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
		1	2	3	4	5	6
Imp	act	Almost Impossible	Very Low	Low	Significant	High	Very High

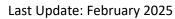
Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	• •	000	•			
3	Serious	•	••••	•			
2	Marginal	•	•••	•••	•		
1	Negligible						
		1	2	3	4	5	6
Impa	act Likelihood	Almost Impossible	Very Low	Low	Significant	High	Very High

Red = High Priority (urgent action required)

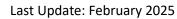
Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

Green = Low Priority (no immediate action subject to exceptions, continue to review)



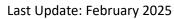


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
Pension Fu	ınd Level								
NESPF001	Risk: Lack of effective risk controls	NESPF risk register is reviewed and updated	4	1	4	\leftrightarrow	TREAT		Ongoing
	Causes: Failure to implement risk management framework	quarterly by senior management team • Consideration by							
	Potential Impact: Operational, financial and reputational issues	Pensions Committee & Board at quarterly meetings • NESPF specific Risk Management Policy in place and reviewed annually							
NESPF002	Risk: Poor Governance 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	 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 	3	2	6	\leftrightarrow	TREAT	ACC Scheme of Governance annual review to be completed by Spring/Summer 2025.	Ongoing
NESPF003	Risk: Lack of performance measures Causes: Failure to develop performance reporting framework Potential Impact: Lack of transparency, poor	 Statutory and local KPI's Pension Administration Strategy published quarterly Investment performance (against benchmark) 	3	2	6	\leftrightarrow	TREAT	KPI review ongoing and new PAS reporting from Sept'24.	Ongoing



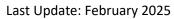


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	• •		
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale	
	performance could go	reported to Committee								
	unaddressed	quarterly in AIMP report								
NESPF004	Risk: Failure of Pensions Committee and Pension Board to operate effectively Causes: Poor attendance/commitment to role, high turnover of members, lack of training Potential Impact: Non- compliance with regulatory requirements, inability to make decisions or policies, reputational risk	 Publication of Pension Board Annual Report Training Policy reviewed annually and training register in place Nomination & Appointment procedure Annual Committee Effectiveness Report Monthly Committee & Board Bulletin Monthly Hymans LOLA Progress Report 	3	ω	Φ	\(\phi\)	TREAT	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.	Ongoing	
NESPF005	Risk: Operational Disaster; unable to access the workplace Causes: Major incident, natural disaster Potential Impact: Loss of service delivery, staff downtime	 ACC Disaster Recovery policy in place NESPF Business Continuity Plan to address loss/disruption to benefit administration system 	3	2	6	\leftrightarrow	TOLERATE	Disaster Recovery Testing ongoing.	Ongoing	
NESPF006	Risk: Failure to recruit, retain and develop staff Causes: Limited pool of resources/competition with private sector, lack of	All staff have individual development plans, reviewed regularly through CR&D	3	2	6	\leftrightarrow	TREAT	2 Modern Apprentices joined Benefit Administration and 1 in Systems Team	Ongoing	



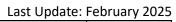


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	training/development opportunities, resource drain from wider priorities Potential Impact: Loss of service delivery, risk to succession planning	 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 						in Nov/Dec24, 1 x PO- Communications, 3 Trainee Pensions Officers now fully qualified Officers. Operational Effectiveness review by Hymans ongoing.	
NESPF007	Risk: Pay and price inflation valuation assumptions either higher or lower Causes: Economic factors Potential Impact: Potential increase in employer contribution rates and liabilities	 Quarterly funding updates to Committee (using Liability Monitoring Tool) Tri-ennial valuation Individual employer contribution rates 	2	3	6	\leftrightarrow	TOLERATE	Healthy funding position, prudent assumptions in 2023 valuation led to decreased risk score.	Ongoing
NESPF008	Risk: Over reliance on services provided by the Administering Authority (e.g. HR, Payroll, Legal, IT) Causes: VS/ER exercise leading to loss of knowledge and expertise, recruitment freeze, poor service provision, cost constraints Potential Impact: Ability to meet regulatory and tPR	 Internal controls including policies and procedures Pensions Administration Strategy in place Communication between Pensions Manager and ACC Chief Officers 	4	3	12	↔	TREAT	Ongoing issues being experienced. Operating Model review by Hymans ongoing.	Ongoing



