

# 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.

<b>4</b>	<b>Very Serious</b>	4	8	12	16	20	24
<b>3</b>	<b>Serious</b>	3	6	9	12	15	18
<b>2</b>	<b>Marginal</b>	2	4	6	8	10	12
<b>1</b>	<b>Negligible</b>	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)

<b>4</b>	<b>Very Serious</b>	● ●	● ●	●			
<b>3</b>	<b>Serious</b>	●	● ● ●	● ● ●		●	
<b>2</b>	<b>Marginal</b>	●	● ● ●	● ● ● ●	●		●
<b>1</b>	<b>Negligible</b>						
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			
<b>Pension Fund Level</b>									
NESPFO01	<b>Risk:</b> Lack of effective risk controls	<ul style="list-style-type: none"> <li>NESPF risk register is reviewed and updated quarterly by senior management team</li> <li>Consideration by Pensions Committee &amp; Board at quarterly meetings</li> <li>NESPF specific Risk Management Policy in place</li> </ul>	4	1	4	↔	TREAT		Ongoing
	<b>Causes:</b> Failure to implement risk management framework								
	<b>Potential Impact:</b> Operational, financial and reputational issues								
NESPFO02	<b>Risk:</b> Poor Governance	<ul style="list-style-type: none"> <li>Annual review of Funds Governance Compliance Statement and supporting policies and procedures</li> <li>Adherence to Council's Scheme of Governance</li> <li>Committee Effectiveness Report to support good governance</li> </ul>	2	2	4	↔	TREAT	Committee Effectiveness Report will be taken to December 2022 meeting.  Normal governance arrangements are operating. ACC Scheme of Governance annual review completed in April 2022.	Ongoing
	<b>Causes:</b> Lack of robust and effective governance framework and supporting policies and procedures								
	<b>Potential Impact:</b> Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk								
NESPFO03	<b>Risk:</b> Lack of performance measures	<ul style="list-style-type: none"> <li>Statutory and local KPI's</li> <li>Pension Administration Strategy published quarterly</li> </ul>	2	3	6	↔	TREAT	Revised PAS to Dec' 22 Committee meeting.	Ongoing
	<b>Causes:</b> Failure to develop performance reporting framework								

	<b>Potential Impact:</b> Lack of transparency, poor performance could go unaddressed	<ul style="list-style-type: none"> <li>Investment performance (against benchmark) reported to Committee quarterly</li> </ul>							
NESPF004	<b>Risk:</b> Failure of Pensions Committee and Pension Board to operate effectively	<ul style="list-style-type: none"> <li>Publication of Pension Board Annual Report</li> <li>Training Policy reviewed annually and training register in place</li> <li>Nomination &amp; Appointment procedure</li> <li>Annual Committee Effectiveness Report</li> </ul>	3	2	6	↔	TREAT	Normal Governance arrangements are operating. Pension Board Annual Report taken to June 2022 meeting.	Ongoing
	<b>Causes:</b> Poor attendance/commitment to role, high turnover of members, lack of training								
	<b>Potential Impact:</b> Non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk								
NESPF005	<b>Risk:</b> Operational Disaster; unable to access the workplace	<ul style="list-style-type: none"> <li>ACC Disaster Recovery policy in place</li> <li>NESPF Business Continuity Plan to address loss/disruption to benefit administration system</li> </ul>	2	2	4	↔	TOLERATE		Ongoing
	<b>Causes:</b> Major incident, natural disaster								
	<b>Potential Impact:</b> Loss of service delivery, staff downtime								
NESPF006	<b>Risk:</b> Failure to recruit, retain and develop staff	<ul style="list-style-type: none"> <li>All staff have individual development plans which are reviewed regularly through CR&amp;D</li> <li>Training register to monitor</li> <li>2 full time training &amp; development staff</li> <li>Internal 2 year training programme for benefit admin staff</li> </ul>	3	3	9	↑	TREAT	Some posts currently being recruited but increased concerns regarding retaining and attracting right applicants. Jobs now advertised on LinkedIn and NESPF website for more targeted	Laura Colliss, ongoing
	<b>Causes:</b> Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities								
	<b>Potential Impact:</b> Loss of service delivery, risk to succession planning								

