

# 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
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>									
NESPF001	<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 and reviewed annually</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								
NESPF002	<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>	3	2	6	↔	TREAT	ACC Scheme of Governance annual review to be completed by Spring/Summer 2025.	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								
NESPF003	<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)</li> </ul>	3	2	6	↔	TREAT	KPI review ongoing and new PAS reporting from Sept'24.	Ongoing
	<b>Causes:</b> Failure to develop performance reporting framework								
	<b>Potential Impact:</b> Lack of transparency, poor								

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	performance could go unaddressed	reported to Committee quarterly in AIMP report							
NESPFO04	<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> <li>• Monthly Committee &amp; Board Bulletin</li> <li>• Monthly Hymans LOLA Progress Report</li> </ul>	3	3	9	↔	<b>TREAT</b>	Pension Board Annual Report and revised Training Policy will be taken to Jun'25 meeting. Training review to be carried out.  Hymans Knowledge Progress Assessment completed in 2023.  2 long term Committee vacancies.	<b>Ongoing</b>
	<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								
NESPFO05	<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>	3	2	6	↔	<b>TOLERATE</b>	Disaster Recovery Testing ongoing.	<b>Ongoing</b>
	<b>Causes:</b> Major incident, natural disaster								
	<b>Potential Impact:</b> Loss of service delivery, staff downtime								
NESPFO06	<b>Risk:</b> Failure to recruit, retain and develop staff	<ul style="list-style-type: none"> <li>• All staff have individual development plans, reviewed regularly through CR&amp;D</li> </ul>	3	2	6	↔	<b>TREAT</b>	2 Modern Apprentices joined Benefit Administration and 1 in Systems Team	<b>Ongoing</b>
	<b>Causes:</b> Limited pool of resources/competition with private sector, lack of								

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	<p>training/development opportunities, resource drain from wider priorities</p> <p><b>Potential Impact:</b> Loss of service delivery, risk to succession planning</p>	<ul style="list-style-type: none"> <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>					<p>in Nov/Dec24, 1 x PO- Communications, 3 Trainee Pensions Officers now fully qualified Officers.</p> <p>Operational Effectiveness review by Hymans ongoing.</p>		
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 Liability Monitoring Tool)</li> <li>• Tri-ennial valuation</li> <li>• Individual employer contribution rates</li> </ul>	2	3	6	↔	<b>TOLERATE</b>	<p>Healthy funding position, prudent assumptions in 2023 valuation led to decreased risk score.</p>	<b>Ongoing</b>
NESPF008	<p><b>Risk:</b> Over reliance on services provided by the 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, cost constraints</p> <p><b>Potential Impact:</b> Ability to meet regulatory and tPR</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>	4	3	12	↔	<b>TREAT</b>	<p>Ongoing issues being experienced.</p> <p>Operating Model review by Hymans ongoing.</p>	<b>Ongoing</b>

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	requirements, staff downtime, loss of service delivery/delays and staff time, cyber and IT risk, legal and reputational risk								
<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 to Mar'25 committee meeting. Review completed against TPR's new General Code.</p> <p>Next six monthly compliance review due Jun'25.</p> <p>Work underway to ensure compliance with National Pensions Dashboard requirements.</p>	Ongoing
NESPF010	<p><b>Risk:</b> Failure to comply with FOI or SAR requests</p> <p><b>Causes:</b> Missed statutory deadlines due to training or resource issues</p>	<ul style="list-style-type: none"> <li>• Internal written procedures in place</li> <li>• FOI/SAR log to record &amp; monitor</li> </ul>	3	1	3	↔	TREAT		Ongoing

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	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk	<ul style="list-style-type: none"> <li>• Online process through GovServices</li> </ul>							
NESPFO11	<b>Risk:</b> Conflicts of Interest	<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	3	6	↔	TREAT	Updated COI Policy to Committee meeting Dec'24.	Ongoing
	<b>Causes:</b> Competing professional and personal interests of staff, Committee and Board members								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk								
<b>Benefit Administration</b>									
NESPFO12	<b>Risk:</b> Fraud/Negligence	<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>• Enhanced Admin to Pay and Arrears Modules to provide calculation checks</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>	3	2	6	↔	TREAT	Internal Audit Pension Fund Payroll Spring 2025.	Ongoing
	<b>Causes:</b> Dishonesty or human error by staff, scheme members								
	<b>Potential Impact:</b> Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
<b>Investments</b>									
NESPF013	<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	1	4	↔	TREAT	Tri-ennial valuation process completed, Fund in very healthy position (126% funded) and valuation approach continues to ensure high level of prudence. Investment Strategy approved at Jun' 24 meeting.	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								
NESPF014	<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		Ongoing
	<b>Causes:</b> Lack of internal procedures								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk								
NESPF015	<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	↔	TOLERATE	Tri-ennial valuation completed, Investment Strategy approved at Jun'24 meeting.  Escalation of trade disputes and political tensions.	Ongoing
	<b>Causes:</b> Systemic								
	<b>Potential Impact:</b> Increase in employer contribution rates, financial loss								