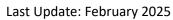


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
_	requirements, staff downtime, loss of service delivery/delays and staff time, cyber and IT risk, legal and reputational risk								
Governanc			ı					T	ı
NESPF009	Risk: Failure to adhere to relevant pensions legislation and guidance Causes: Political and legislative changes, increased administrative complexity, staff training issue Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action	 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	2	6	\leftrightarrow	TREAT	Annual Compliance Report to Mar'25 committee meeting. Review completed against TPR's new General Code. Next six monthly compliance review due Jun'25. Work underway to ensure compliance with National Pensions Dashboard requirements.	Ongoing
NESPF010	Risk: Failure to comply with FOI or SAR requests Causes: Missed statutory deadlines due to training or resource issues	 Internal written procedures in place FOI/SAR log to record & monitor 	3	1	3	\leftrightarrow	TREAT		Ongoing



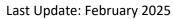


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Audit criticism, legal challenge, reputational risk	Online process through GovServices							
NESPF011	Risk: Conflicts of Interest Causes: Competing professional and personal interests of staff, Committee and Board members Potential Impact: Audit criticism, legal challenge, reputational risk	 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	3	6	\	TREAT	Updated COI Policy to Committee meeting Dec'24.	Ongoing
	ministration		<u> </u>						
NESPF012	Risk: Fraud/Negligence Causes: Dishonesty or human error by staff, scheme members Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk	 Segregation of duties for benefits staff authorising/submitting lump sum payments Pension payments signed off by benefits senior Enhanced Admin to Pay and Arrears Modules to provide calculation checks Participation in National Fraud Initiative exercise Overseas pensioner existence checking Breaches Policy & register Internal Audit control reviews 	3	2	6	↔	TREAT	Internal Audit Pension Fund Payroll Spring 2025.	Ongoing



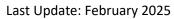


Code	Risk Description	Mitigating Controls		Curre	nt Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
								Notes	
Investmen	i e e e e e e e e e e e e e e e e e e e			1		4.)	TD54T	-· · · · · · ·	
NESPF013	Risk: Insufficient assets to meet the Funds long term liabilities 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	 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	1	4	\leftrightarrow	TREAT	Tri-ennial valuation process completed, Fund in very healthy position (126% funded) and valuation approach continues to ensure high level of prudency. Investment Strategy approved at Jun' 24 meeting.	Ongoing
NESPF014	Risk: Failure to monitor investment managers and assets Causes: Lack of internal procedures Potential Impact: Audit criticism, legal challenge, reputational risk	Quarterly assessment and reporting of asset performance Regular meetings with investment managers	3	2	6	\leftrightarrow	TREAT		Ongoing
NESPF015	Risk: Failure of world stock markets Causes: Systemic Potential Impact: Increase in employer contribution rates, financial loss	 Diversification of Scheme assets Tri-ennial valuation and investment strategy review 	4	2	8	\leftrightarrow	TOLERATE	Tri-ennial valuation completed, Investment Strategy approved at Jun'24 meeting. Escalation of trade disputes and political tensions.	Ongoing



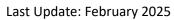


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF016	Risk: Negligence/Fraud/Default Causes: Dishonesty by fund managers, lack of care or human error Potential Impact: Financial loss, reputational damage	 Due diligence on appointment and appropriate clause in legal agreements Fund management monitoring SAS 70 reports 	2	1	2	\leftrightarrow	TOLERATE		Ongoing
NESPF017	Risk: Failure of Global Custodian Causes: Financial market crisis, regulatory/political Potential Impact: Loss of assets or control of assets	 Regular meeting with custodian Service Level Agreement in place Receipt of SAS 70 reports and monitoring 	4	2	8	\leftrightarrow	TOLERATE	Global Custodian tender process underway.	Ongoing Tender – L Colliss, April 2025
NESPF018	Risk: Failure to implement ESG policy Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy Potential Impact: Reputational damage	 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. Risk assessments with Fund Managers and Investment Consultant 	3	2	6	\leftrightarrow	TREAT		Ongoing