		<ul style="list-style-type: none"> <li>• Future-focused staffing structure, subject to ongoing review</li> </ul>						advertising and investigating Modern Apprenticeships.	
NESPF007	<p><b>Risk:</b> Pay and price inflation valuation assumptions either higher or lower</p> <p><b>Causes:</b> Economic factors</p> <p><b>Potential Impact:</b> Potential increase in employer contribution rates and liabilities</p>	<ul style="list-style-type: none"> <li>• Quarterly funding updates to Committee (using FSM)</li> <li>• Tri-ennial valuation</li> <li>• Individual employer contribution rates</li> </ul>	3	5	15	↔	<b>TOLERATE</b>	<p>Discussions to commence for 2023 valuation.</p> <p>Inflation risk and pay inflation continue to be a serious concern, risk level raised as a result.</p>	<b>Ongoing</b>
<b>Governance</b>									
NESPF008	<p><b>Risk:</b> Failure to adhere to relevant pensions legislation and guidance</p> <p><b>Causes:</b> Political and legislative changes, increased administrative complexity, staff training issue</p> <p><b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial loss and tPR action</p>	<ul style="list-style-type: none"> <li>• Six monthly compliance review, with annual reporting to Pensions Committee and Board</li> <li>• Active participation at LGPS events, Testing Working Party for administration software updates</li> <li>• Established processes for staff training</li> <li>• Oversight by Pensions Board</li> <li>• Regular benefit admin team meetings to share knowledge</li> </ul>	3	3	9	↔	<b>TREAT</b>	<p>Six monthly compliance review to be completed Dec'2022.</p> <p>Next Annual Compliance report to Committee in March 2023.</p>	<b>Ongoing</b>
NESPF09	<p><b>Risk:</b> Failure to comply with FOI or SAR requests</p>		3	1	3	↔	<b>TREAT</b>		<b>Ongoing</b>

	<p><b>Causes:</b> Missed statutory deadlines due to training or resource issues</p> <p><b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> <li>• Internal written procedures in place</li> <li>• FOI/SAR log to record &amp; monitor</li> <li>• Online process through GovServices</li> </ul>							
NESPF010	<p><b>Risk:</b> Conflicts of Interest</p> <p><b>Causes:</b> Competing professional and personal interests of staff, Committee and Board members</p> <p><b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> <li>• Regular discussions between CO-Finance and Pension Fund Manager</li> <li>• Standing agenda item at meetings</li> <li>• Conflicts policy &amp; register in place, with conflicts declarations issued annually</li> </ul>	2	4	8	↔	TREAT		Ongoing
<b>Benefit Administration</b>									
NESPF011	<p><b>Risk:</b> Fraud/Negligence</p> <p><b>Causes:</b> Dishonesty or human error by staff, scheme members</p> <p><b>Potential Impact:</b> Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> <li>• Segregation of duties for benefits staff authorising/submitted lump sum payments</li> <li>• Pension payments signed off by benefits senior</li> <li>• Participation in National Fraud Initiative exercise</li> <li>• Overseas pensioner existence checking</li> <li>• Breaches Policy &amp; register</li> <li>• Internal Audit control reviews</li> </ul>	2	3	6	↔	TREAT	Enhanced Admin to Pay module to provide secondary calculation checks as system requirement implemented into Live system in October 2020 with ongoing developments.	Ongoing
<b>Investments</b>									

NESPFO12	<b>Risk:</b> Insufficient assets to meet the Funds long term liabilities	<ul style="list-style-type: none"> <li>Quarterly assessment of investment performance and funding updates</li> <li>Tri-ennial valuation and investment strategy review</li> <li>Diversification of assets</li> <li>Due diligence of fund managers</li> <li>External advisor for specialist guidance on strategy</li> </ul>	4	3	12	↔	<b>TREAT</b>	Tri-ennial valuation and investment strategy review completed and approved by Committee in March 2021.  Investment Management Consultancy Services appointed in August 2021.	<b>Ongoing</b>
	<b>Causes:</b> Failure of investment strategy or fund managers to produce expected returns								
	<b>Potential Impact:</b> Increase in employer contribution rates, investment risk, audit criticism, financial loss								
NESPFO13	<b>Risk:</b> Failure to monitor investment managers and assets	<ul style="list-style-type: none"> <li>Quarterly assessment and reporting of asset performance</li> <li>Regular meetings with investment managers</li> </ul>	3	3	9	↔	<b>TREAT</b>		<b>Ongoing</b>
	<b>Causes:</b> Lack of internal procedures								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk								
NESPFO14	<b>Risk:</b> Failure of world stock markets	<ul style="list-style-type: none"> <li>Diversification of Scheme assets</li> <li>Tri-ennial valuation and investment strategy review</li> </ul>	4	2	8	↔	<b>TOLERATE</b>	Tri-ennial valuation and investment strategy review completed and approved by Committee in March 2021.	<b>Ongoing</b>
	<b>Causes:</b> Systemic								
	<b>Potential Impact:</b> Increase in employer contribution rates, financial loss								
NESPFO15	<b>Risk:</b> Negligence/Fraud/Default	<ul style="list-style-type: none"> <li>Due diligence on appointment and appropriate clause in legal agreements</li> </ul>	2	1	2	↔	<b>TOLERATE</b>		<b>Ongoing</b>
	<b>Causes:</b> Dishonesty by fund managers, lack of care or human error								

