

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 will be taken to September 2023 meeting. Normal governance arrangements are operating. ACC Scheme of Governance annual review completed in April 2022.	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 	2	3	6	↔	TREAT	Revised PAS effective from Jan'23 with new reporting to	Ongoing
	Causes: Failure to develop performance reporting framework								

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	Potential Impact: Lack of transparency, poor performance could go unaddressed	<ul style="list-style-type: none"> Investment performance (against benchmark) reported to Committee quarterly 						Sept'23 committee meeting.	
NESPF004	<p>Risk: Failure of Pensions Committee and Pension Board to operate effectively</p> <p>Causes: Poor attendance/commitment to role, high turnover of members, lack of training</p> <p>Potential Impact: Non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk</p>	<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 	3	3	9	↑	TREAT	<p>Normal Governance arrangements are operating. Pension Board Annual Report will be taken to June 2023 meeting.</p> <p>High turnover of Committee members in 2022/23. A Committee bulletin was launched to increase member engagement and participation in training.</p>	Ongoing
NESPF005	<p>Risk: Operational Disaster; unable to access the workplace</p> <p>Causes: Major incident, natural disaster</p>	<ul style="list-style-type: none"> ACC Disaster Recovery policy in place NESPF Business Continuity Plan to 	2	2	4	↔	TOLERATE	Disaster Recovery Testing is underway.	Ongoing

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	Potential Impact: Loss of service delivery, staff downtime	address loss/disruption to benefit administration system							
NESPF006	Risk: Failure to recruit, retain and develop staff	<ul style="list-style-type: none"> 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 	3	2	6	↔	TREAT	Two Modern Apprentices have been recruited and joined in May'23. 7 Trainee Pensions Officers in post.	Laura Colliss, ongoing
	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								
NESPF007	Risk: Pay and price inflation valuation assumptions either higher or lower	<ul style="list-style-type: none"> Quarterly funding updates to Committee (using FSM) Tri-ennial valuation Individual employer contribution rates 	3	5	15	↔	TOLERATE	Work underway on 2023 valuation. Inflation risk and pay inflation continue to be a serious concern, risk level raised as a result.	Ongoing
	Causes: Economic factors								
	Potential Impact: Potential increase in employer contribution rates and liabilities								
NESPF008	Risk: Over reliance on services provided by the Administering Authority (e.g. HR, Payroll, Legal, IT)	<ul style="list-style-type: none"> Internal controls including Policies and procedures 	3	2	6	↔	TOLERATE		Ongoing

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	<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"> Pensions Administration Strategy in place Communication between Pensions 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	3	9	↔	TREAT	<p>Six monthly compliance review due in June 2023.</p> <p>Annual Compliance Report went to Committee in March 2023.</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 Participation in National Fraud Initiative exercise Overseas pensioner existence checking Breaches Policy & register Internal Audit control reviews 	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

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
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Investments									
NESPFO13	Risk: Insufficient assets to meet the Funds long term liabilities	<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	3	12	↔	TREAT	Tri-ennial valuation process underway, investment strategy review to follow. Investment Management Consultancy Services appointed in August 2021.	Ongoing
	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								
NESPFO14	Risk: Failure to monitor investment managers and assets	<ul style="list-style-type: none"> Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	3	9	↔	TREAT		Ongoing
	Causes: Lack of internal procedures								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
NESPFO15	Risk: Failure of world stock markets	<ul style="list-style-type: none"> Diversification of Scheme assets Tri-ennial valuation and investment strategy review 	4	2	8	↔	TOLERATE	Tri-ennial valuation underway, investment strategy review to follow.	Ongoing
	Causes: Systemic								
	Potential Impact: Increase in employer contribution rates, financial loss								
NESPFO16	Risk: Negligence/Fraud/Default	<ul style="list-style-type: none"> Due diligence on appointment and appropriate clause in legal agreements 	2	1	2	↔	TOLERATE		Ongoing
	Causes: Dishonesty by fund managers, lack of care or human error								

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	Potential Impact: Financial loss, reputational damage	<ul style="list-style-type: none"> Fund management monitoring SAS 70 reports 							
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 to commence end of 2023/early 2024. Risk raised this quarter as service delivery is being impacted on by their staffing issues.	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 Monitor impact of climate change Adoption of TCFD Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work. 	2	3	6	↔	TREAT	Committee and Board were invited to a Training session on Net Zero in March 2023 with further discussions ongoing.	Ongoing
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy								
	Potential Impact: Reputational damage								

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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 and Accounts to June 2023 committee 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) 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	One new personal data breach this quarter. Staff undertake annual information governance refresher training. Breaches procedure reviewed Feb 23.	Ongoing
	Causes: Cyber-attack, human processing error								
	Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties								
NESPFO21	Risk: Failure of the Fund's administration system		3	2	6	↔	TOLERATE	Increased risk of cyber attacks	Ongoing

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	<p>Causes: Outages, hardware and software failures and cyber attacks</p> <p>Potential Impact: Staff downtime, loss of service delivery</p>	<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 						<p>globally, mitigations in place.</p> <p>Work underway on new NESPF Cyber Security Policy and data mapping.</p>	
NESPF022	<p>Risk Failure to track member status and trace information</p> <p>Causes: Poor record keeping</p> <p>Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action</p>	<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	Tracing exercise underway with Target following committee approval in December 2021.	Ongoing
Employer Relationship									
NESPF023	<p>Risk: Failure to monitor employer covenant</p> <p>Causes: Failure of internal procedures</p> <p>Potential Impact: Orphaned liabilities could fall on remaining employers</p>	<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
NESPF024	<p>Risk: Changes in early retirement strategies by employers</p> <p>Causes: Public service cuts to funding</p>	<ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy (within FSS) 	3	3	9	↔	TREAT		Ongoing

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	Potential Impact: Pressure on cash flows								
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 	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 discussions with employers is increasing.	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	Work underway on 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.	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 	2	3	6	↔	TREAT	LGPS (Scotland) Regulations Summer 2022	Ongoing

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			Impact	Likelihood	Score	Movement			
	<p>Causes: Lack of staff resources, training issues</p> <p>Potential Impact: Orphaned liabilities could fall to remaining employers</p>	<ul style="list-style-type: none"> 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 						which will help manage risk. Move to investment buckets will provide greater control to manage exits over longer term.	
NESPF028	<p>Risk: Failure to maintain member records; data incomplete or inaccurate</p> <p>Causes: Lack of staff resources, training issues</p> <p>Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action</p>	<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		Ongoing
NESPF029	<p>Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement</p> <p>Causes: Not having the required historic data, adequate resources, sufficient guidance</p>	<ul style="list-style-type: none"> SAB and other industry guidance Early and ongoing communication with employers McCloud project team created 	2	3	6	↔	TREAT	Work has begun communicating with employers and updating member records ahead of "McCloud Regulations" and Altair software sign off.	Ongoing

