

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
		Almost Impossible	Very Low	Low	Significant	High	Very High
Likelihood							

Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	<div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
3	Serious	<div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>	<div><div></div></div>			
2	Marginal	<div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div></div></div>		
1	Negligible						
Impact		1	2	3	4	5	6
		Almost Impossible	Very Low	Low	Significant	High	Very High
Likelihood							

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)

Last Update: May 2024									
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 teamConsideration by Pensions Committee & Board at quarterly meetingsNESPF specific Risk Management Policy in place and reviewed annually	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 proceduresAdherence to Council's Scheme of GovernanceCommittee Effectiveness Service Update to support good governance	3	2	6	↔	TREAT	ACC Scheme of Governance annual review approved by Council April 2025.	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'sPension Administration Strategy published quarterlyInvestment performance (against benchmark)	3	2	6	↔	TREAT	KPI review ongoing and new PAS reporting from Sept'24.	Ongoing
	Causes: Failure to develop performance reporting framework								
	Potential Impact: Lack of transparency, poor								

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	performance could go unaddressed	reported to Committee quarterly in AIMP report							
NESPFO04	Risk: Failure of Pensions Committee and Pension Board to operate effectively	<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 Service Update• Quarterly Committee & Board Bulletin• Monthly Hymans LOLA Progress Report	3	3	9	↔	TREAT	Pension Board Annual Report and Training Policy due to June 2025 meetings. Hymans Knowledge Progress Assessment completed in 2023. 2 long term Committee vacancies.	Ongoing
	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								
NESPFO05	Risk: Operational Disaster; unable to access the workplace	<ul style="list-style-type: none">• ACC Disaster Recovery policy in place• NESPFO Business Continuity Plan to address loss/disruption to benefit administration system	3	2	6	↔	TOLERATE	Disaster Recovery Testing ongoing.	Ongoing
	Causes: Major incident, natural disaster								
	Potential Impact: Loss of service delivery, staff downtime								
NESPFO06	Risk: Failure to recruit, retain and develop staff	<ul style="list-style-type: none">• All staff have individual development plans, reviewed regularly through CR&D	3	2	6	↔	TREAT	Operational Effectiveness report by Hymans. Structure review ongoing, reviewing	Ongoing
	Causes: Limited pool of resources/competition with private sector, lack of training/development								

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	opportunities, resource drain from wider priorities Potential Impact: Loss of service delivery, risk to succession planning	<ul style="list-style-type: none"> • Training register to monitor • 3 dedicated training & development staff • Internal 2 year training programme for benefit admin staff • Future-focused staffing structure, subject to ongoing review • TEC Module adopted in Altair 						existing and anticipating future requirements of the Fund. New TEC Module to assist staff training within Altair implemented May'25.	
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	<ul style="list-style-type: none"> • Quarterly funding updates to Committee (using PFaroe) • Tri-ennial valuation • Individual employer contribution rates 	2	3	6	↔	TOLERATE	Healthy funding position, prudent assumptions in 2023 valuation led to decreased risk score at last review.	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 requirements, staff	<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 	4	4	16	↑	TREAT	Operating Model review by Hymans ongoing. Recent IT issues caused significant disruption to April payslip delivery and payment authorisation, in addition to the wider operational	Ongoing

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	downtime, loss of service delivery/delays and staff time, cyber and IT risk, legal and reputational risk							issues being experienced. Risk rating has been increased accordingly.	
Governance									
NESPFO09	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	2	6	↔	TREAT	Six monthly compliance review due Jun'25. Review completed against TPR's new General Code. Work underway to ensure compliance with National Pensions Dashboard requirements.	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								
NESPFO10	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								
NESPFO11	Risk: Conflicts of Interest		2	3	6	↔	TREAT		Ongoing

Last Update: May 2024									
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	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• Regular discussions between CO-Finance and Pension Fund Manager• Conflicts policy & register in place, with conflicts declarations issued annually						Updated COI Policy to Committee meeting Dec'24.	
Benefit Administration									
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	<ul style="list-style-type: none">• 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 during 2025. NFI exercise participation early 2025.	Ongoing
Investments									