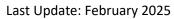


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
		including Climate Scenario Analysis							
Accounting									<u>'</u>
NESPF019	Risk: Poor financial reporting Causes: Lack of internal policies 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	 Comprehensive policies and procedures in place and review of the Code Attending CIPFA meeting and reviews Regular reconciliations e.g. fund managers, custodian Internal/External Audits 	3	2	6	\leftrightarrow	TREAT	Annual Report & Accounts approved Sept'24 meeting.	Ongoing
Systems									
NESPF020	Risk: Failure to secure and manage personal data in line with data protection requirements Causes: Cyber-attack, human processing error Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties	 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 	4	2	8	\leftrightarrow	TREAT	Staff complete annual information governance refresher training and further training to be carried out over 2025. Cyber training for Committee & Board delivered Nov'24.	Ongoing
		protections against cyber threats including encryption, firewalls,						Cyber Incident Tabletop Exercise completed by	



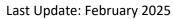


Code	Risk Description	Mitigating Controls		Current Risk			Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest	Timescale
		annual 3 rd party penetration testing etc						Notes NESPF Incident Response Team in Jan'25.	
NESPF021	Risk: Failure of the Fund's administration system Causes: Outages, hardware and software failures and cyber attacks Potential Impact: Staff downtime, loss of service delivery	 Administration system is hosted externally with back up in separate location Regular software updates Business continuity and disaster recovery plans in place Cyber Security Policy and Cyber Incident Response Plan in place 	4	2	8	\leftrightarrow	TOLERATE	Increased risk of cyber-attacks globally, mitigations in place. Tabletop exercise completed in Jan'25.	Ongoing
NESPF022	Risk Failure to track member status and trace information Causes: Poor record keeping Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action	 Tracing service in place (ATMOS) Use of 'Tell Us Once' service Data quality improvement plan including measures to trace Existence checking 	2	ß	6	\leftrightarrow	TREAT	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.	Ongoing



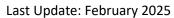


Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF023	Risk: Failure to monitor employer covenant Causes: Failure of internal procedures Potential Impact: Orphaned liabilities could fall on remaining employers	 Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) Online liability monitor which tracks funding levels and liabilities for each individual employer 	2	2	4	\leftrightarrow	TREAT		Ongoing
ESPF024	Risk: Changes in early retirement strategies by employers Causes: Public service cuts to funding Potential Impact: Pressure on cash flows	Management through Covenant Assessment and Monitoring Policy (within FSS)	2	3	6	\leftrightarrow	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
NESPF025	Risk: Employers leaving Scheme or closing to new members Causes: Public service cuts to funding, increased pension contribution costs	 Management through Covenant Assessment and Monitoring Policy (within FSS) 	2	4	8	\leftrightarrow	TREAT	New flexibilities, guarantors in place, new Termination Policy and current funding position.	Ongoing





Code	Risk Description	Mitigating Controls		Curre	ent Risk		Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
	Potential Impact: Orphaned liabilities could fall to remaining employers	 Cost Cap mechanism introduced in LGPS regulations Termination Policy reassessed in line with the 2023 Fund Valuation 							
NESPF026	Risk: Longevity Causes: Increasing life expectancy rates Potential Impact: Increase in employer contribution rates and liabilities	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	\leftrightarrow	TOLERATE	Demographic assessment carried out by the scheme actuary in 2022/23 which was fed into 2023 valuation.	Ongoing
NESPF027	Risk: Employer contributions not received, collected or recorded accurately Causes: Lack of staff resources, training issues Potential Impact: Orphaned liabilities could fall to remaining employers	 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	\leftrightarrow	TREAT	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.	Ongoing





Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional	Owner &
			Impact	Likelihood	Score	Movement		Actions/Latest Notes	Timescale
NESPF028	Risk: Failure to maintain member records; data incomplete or inaccurate Causes: Lack of staff resources, training issues Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action	 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 	3	2	6	\leftrightarrow	TREAT	Work is ongoing to ensure records are as up to date as possible in readiness for Pensions Dashboard connection by 2026.	Ongoing
NESPF029	Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement Causes: Not having the required historic data, adequate resources, sufficient guidance Potential Impact: Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation	 SAB and other industry guidance Early and ongoing communication with employers McCloud project team created 	2	2	4	\leftrightarrow	TREAT	Now "Live" with McCloud. Majority of historic recalculations completed.	Ongoing