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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.	Ongoing  Tender – L Colliss, April 2025
	<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> <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> <li>• Risk assessments with Fund Managers and Investment Consultant</li> </ul>	3	2	6	↔	TREAT		Ongoing
	<b>Causes:</b> Lack of skills/knowledge, lack of transparency on practices or clear policy								
	<b>Potential Impact:</b> Reputational damage								



Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		including Climate Scenario Analysis							
<b>Accounting</b>									
NESPF019	<p><b>Risk:</b> Poor financial reporting</p> <p><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</p> <p><b>Potential Impact:</b> Qualified accounts</p>	<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	↔	TREAT	Annual Report & Accounts approved Sept'24 meeting.	Ongoing
<b>Systems</b>									
NESPF020	<p><b>Risk:</b> Failure to secure and manage personal data in line with data protection requirements</p> <p><b>Causes:</b> Cyber-attack, human processing error</p> <p><b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial penalties</p>	<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,</li> </ul>	4	2	8	↔	TREAT	<p>Staff complete annual information governance refresher training and further training to be carried out over 2025.</p> <p>Cyber training for Committee &amp; Board delivered Nov'24.</p> <p>Cyber Incident Tabletop Exercise completed by</p>	Ongoing

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		annual 3 <sup>rd</sup> party penetration testing etc					NESPF Incident Response Team in Jan'25.		
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> <li>Cyber Security Policy and Cyber Incident Response Plan in place</li> </ul>	4	2	8	↔	<b>TOLERATE</b>	Increased risk of cyber-attacks globally, mitigations in place.  Tabletop exercise completed in Jan'25.	<b>Ongoing</b>
	<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	↔	<b>TREAT</b>	New mortality tracing. Data uploaded and checked against national death records, automatically creates cases on Altair administration database with output dashboard with lower priority matches. Review of new process ongoing.	<b>Ongoing</b>
	<b>Causes:</b> Poor record keeping								
	<b>Potential Impact:</b> Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action								

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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> <li>Online liability monitor which tracks funding levels and liabilities for each individual employer</li> </ul>	2	2	4	↔	TREAT		Ongoing
	<b>Causes:</b> Failure of internal procedures								
	<b>Potential Impact:</b> Orphaned liabilities could fall on remaining employers								
ESPF024	<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	Increasing budget constraints are leading more employers to redundancy/early retirement exercises. Employers are aware of cost implications. Strain on Fund factors reviewed by scheme actuary in 2023.	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> </ul>	2	4	8	↔	TREAT	New flexibilities, guarantors in place, new Termination Policy and current funding position.	Ongoing
	<b>Causes:</b> Public service cuts to funding, increased pension contribution costs								

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	<b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers	<ul style="list-style-type: none"> <li>• Cost Cap mechanism introduced in LGPS regulations</li> <li>• Termination Policy reassessed in line with the 2023 Fund Valuation</li> </ul>							
NESPF026	<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>	Demographic assessment carried out by the scheme actuary in 2022/23 which was fed into 2023 valuation.	<b>Ongoing</b>
	<b>Causes:</b> Increasing life expectancy rates								
	<b>Potential Impact:</b> Increase in employer contribution rates and liabilities								
NESPF027	<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 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.  New employer contribution rates put in place following 2023 valuation. All employer contribution requirements reduced for inter-valuation period 2024-27.	<b>Ongoing</b>
	<b>Causes:</b> Lack of staff resources, training issues								
	<b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers								

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NESPFO28	<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> <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>	3	2	6	↔	TREAT	Work is ongoing to ensure records are as up to date as possible in readiness for Pensions Dashboard connection by 2026.	Ongoing
	<b>Causes:</b> Lack of staff resources, training issues								
	<b>Potential Impact:</b> Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action								
NESPFO29	<b>Risk:</b> The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement	<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	2	4	↔	TREAT	Now "Live" with McCloud. Majority of historic recalculations completed.	Ongoing
	<b>Causes:</b> Not having the required historic data, adequate resources, sufficient guidance								
	<b>Potential Impact:</b> Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation								