers and assets Causes: Lack of internal procedures Potential Impact: Audit criticism, legal challenge, reputational risk	 Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	3	9	\leftrightarrow	TREAT		Ongoing
NESPF016	Risk: Failure of world stock markets Causes: Systemic Potential Impact: Increase in employer contribution rates, financial loss	 Diversification of Scheme assets Tri-ennial valuation and investment strategy review 	4	2	8	\leftrightarrow	TOLERATE	Tri-ennial valuation is complete, investment strategy review completed and approved by Committee in March 2021.	Ongoing



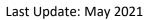


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NESPF017	Risk: Negligence/Fraud/Default Causes: Dishonesty by fund managers, lack of care or human error Potential Impact: Financial loss, reputational damage	 Due diligence on appointment and appropriate clause in legal agreements Fund management monitoring SAS 70 reports 	2	1	2	\leftrightarrow	TOLERATE		Ongoing
NESPF018	Risk: Failure of Global Custodian Causes: Financial market crisis, regulatory/political Potential Impact: Loss of assets or control of assets	 Regular meeting with custodian Receipt of SAS 70 reports and monitoring 	4	1	4	\leftrightarrow	TOLERATE		Ongoing
NESPF019	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 	2	3	6	\leftrightarrow	TREAT	Annual PRI signatory assessment completed	Ongoing
Accounting									
NESPF020	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	 Comprehensive policies and procedures in place and review of the Code Attending CIPFA meeting and reviews Regular reconciliations e.g. fund managers, custodian 	3	2	6	\leftrightarrow	TREAT	Draft unaudited accounts to Committee in June 2021.	Ongoing



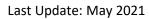


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Qualified accounts	Internal/External Audits							
Systems									
NESPF021	Risk: Failure to secure and manage personal data in 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) 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	\leftrightarrow	TREAT	No data breaches this quarter, however risk rating left at same level due to ongoing COVID-19 and homeworking situation.	Ongoing
NESPF022	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		Ongoing
NESPF023	Risk Failure to track member status and trace information		2	3	6	\leftrightarrow	TREAT		Ongoing



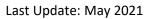


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Causes: Poor record keeping Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action	 Tracing service in place (ATMOS) Use of 'Tell Us Once' service Data quality improvement plan including measures to trace Existence checking 							
Employer I	Relationship								
NESPF024	Risk: Failure to monitor employer covenant Causes: Failure of internal procedures Potential Impact: Orphaned liabilities could fall on remaining employers	 Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) 	3	4	12	\leftrightarrow	TREAT		Ongoing
NESPF025	Risk: Changes in early retirement strategies by employers Causes: Public service cuts to funding Potential Impact: Pressure on cash flows	Management through Covenant Assessment and Monitoring Policy (within FSS)	3	3	9	\leftrightarrow	TREAT		Ongoing
NESPF026	Risk: Employers leaving Scheme or closing to new members Causes: Public service cuts to funding, increased pension contribution costs	Management through Covenant Assessment and Monitoring Policy (within FSS)	2	6	12	\leftrightarrow	TREAT	Expected changes to Regulations to allow greater flexibilities to exiting employers which may reduce	Ongoing





Code	isk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Orphaned liabilities could fall to remaining employers	Cost Cap mechanism introduced in LGPS regulations						risk of orphaned liabilities. Risk level remains unchanged due to ongoing uncertainty from COVID-19.	
NESPF027	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	Tri-ennial valuation completed.	Ongoing
NESPF028	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	4	8	\leftrightarrow	TREAT		Ongoing
NESPF029	Risk: Failure to maintain member records; data incomplete or inaccurate Causes: Lack of staff resources, training issues	Monthly data from employers which is reconciled by ERT	2	2	4	\leftrightarrow	TREAT		Ongoing





Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action	 Quarterly PAS reporting to Committee & Board Data quality improvement plan implemented 							
NESPF030	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			Ongoing