

# 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 Reference.

## 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						
3	Serious						
2	Marginal						
1	Negligible						
<div>Impact</div> <div>Likelihood</div>		1	2	3	4	5	6
		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)

2025 Update: August 2025									
Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fund Level									
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 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								
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 Service Update to support good governance</li></ul>	3	2	6	↔	TREAT	ACC Scheme of Governance annual review approved by Council April 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								
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)</li></ul>	3	2	6	↔	TREAT	PAS reporting review underway.	M Suttie, Dec’25
	<b>Causes:</b> Failure to develop performance reporting framework								
	<b>Potential Impact:</b> Lack of transparency, poor								

Last Update: August 2024									
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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 Service Update</li><li>• Quarterly Committee &amp; Board Bulletin</li><li>• Monthly Hymans LOLA Progress Report</li></ul>	3	4	12	↑	TREAT	Pension Board Annual Report and Training Policy approved June 2025.  2 long term Committee vacancies and now 1 vacancy x Independent. Risk score has been increased.	Ongoing
	<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>• NESPFO Business Continuity Plan to address loss/disruption to benefit administration system</li></ul>	3	2	6	↔	TOLERATE	Disaster Recovery Testing ongoing.	Ongoing
	<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><li>• Training register to monitor</li></ul>	3	2	6	↔	TREAT	Operational Effectiveness report by Hymans.  Structure review ongoing, reviewing existing and anticipating future	Ongoing
	<b>Causes:</b> Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities								



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	<b>Potential Impact:</b> Ability to meet regulatory and tPR requirements, staff downtime, loss of service delivery/delays and staff time, cyber and IT risk, legal and reputational risk	Manager and ACC Chief Officers						clusters to progress review.  Recent IT issues caused significant disruption to April payslip delivery and payment authorisation. Although these specific issues were resolved, we continue to experience operational issues.	
<b>Governance</b>									
NESPF009	<b>Risk:</b> Failure to adhere to relevant pensions legislation and guidance	<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> </ul>	3	2	6	↔	TREAT	Six monthly compliance review completed Jun'25 including review against TPR's General Code.  Work underway to ensure compliance with National Pensions Dashboard requirements.	Ongoing
	<b>Causes:</b> Political and legislative changes, increased administrative complexity, staff training issue								
	<b>Potential Impact:</b> Audit criticism, legal challenge, reputational risk, financial loss and tPR action								



Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
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	payments, system corruption, audit criticism, legal challenge, reputational risk	<ul style="list-style-type: none"> <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>							
<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	1	4	↔	<b>TREAT</b>	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.	<b>Ongoing</b>
	<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		3	2	6	↔	<b>TREAT</b>		<b>Ongoing</b>





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	<b>Potential Impact:</b> Reputational damage	<ul style="list-style-type: none"><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 including Climate Scenario Analysis</li></ul>							
Accounting									
NESPFO19	<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	↔	TREAT	Draft unaudited annual accounts approved at June 2025 meeting.	Ongoing
	<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								
Systems									
NESPFO20	<b>Risk:</b> Failure to secure and manage personal data in line		4	2	8	↔	TREAT		Ongoing

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	<p>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, annual 3<sup>rd</sup> party penetration testing etc</li> </ul>						<p>Staff complete annual information governance.</p> <p>Cyber training for Committee &amp; Board delivered Nov'24. Cyber Incident Tabletop Exercise completed by NESPF Incident Response Team in Jan'25 and Cyber Incident Response Plan updated.</p>	
NESPF021	<p><b>Risk:</b> Failure of the Fund's administration system</p> <p><b>Causes:</b> Outages, hardware and software failures and cyber attacks</p> <p><b>Potential Impact:</b> Staff downtime, loss of service delivery</p>	<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>	4	2	8	↔	<b>TOLERATE</b>	<p>Increased risk of cyber-attacks globally, mitigations in place.</p> <p>Local Contingency Plan and Systems Access Policy reviewed early 2025.</p> <p>Heywood Cyber Security Testing for</p>	<b>Ongoing</b>



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	<b>Potential Impact:</b> Orphaned liabilities could fall on remaining employers	and Monitoring Policy (within FSS) • Online liability monitor which tracks funding levels and liabilities for each individual employer							
ESPF024	<b>Risk:</b> Changes in early retirement strategies by employers	• 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
	<b>Causes:</b> Public service cuts to funding								
	<b>Potential Impact:</b> Pressure on cash flows								
NESP025	<b>Risk:</b> Employers leaving Scheme or closing to new members	• Management through Covenant Assessment and Monitoring Policy (within FSS) • Cost Cap mechanism introduced in LGPS regulations • Termination Policy reassessed in line with the 2023 Fund Valuation	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								
	<b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers								
NESP026	<b>Risk:</b> Longevity		2	2	4	↔	TOLERATE		Ongoing

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	<b>Causes:</b> Increasing life expectancy rates <b>Potential Impact:</b> Increase in employer contribution rates and liabilities	<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>						Demographic assessment carried out by the scheme actuary in 2022/23 which was fed into 2023 valuation. Hymans will use Club Vita to feed into next valuation.	
NESPF027	<b>Risk:</b> Employer contributions not received, collected or recorded accurately <b>Causes:</b> Lack of staff resources, training issues <b>Potential Impact:</b> Orphaned liabilities could fall to remaining employers	<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	↔	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
NESPF028	<b>Risk:</b> Failure to maintain member records; data incomplete or inaccurate <b>Causes:</b> Lack of staff resources, training issues	<ul style="list-style-type: none"><li>• Monthly data from employers which is reconciled by ERT</li></ul>	3	2	6	↔	TREAT	Work is ongoing to ensure records are as up to date as possible in readiness for	Ongoing

