

# 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.

<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
<b>Impact</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
	<b>Likelihood</b>	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>						
<b>Impact</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
	<b>Likelihood</b>	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 2023 meeting.  ACC Scheme of Governance annual review completed and approved in June 2023.	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> <li>Investment performance (against benchmark) reported to Committee quarterly</li> </ul>	2	3	6	↔	TREAT	Revised PAS effective from Jan'23 with new reporting expected for March'24 meeting.	Ongoing
	<b>Causes:</b> Failure to develop performance reporting framework								
	<b>Potential Impact:</b> Lack of transparency, poor								

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			Impact	Likelihood	Score	Movement			
	performance could go unaddressed								
NESPF004	<p><b>Risk:</b> Failure of Pensions Committee and Pension Board to operate effectively</p> <p><b>Causes:</b> Poor attendance/commitment to role, high turnover of members, lack of training</p> <p><b>Potential Impact:</b> Non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk</p>	<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> <li>• Monthly Committee &amp; Board Bulletin</li> </ul>	3	3	9	↔	TREAT	<p>Pension Board Annual Report approved June 2023. Additional meeting/training took place Sept'23.</p> <p>High turnover of Committee members. Currently 3 vacancies on Committee and 1 on Board.</p> <p>Hymans Knowledge Progress Assessment 2023 in progress.</p>	Ongoing
NESPF005	<p><b>Risk:</b> Operational Disaster; unable to access the workplace</p> <p><b>Causes:</b> Major incident, natural disaster</p> <p><b>Potential Impact:</b> Loss of service delivery, staff downtime</p>	<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	Disaster Recovery Testing is underway.	Ongoing

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			Impact	Likelihood	Score	Movement			
NESPFO06	<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> <li>Future-focused staffing structure, subject to ongoing review</li> </ul>	3	2	6	↔	TREAT	Two Modern Apprentices started in May 2023 and are progressing well. Number of vacancies being advertised and recruitment process ongoing.	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								
NESPFO07	<b>Risk:</b> Pay and price inflation valuation assumptions either higher or lower	<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	4	12	↔	TOLERATE	Short term inflation continues to be impactful, directly affecting liabilities and pensions paid.  2023 valuation will set inflation assumption higher than in 2020 based on current environment but also reflect national long term forecast for lower inflation.	Ongoing
	<b>Causes:</b> Economic factors								
	<b>Potential Impact:</b> Potential increase in employer contribution rates and liabilities								
NESPFO08	<b>Risk:</b> Over reliance on services provided by the		3	3	9	↑	TOLERATE	Risk level increased slightly due to	Ongoing

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	<p>Administering Authority (e.g. HR, Payroll, Legal, IT)</p> <p><b>Causes:</b> VS/ER exercise leading to loss of knowledge and expertise, recruitment freeze, poor service provision</p> <p><b>Potential Impact:</b> Ability to meet regulatory and tPR requirements, staff downtime, loss of service delivery/delays and staff time</p>	<ul style="list-style-type: none"> <li>Internal controls including policies and procedures</li> <li>Pensions Administration Strategy in place</li> <li>Communication between Pensions Manager and ACC Chief Officers</li> </ul>						current issues being experienced.	
<b>Governance</b>									
NESPF009	<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	2	6	↓	TREAT	<p>Annual Compliance Report went to Committee in March 2023.</p> <p>Six monthly compliance review due in December 2023.</p> <p>Overall score lowered slightly as risk of likelihood deemed very low.</p>	Ongoing
NESPF010	<p><b>Risk:</b> Failure to comply with FOI or SAR requests</p>		3	1	3	↔	TREAT		Ongoing

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			Impact	Likelihood	Score	Movement			
	<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>							
NESPF011	<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>									
NESPF012	<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/submitting lump sum payments</li> <li>Pension payments signed off by benefits senior</li> <li>Advanced Admin to Pay Module to provide secondary calculation checks</li> <li>Participation in National Fraud Initiative exercise</li> <li>Overseas pensioner existence checking</li> </ul>	2	3	6	↔	TREAT	1 Fraud case detected in July 2023 – see risk NESPF020. 1 personal data breach this quarter, risk remains static.	Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		<ul style="list-style-type: none"> <li>Breaches Policy &amp; register</li> <li>Internal Audit control reviews</li> </ul>							
<b>Investments</b>									
NESPFO13	<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	↔	TREAT	Tri-ennial valuation process underway, Fund in very healthy position and valuation approach continues to ensure high level of prudence, therefore risk remains static. Investment strategy review to follow.	Ongoing
	<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								
NESPFO14	<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	2	6	↓	TREAT	Risk likelihood reduce following review.	Ongoing
	<b>Causes:</b> Lack of internal procedures								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk								
NESPFO15	<b>Risk:</b> Failure of world stock markets	<ul style="list-style-type: none"> <li>Diversification of Scheme assets</li> </ul>	4	2	8	↔	TOLERATE	Tri-ennial valuation underway, investment	Ongoing
	<b>Causes:</b> Systemic								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
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	<b>Potential Impact:</b> Increase in employer contribution rates, financial loss	<ul style="list-style-type: none"> <li>• Tri-ennial valuation and investment strategy review</li> </ul>						strategy review to follow.	
NESPF016	<b>Risk:</b> Negligence/Fraud/Default	<ul style="list-style-type: none"> <li>• Due diligence on appointment and appropriate clause in legal agreements</li> <li>• Fund management monitoring</li> <li>• SAS 70 reports</li> </ul>	2	1	2	↔	TOLERATE		Ongoing
	<b>Causes:</b> Dishonesty by fund managers, lack of care or human error								
	<b>Potential Impact:</b> Financial loss, reputational damage								
NESPF017	<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	2	8	↔	TOLERATE	Global Custodian tender process underway following approval at Sept'23 Committee & Board meeting.	Ongoing
	<b>Causes:</b> Financial market crisis, regulatory/political								
	<b>Potential Impact:</b> Loss of assets or control of assets								
NESPF018	<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> </ul>	2	3	6	↔	TREAT	Members of Committee and Board attended Net Zero training in March 2023.	Ongoing
	<b>Causes:</b> Lack of skills/knowledge, lack of transparency on practices or clear policy								
	<b>Potential Impact:</b> Reputational damage								

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		<ul style="list-style-type: none"> <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>							
<b>Accounting</b>									
NESPF019	<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> <li>Regular reconciliations e.g. fund managers, custodian</li> <li>Internal/External Audits</li> </ul>	3	2	6	↔	<b>TREAT</b>	Audited Annual Report & Accounts approved and signed following Sept'23 Committee & Board meeting.	<b>Ongoing</b>
	<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								
<b>Systems</b>									
NESPF020	<b>Risk:</b> Failure to secure and manage personal data in line with data protection requirements	<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> </ul>	4	2	8	↔	<b>TREAT</b>	Staff have completed annual information governance refresher training.  Breaches procedure reviewed Feb'23.	<b>Ongoing</b>
	<b>Causes:</b> Cyber-attack, human processing error								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial penalties								

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			Impact	Likelihood	Score	Movement			
		<ul style="list-style-type: none"> <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>						Following recent attempted fraud, NESPF staff are receiving further training on data protection/cyber security.	
NESPF021	<b>Risk:</b> Failure of the Fund's administration system	<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, mitigations in place.  NESPF Cyber Security Policy went to Sept'23 Committee & Board meeting.	Ongoing
	<b>Causes:</b> Outages, hardware and software failures and cyber attacks								
	<b>Potential Impact:</b> Staff downtime, loss of service delivery								
NESPF022	<b>Risk:</b> Failure to track member status and trace information	<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>	2	3	6	↔	TREAT	Final trace results from Target expected Nov'23. New mortality tracing will check against national death records daily and automatically upload to Altair administration database.	Ongoing
	<b>Causes:</b> Poor record keeping								
	<b>Potential Impact:</b> Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action								

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<b>Employer Relationship</b>									
NESPFO23	<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								
NESPFO24	<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>	2	3	6	↓	TREAT	Impact risk reduced given the calculated surplus for the 2023 valuation.	Ongoing
	<b>Causes:</b> Public service cuts to funding								
	<b>Potential Impact:</b> Pressure on cash flows								
NESPFO25	<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> <li>Termination Policy to be reassessed in line with the 2023 Fund Valuation</li> </ul>	2	6	12	↔	TREAT	Regulation changes allow greater flexibilities to exiting employers to reduce risk of orphaned liabilities.  Calculated surplus for 2023 valuation may create opportunities for employers to exit in the near future. Discussions expected as part 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								

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							valuation consultation.		
NESPFO26	<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>	Valuation outcomes will reflect fact that life expectancy is decreasing at lower rate than previously expected, positive effect on liability calculation compared to previous valuation in 2020.	<b>Ongoing</b>
	<b>Causes:</b> Increasing life expectancy rates								
	<b>Potential Impact:</b> Increase in employer contribution rates and liabilities								
NESPFO27	<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>	LGPS (Scotland) Regulations delivered Summer 2022 to help manage risk.  Employer contribution requirements to be issued during valuation consultation.	<b>Ongoing</b>
	<b>Causes:</b> Lack of staff resources, training issues								
	<b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers								
NESPFO28	<b>Risk:</b> Failure to maintain member records; data incomplete or inaccurate		2	2	4	↔	<b>TREAT</b>		<b>Ongoing</b>

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<p><b>Causes:</b> Lack of staff resources, training issues</p> <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>• Monthly data from employers which is reconciled by ERT</li> <li>• Quarterly PAS reporting to Committee &amp; Board</li> <li>• Data quality improvement plan implemented</li> <li>• Data readiness assessment for Pensions Dashboard Project</li> </ul>							
NESPF029	<p><b>Risk:</b> The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement</p> <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>	<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	↔	TREAT	Work has begun communicating with employers and updating member records ahead of “McCloud Regulations” and Altair software sign off.	Ongoing