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Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
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NESPFO13	Risk: Insufficient assets to meet the Funds long term liabilities	<ul style="list-style-type: none">Quarterly assessment of investment performance and funding updatesTri-ennial valuation and investment strategy reviewDiversification of assetsDue diligence of fund managersExternal advisor for specialist guidance on strategy	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 June'24 meeting.	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 performanceRegular meetings with investment managers	3	2	6	↔	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 assetsTri-ennial valuation and investment strategy review	4	2	8	↔	TOLERATE	Tri-ennial valuation completed, investment strategy approved at June'24 meeting.	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								

Last Update: May 2022									
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	Potential Impact: Financial loss, reputational damage	<ul style="list-style-type: none">Fund management monitoringSAS 70 reports							
NESPFO17	Risk: Failure of Global Custodian	<ul style="list-style-type: none">Regular meeting with custodian	4	2	8	↔	TOLERATE	Global Custodian tender process underway.	Ongoing
	Causes: Financial market crisis, regulatory/political	<ul style="list-style-type: none">Service Level Agreement in place							Tender – L.Colliss, Oct’25
	Potential Impact: Loss of assets or control of assets	<ul style="list-style-type: none">Receipt of SAS 70 reports and monitoring							
NESPFO18	Risk: Failure to implement ESG policy	<ul style="list-style-type: none">Member training on roles and fiduciary duties	3	2	6	↔	TREAT		Ongoing
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy	<ul style="list-style-type: none">Policy incorporated within SIPPRI membership, annual signatory assessment							
	Potential Impact: Reputational damage	<ul style="list-style-type: none">Monitor impact of climate changeAdoption of TCFDQuarterly reporting to Committee/Board on voting, carbon footprinting and engagement work.Risk assessments with Fund Managers and Investment Consultant including Climate Scenario Analysis							
Accounting									

Last Update: May 2022

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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 unaudited annual accounts to June 2025 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	<p>Staff complete annual information governance refresher training underway.</p> <p>Cyber training for Committee & Board delivered Nov’24. Cyber Incident Tabletop Exercise completed by NESPF Incident Response Team in Jan’25 and Cyber Incident Response Plan updated.</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		4	2	8	↔	TOLERATE	Increased risk of cyber-attacks	Ongoing

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	Causes: Outages, hardware and software failures and cyber attacks Potential Impact: Staff downtime, loss of service delivery	<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 						globally, mitigations in place. Local Contingency Plan and Systems Access Policy reviewed early 2025. Heywood Cyber Security Testing for 2025 completed and no major issues identified.	
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	<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	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

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Employer Relationship									
NESPFO23	Risk: Failure to monitor employer covenant	<ul style="list-style-type: none">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	↔	TREAT		Ongoing
	Causes: Failure of internal procedures								
	Potential Impact: Orphaned liabilities could fall on remaining employers								
ESPF024	Risk: Changes in early retirement strategies by employers	<ul style="list-style-type: none">Management through Covenant Assessment and Monitoring Policy (within FSS)	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
	Causes: Public service cuts to funding								
	Potential Impact: Pressure on cash flows								
NESPFO25	Risk: Employers leaving Scheme or closing to new members	<ul style="list-style-type: none">Management through Covenant Assessment and Monitoring Policy (within FSS)	2	4	8	↔	TREAT	New flexibilities, guarantors in place, new Termination Policy and current funding position.	Ongoing
	Causes: Public service cuts to funding, increased pension contribution costs								

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	Potential Impact: Orphaned liabilities could fall to remaining employers	<ul style="list-style-type: none">Cost Cap mechanism introduced in LGPS regulationsTermination Policy reassessed in line with the 2023 Fund Valuation							
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	Demographic assessment carried out by the scheme actuary in 2022/23 which was fed into 2023 valuation.	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 proceduresBreaches policy and register Monthly data submission reconciled by ERTQuarterly PAS reporting to Committee & BoardOngoing training provided by dedicated ERT to scheme employersEmployer Briefings	2	3	6	↔	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
	Causes: Lack of staff resources, training issues								
	Potential Impact: Orphaned liabilities could fall to remaining employers								

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Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
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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 ERTQuarterly PAS reporting to Committee & BoardData quality improvement plan implementedData readiness assessment for Pensions Dashboard Project	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
	Causes: Lack of staff resources, training issues								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action								
NESPFO29	Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement	<ul style="list-style-type: none">SAB and other industry guidanceEarly and ongoing communication with employersMcCloud project team created	2	2	4	↔	TREAT	Now “Live” with McCloud. Majority of historic recalculations completed.	Ongoing
	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								