

Islington Council Pension Board Risk Register - 31 October 2024

No	Objective/strategic risk	Risk Description	Cause of risk	Consequence	Inherent Risk Score		Rating Score	Current controls in place to manage risk	Further actions to mitigate risks	Mitigated Risk Score		Risk rating following mitigation	Trend	Target Date	Risk Owner
					Impact (1=Low, 5=High)	Likelihood (1=Low, 4=High)				Impact (1=Low, 5=High)	Likelihood (1=Low, 4=High)				
1	Strategy & Finance, People To grow membership and a robust pension scheme administration.	Loss of data by administrator. Cyber risk.	Fire; increased risk of fraud and data loss specially from laptops if home working. Cyber attack.	Loss of sensitive data. Timely pension payments not made to members and third parties.	4	2	8	Business continuity plan. Daily & weekly backups kept offsite. Scheme manager to keep up to date with information and guidance on threats.	Disaster Recovery Plan. Moving servers to the Cloud. Thorough UAT Testing with incumbent supplier.	3	1	3	↔	Nov-24	Pensions Manager/Deputy Manager/IT Manager
2		Provision of inaccurate data	Incomplete/inaccurate data provided by payroll or third party agents incl. details as required re McCloud	Errors in producing pension statements/benefits to members. Complaints may lead to fines.	3	4	12	Pro-active engagement with internal and external employers, school Business Managers and payroll providers.	Regular data Quality Auditing. Records checked thoroughly at the time of making any decision under the LGPS regulations.	2	3	6	↔	Dec-24	Pensions Manager/Deputy Manager
3		Poor administration of pension fund leads to complaints.	Resourcing/inadequate training of staff and poor service efficiency	Strong dependency on key staff and failure to recruit to improve service.	2	4	8	Invest in staff, their development, workloads and review compensation. Annual review of operational controls.	Review complaints register and establish corrective actions. Establish regular staff meetings and training opportunities.	2	2	4	↔	Nov-24	Head of Treasury & Pension Fund
4		Internal Fraud.	Inadequate internal fraud controls	Fraudulent activity resulting in loss of benefits to fund members. Adverse impact on the Pension Fund.	4	2	8	Cross checking of work and the segregation of duties. Detective controls and sample testing.	Internal & External Audits. National Fraud Initiative Exercise, NI Database check. Life certificates.	2	1	2	↔	Nov-24	Head of Treasury & Pension Fund
5		Failure to deduct accurate employee/employer contributions (Corporate Payroll).	Payroll calculation failure and service impairment; financial failure of third party.	Additional work to request and correct data. Financial Loss. Reputational damage.	4	2	8	Monthly reconciliations.	Regular Data Contributions Audit. Pro-active engagement with Payroll Manager.	3	1	3	↔	Dec-24	Head of Treasury & Pension Fund
6		The late provision of payroll reports (Corporate Payroll).	Production of the monthly payroll reports is in development and is not yet resolved	Late issue of pension statements & govt. statutory returns. Possible complaints.	5	3	15	Pro-active engagement with Payroll Manager and other relevant stakeholders. Use of External Consultant.	Establish self-service running reports and a SLA for the maintenance of these reports. Employ iConnect solution for capturing accurate member data.	3	3	9	↔	Dec-24	Pensions Manager/Deputy Manager
7		Failure to apply correct Pensions Increase (Corporate Payroll).	Software design fault/training required	Inaccurate pension benefit calculations and reputational damage.	5	3	15	Pro-active engagement with Payroll Manager and other relevant stakeholders.	Early engagement with software suppliers to find a solution & test. Payroll Manager must provide reports for testing as soon as Treasury publishes the PI rates.	4	3	12	↔	Jan-25	Pensions Manager/Deputy Manager
8		Failure to deduct accurate employee/employer contributions (External Payroll Providers).	Payroll calculation failure	Additional work to request and correct data. Reputational damage and loss of confidence.	4	3	12	Monthly reconciliations.	Regular Data Contributions Audit. Pro-active engagement with Payroll Manager.	2	3	6	↔	Dec-24	Head of Treasury & Pension Fund
9		The late provision of payroll reports (External Payroll Providers).	Ineffective planning, lack of awareness or training	Late issue of pension statements & govt. statutory returns.	5	3	15	Pro-active engagement with external payroll provider and other relevant stakeholders.	Early engagement with external payroll providers. Employ iConnect solution for capturing accurate member data, late payment penalties for non-compliance.	3	3	9	↔	Dec-24	Pensions Manager/Deputy Manager
