

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 December 2023 meeting.	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) reported to Committee quarterly 	2	3	6	↔	TREAT	Revised PAS effective from Jan'23 with new reporting to Sept'23 committee meeting.	Ongoing
	Causes: Failure to develop performance reporting framework								
	Potential Impact: Lack of transparency, poor								

	performance could go unaddressed								
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>Pension Board Annual Report was approved at 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. Currently 2 vacancies on Committee.</p>	Ongoing
NESPF005	<p>Risk: Operational Disaster; unable to access the workplace</p> <p>Causes: Major incident, natural disaster</p> <p>Potential Impact: Loss of service delivery, staff downtime</p>	<ul style="list-style-type: none"> • ACC Disaster Recovery policy in place • NESPF Business Continuity Plan to address loss/disruption to benefit administration system 	2	2	4	↔	TOLERATE	<p>Disaster Recovery Testing is underway.</p>	Ongoing
NESPF006	<p>Risk: Failure to recruit, retain and develop staff</p> <p>Causes: Limited pool of resources/competition with private sector, lack of training/development</p>	<ul style="list-style-type: none"> • All staff have individual development plans which are reviewed regularly through CR&D 	3	2	6	↔	TREAT	<p>Two Modern Apprentices started in May'23. 1 Trainee Pensions Officer successfully completed their</p>	Laura Colliss, ongoing

	<p>opportunities, resource drain from wider priorities</p> <p>Potential Impact: Loss of service delivery, risk to succession planning</p>	<ul style="list-style-type: none"> • 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 						<p>final exams to become a fully qualified Pensions Officer. 1 TPO left post and vacancy will be advertised.</p>	
NESPF007	<p>Risk: Pay and price inflation valuation assumptions either higher or lower</p> <p>Causes: Economic factors</p> <p>Potential Impact: Potential increase in employer contribution rates and liabilities</p>	<ul style="list-style-type: none"> • Quarterly funding updates to Committee (using FSM) • Tri-ennial valuation • Individual employer contribution rates 	3	4	12	↓	TOLERATE	<p>Work underway on 2023 valuation.</p> <p>Inflation risk and pay inflation continue to be a serious concern, however risk level lowered slightly due to early indications of surplus from valuation.</p>	Ongoing
NESPF008	<p>Risk: Over reliance on services provided by the Administering Authority (e.g. HR, Payroll, Legal, IT)</p> <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</p>	<ul style="list-style-type: none"> • Internal controls including Policies and procedures • Pensions Administration Strategy in place • Communication between Pensions Manager and ACC Chief Officers 	3	2	6	↔	TOLERATE		Ongoing

	requirements, staff downtime, loss of service delivery/delays and staff time								
Governance									
NESPF009	Risk: Failure to adhere to relevant pensions legislation and guidance	<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	Annual Compliance Report went to Committee in March 2023. Six monthly compliance review completed in June 2023, with no issues reported.	Ongoing
	Causes: Political and legislative changes, increased administrative complexity, staff training issue								
	Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action								
NESPF010	Risk: Failure to comply with FOI or SAR requests	<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
	Causes: Missed statutory deadlines due to training or resource issues								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
NESPF011	Risk: Conflicts of Interest	<ul style="list-style-type: none"> • Regular discussions between CO-Finance and Pension Fund Manager 	2	4	8	↔	TREAT		Ongoing
	Causes: Competing professional and personal interests of staff, Committee and Board members								

	Potential Impact: Audit criticism, legal challenge, reputational risk	<ul style="list-style-type: none"> • Standing agenda item at meetings • Conflicts policy & register in place, with conflicts declarations issued annually 							
Benefit Administration									
NESPFO12	Risk: Fraud/Negligence	<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
	Causes: Dishonesty or human error by staff, scheme members Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk								
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 	4	3	12	↔	TREAT	Tri-ennial valuation process underway with early indications that Fund is in very	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	<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 						healthy position, investment strategy review to follow. Investment Management Consultancy Services appointed in August 2021.	
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	3	9	↔	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 underway, investment strategy review to follow.	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 to commence Autumn 2023.	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 						Risk remains static as service delivery is being impacted on by their staffing issues.	
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	Members of Committee and Board attended Net Zero training in March 2023.	Ongoing
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy								
	Potential Impact: Reputational damage								
Accounting									
NESPF019	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	Audited Annual Report & Accounts to September 2023 Committee & Board meeting for approval and signing.	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	<p>Staff undertake annual information governance refresher training.</p> <p>Breaches procedure reviewed Feb 23.</p> <p>NESPF staff liaising with Fraud and DPO team over fraudulent access of 1 pensioner account. Risk remains static, procedures to be reviewed and staff to receive further training. Breach will not be reported to ICO.</p>	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	<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 	3	2	6	↔	TOLERATE	<p>Increased risk of cyber attacks globally, mitigations in place.</p> <p>Work underway on new NESPF Cyber Security Policy and data mapping.</p>	Ongoing
	Causes: Outages, hardware and software failures and cyber attacks								
	Potential Impact: Staff downtime, loss of service delivery								
NESPFO22	Risk: Failure to track member status and trace information		2	3	6	↔	TREAT	Tracing exercise underway with	Ongoing

	<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 						Target following committee approval in December 2021.	
Employer Relationship									
NESPF023	Risk: Failure to monitor employer covenant	<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
	Causes: Failure of internal procedures								
	Potential Impact: Orphaned liabilities could fall on remaining employers								
NESPF024	Risk: Changes in early retirement strategies by employers	<ul style="list-style-type: none"> • Management through Covenant Assessment and Monitoring Policy (within FSS) 	3	3	9	↔	TREAT		Ongoing
	Causes: Public service cuts to funding								
	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	Ongoing
	Causes: Public service cuts to funding, increased pension contribution costs								
	Potential Impact: Orphaned liabilities could fall to remaining employers								

					4			discussions with employers is increasing.	
NESPFO26	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								
NESPFO27	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 ERT to scheme employers • Employer Briefings 	2	3	6	↔	TREAT	LGPS (Scotland) Regulations in Summer 2022 to help manage risk. Move to investment buckets will provide greater control to manage exits over longer term.	Ongoing
	Causes: Lack of staff resources, training issues								
	Potential Impact: Orphaned liabilities could fall to remaining employers								
NESPFO28	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 	2	2	4	↔	TREAT		Ongoing
	Causes: Lack of staff resources, training issues								
	Potential Impact: Incorrect pension payments, incorrect								

	assessment of actuarial liabilities, reputational damage, tPR action	<ul style="list-style-type: none"> Data quality improvement plan implemented Data readiness assessment for Pensions Dashboard Project 							
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> <p>Potential Impact: Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation</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