	<b>Potential Impact:</b> Financial loss, reputational damage	<ul style="list-style-type: none"> <li>Fund management monitoring</li> <li>SAS 70 reports</li> </ul>							
NESPFO16	<b>Risk:</b> Failure of Global Custodian	<ul style="list-style-type: none"> <li>Regular meeting with custodian</li> <li>Service Level Agreement in place</li> <li>Receipt of SAS 70 reports and monitoring</li> </ul>	4	1	4	↔	TOLERATE		Ongoing
	<b>Causes:</b> Financial market crisis, regulatory/political								
	<b>Potential Impact:</b> Loss of assets or control of assets								
NESPFO17	<b>Risk:</b> Failure to implement ESG policy	<ul style="list-style-type: none"> <li>Member training on roles and fiduciary duties</li> <li>Policy incorporated within SIP</li> <li>PRI membership, annual signatory assessment</li> <li>Monitor impact of climate change</li> <li>Adoption of TCFD</li> <li>Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work.</li> </ul>	2	3	6	↔	TREAT		Ongoing
	<b>Causes:</b> Lack of skills/knowledge, lack of transparency on practices or clear policy								
	<b>Potential Impact:</b> Reputational damage								
<b>Accounting</b>									
NESPFO18	<b>Risk:</b> Poor financial reporting	<ul style="list-style-type: none"> <li>Comprehensive policies and procedures in place and review of <i>the Code</i></li> <li>Attending CIPFA meeting and reviews</li> </ul>	3	2	6	↔	TREAT	Audited Annual Report and Accounts to Dec'22 meeting for approval and signing.	Ongoing
	<b>Causes:</b> 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 <b>Potential Impact:</b> Qualified accounts	<ul style="list-style-type: none"> <li>Regular reconciliations e.g. fund managers, custodian</li> <li>Internal/External Audits</li> </ul>							
<b>Systems</b>									
NESPF019	<b>Risk:</b> Failure to secure and manage personal data in line with data protection requirements <b>Causes:</b> Cyber-attack, human processing error <b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial penalties	<ul style="list-style-type: none"> <li>Annual information governance training for staff</li> <li>Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule)</li> <li>Secure physical storage measures</li> <li>Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3<sup>rd</sup> party penetration testing etc</li> </ul>	4	2	8	↔	TREAT	3 new personal data breaches this quarter. Staff undertake annual information governance refresher training. Reminders and further action to be taken in response to recent breaches.  Breaches procedure updated and re-issued to staff Oct'22.	Ongoing
NESPF020	<b>Risk:</b> Failure of the Fund's administration system <b>Causes:</b> Outages, hardware and software failures and cyber attacks <b>Potential Impact:</b> Staff downtime, loss of service delivery	<ul style="list-style-type: none"> <li>Administration system is hosted externally with back up in separate location</li> <li>Regular software updates</li> <li>Business continuity and disaster recovery plans in place</li> </ul>	3	2	6	↔	TOLERATE	Increased risk of cyber attacks globally from Russia but mitigations in place.  Work underway on new NESPF Cyber Security Policy.	Ongoing
NESPF021	<b>Risk:</b> Failure to track member status and trace information		2	3	6	↔	TREAT	Tracing exercise underway with	Ongoing