10		Low take-up of pension scheme membership.	Cost/Retirement Age/Personal Pension	Increased employer costs.	4	2	8	Comms. & website on the benefits of scheme membership. Pension surgeries.	Further promotion of the pension scheme. Auto-enrolment. Introduction of Member's portal.	3	1	3	↔	Jan-25	Pensions Manager/Deputy Manager
11		Remedies in relation to the Mccloud judgement	Unlawful age discrimination.	Increased employer costs.	4	3	12	To ensure the accurate re-calculation of pension benefits.	Apply all relevant McCloud software updates from Heywood's following resolution of all new pension system issues. Report the final outcome to Actuary.	3	2	6	↔	Mar-25	Pensions Manager/Deputy Manager
12		Delayed implementation of new pension systems	Lack of resources to perform all UAT	Increased risks of bugs and new systems not being deployed optimally to achieve efficiencies.	3	4	12	Pro-active engagement with all relevant stakeholders. Extensive planning and contingency measures to ameliorate instabilities.	Revise timetable to ensure all UAT exercises are performed and any issues/faults raised reported to vendor for a resolution.	3	3	9	New	Feb-25	Pensions Manager/Deputy Manager
13		Failure to connect to Pensions dashboard	Ineffective planning/poor management.	Reputational damage and fines from the Pensions Regulator	5	2	10	The Fund will procure an ISP Provider via the LGPS National Framework for the Pensions dashboard. Pro-active engagement with the Council's IT, Procurement and Governance Teams	Carry out data analysis checks across common and scheme-specific member data. Report on variances and formulate action plan to resolve all data issues.	5	1	5	New	Apr-25	Pensions Manager/Deputy Manager
14		Lack of understanding among scheme members of scheme issues/options.	Limited awareness/Comms Deficit	Complaints/Opt-outs.	3	3	9	Comms & website on the benefits of scheme membership 50/50 & AVCs.	The Pensions Office is planning a full review of our member communication in November 2024 to ensure they meet best practice, with the focus on improving member engagement and understanding of the LGPS. Part of this exercise will be done in co-ordination with our HR Colleagues and the trade unions.	2	2	4	↔	Dec-24	Pensions Manager/Deputy Manager

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15	<b>Contract Management</b> To establish robust data security and to avoid system failure	Pension database may not be secure and appropriately maintained; pensioners living longer.	Poor management/inadequate training	Service impairment and financial lost to the Pension Fund. Life expectancy increases would increase liabilities.	5	2	10	Electronic access control systems are deployed on Islington's network that rely on user credentials and authentication. Passwords are regularly changed and there are robust user administration procedures to access the pension's database. The system is regularly updated to ensure regulatory compliance with the LGPS and is protected against viruses and other types of malware.	Moving servers to the Cloud. Two factor authentication will be enabled to access Islington network and separate username and password to log on to altair, (the pension's database). All transmissions are encrypted using PBKDF2 (Password-Based Key Derivation Function 2) for passwords and security responses. Business Continuity plans reviewed twice a year to ensure alignment to Council's Business Continuity Management Policy.	3	1	3	↔	Dec-24	Pensions Manager/Digital Services
16	<b>Finance and Investment</b> Strong Financial and contract Management	Falls in asset values Incorrect investment strategy, poor selection of investment manager	Market turbulence/Inflation; Poor economic conditions, The Fund fails to adequately account for the investment, governance and reputational risk associated with climate change, climate risk and Environmental, Social and Governance (ESG) factors London CIV fail to achieve performance targets over the longer term.	Reduction in asset market values; increase value of liabilities. Discount rate falls will increase liability valuations.	5	3	15	Clear investment and asset allocation strategy, quarterly monitoring of managers' performance and a diversified portfolio to achieve fund objective with minimum risk.	Managers are set 3 year + targets as long term investors. On appointment a terms of reference is agreed as a tool to monitor and identify scrutiny level.	5	2	10	↔	Nov-24	Director of Finance/Pensions Cttee