	<p><b>Causes:</b> Poor record keeping</p> <p><b>Potential Impact:</b> Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action</p>	<ul style="list-style-type: none"> <li>• Tracing service in place (ATMOS)</li> <li>• Use of 'Tell Us Once' service</li> <li>• Data quality improvement plan including measures to trace</li> <li>• Existence checking</li> </ul>						Target following committee approval in December 2021.	
<b>Employer Relationship</b>									
NESPF022	<b>Risk:</b> Failure to monitor employer covenant	<ul style="list-style-type: none"> <li>• Continued implementation of Covenant Assessment and Monitoring Policy (within FSS)</li> </ul>	2	3	6	↔	TREAT	Online liability monitor now has ability to track funding levels and liabilities for each individual employer.	Ongoing
	<b>Causes:</b> Failure of internal procedures								
	<b>Potential Impact:</b> Orphaned liabilities could fall on remaining employers								
NESPF023	<b>Risk:</b> Changes in early retirement strategies by employers	<ul style="list-style-type: none"> <li>• Management through Covenant Assessment and Monitoring Policy (within FSS)</li> </ul>	3	3	9	↔	TREAT		Ongoing
	<b>Causes:</b> Public service cuts to funding								
	<b>Potential Impact:</b> Pressure on cash flows								
NESPF024	<b>Risk:</b> Employers leaving Scheme or closing to new members	<ul style="list-style-type: none"> <li>• Management through Covenant Assessment and Monitoring Policy (within FSS)</li> <li>• Cost Cap mechanism introduced in LGPS regulations</li> </ul>	2	6	12	↔	TREAT	Regulation changes to allow greater flexibilities to exiting employers to reduce risk of orphaned liabilities now introduced. Risk level remains static, however it should be noted that the volume of	Ongoing
	<b>Causes:</b> Public service cuts to funding, increased pension contribution costs								
	<b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers								

					4			discussions with employers is increasing.	
NESPFO25	<b>Risk:</b> Longevity	<ul style="list-style-type: none"> <li>• Tri-ennial valuation undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases</li> </ul>	2	2	4	↔	<b>TOLERATE</b>	Discussions underway to prepare for 2023 valuation. Preparation of new FSS. CMI 2021 published in March'22 provides most up to date information on mortality data and will be used for 2023 valuation assumptions.	<b>Ongoing</b>
	<b>Causes:</b> Increasing life expectancy rates								
	<b>Potential Impact:</b> Increase in employer contribution rates and liabilities								
NESPFO26	<b>Risk:</b> Employer contributions not received, collected or recorded accurately	<ul style="list-style-type: none"> <li>• Internal escalation procedures</li> <li>• Breaches policy and register</li> <li>• Monthly data submission reconciled by ERT</li> <li>• Quarterly PAS reporting to Committee &amp; Board</li> <li>• Ongoing training provided by dedicated ERT to scheme employers</li> <li>• Employer Briefings</li> </ul>	2	3	6	↔	<b>TREAT</b>	New flexibilities to LGPS (Scotland) Regulations Summer 2022 which will help manage risk. Move to investment buckets will provide greater control to manage exits over longer term.	<b>Ongoing</b>
	<b>Causes:</b> Lack of staff resources, training issues								
	<b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers								
NESPFO27	<b>Risk:</b> Failure to maintain member records; data incomplete or inaccurate	<ul style="list-style-type: none"> <li>• Monthly data from employers which is reconciled by ERT</li> </ul>	2	2	4	↔	<b>TREAT</b>		<b>Ongoing</b>
	<b>Causes:</b> Lack of staff resources, training issues								

	<p><b>Potential Impact:</b> Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action</p>	<ul style="list-style-type: none"> <li>• Quarterly PAS reporting to Committee &amp; Board</li> <li>• Data quality improvement plan implemented</li> </ul>			6				
NESPF028	<p><b>Risk:</b> The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement</p>	<ul style="list-style-type: none"> <li>• SAB and other industry guidance</li> <li>• Early and ongoing communication with employers</li> <li>• McCloud project team created</li> </ul>	2	3	6	↔	<b>TREAT</b>	Work has begun communicating with employers and updating member records ahead of “McCloud Regulations” and Altair software sign off.	<b>Ongoing</b>
	<p><b>Causes:</b> Not having the required historic data, adequate resources, sufficient guidance</p>								
	<p><b>Potential Impact:</b> Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation</p>								