17		Inflation risk	Persistent inflation occurs due to macro economic factors or a global inflation event (commodity shock, recession, debt crisis)	Funding level is likely to fall significantly as liabilities increase and likely assets will fall.	5	3	15	Diversified investment strategy that has exposure to inflation linkage.	Natural Capital Asset allocation will further increase the Fund's protection against inflation.	5	2	10	↔	Nov-24	Director of Finance/Pensions Cttee
18		Failure of non-public sector employers.	Poor Management/Market Adjustments	Additional cost to the Pension Fund.	4	3	12	Use of bonds and guarantees. Governance monitoring.	Triennial valuation process of determining contributions consults with employers to agree affordability and sustainability of the Fund. Use qualified actuary who uses	4	2	8	↔	Nov-24	Head of Legal/Head of Treasury & Pension Fund
19		AVC Providers failure to produce year-end SOA.	Resourcing issues with AVC Providers	Late reporting of AVC funds, delay in year end fund closure.	4	3	12	Early engagement with AVC Providers.	Quarterly Meetings with AVC Account Managers. Reporting any breach to the Pensions Regulator.	3	2	6	↔	Dec-24	Pensions Manager/Deputy Manager
20		Lack of planning for closure of accounts; lack of training; loss of expert knowledge. Failure to sign off annual accounts and reports on time.	Late information from 3rd parties, poor working papers and delay in completing audit of accounts	Qualified audit opinion.	3	2	6	Establish closedown timetable, working paper guidance & planning document. Excellent time management skills. Early dialogue with external auditor. Attendance at CIPFA Pension Fund Accounts Training & CIPFA Pension Fund Example Accounts reviewed	Ensure external audit work is complete.	3	1	3	↔	Nov-24	Director of Finance/Head of Treasury & Pensions
21	<b>Governance &amp; Compliance</b> Compliance with statutory regulations and guidance issued by TPR and LGA	Employer failure to pay monthly contributions into scheme.	Poor staff oversight by external body	Late receipt of contributions.	2	3	6	Monthly monitoring of contribution payments by Treasury & Pension Admin Staff. Contributions monitoring procedures.	Regular quarterly Audits reviews.	3	1	3	↔	Dec-24	Pensions Manager/Deputy Manager
22		Failure to interpret rules or legislation correctly.	Poor management/inadequate training.	Financial and reputational damage.	4	2	8	Networking with key partners, Actuaries, Govt. LGA and TPR. Guidance taken from all statutory and regulatory literatures and websites.	Technical advice and information from the LGA, the Council's actuary and the Scheme Advisory Board provide briefings on new legislation and guidance on implementation. Auditors also test our process to ensure best practice. Staff training courses taken at the LGA.	3	1	3	↔	Dec-24	Pensions Manager/Deputy Manager
23		Conflicts of Interest.	None disclosure/lack of transparency	Inability for Board member to participate.	2	2	4	All pension board members have completed educational material and training is ongoing.	Conflicts of interest declaration is signed by all pension board members, recorded in conflicts register. Reminder, and any changes or additional conflicts, will be minuted at each pension board meeting.	2	1	2	↔	Nov-24	Pension Board Chair/Democratic Services
24		Insufficient knowledge and understanding by Pensions Board/Committee Members.	Lack of knowledge and understanding by Pension Committee/Board Members.	Poorly informed for decision making.	3	2	6	Members review governance policy, including TPR general code 2024 and CIPFA's 2021 Code of Practice on Knowledge and Skills; officers and investment advice when needed.	Re-appraisal of members skill set.	3	1	3	↔	Nov-24	Pension Board Chair/Head of Treasury & Pension Fund
25		Non-compliance with GDPR/data protection requirements.	Poor data protection processes/inadequate staff training	Data protection breach and reputational damage.	3	3	9	Review internal processes and procedures, privacy statements, data share agreements, contracts with 3rd parties to ensure compliance with GDPR and data protection requirements. Consult Information Governance. Mandatory data protection training for staff.	Regular review of data protection policies to ensure that all supporting information and justification is documented and still valid. Use of secure portals to share information with key stakeholders.	2	2	4	↔	Dec-24	Pensions Manager/Deputy Manager

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26	<b>Strategy &amp; Finance</b> Sustainable investment and climate actions	Global financial markets impacted by economic climate. Non-compliance with Investment Strategy Statement;	Investment managers fail to take adequate note of ESG risks	Investment in stranded assets. Increases in ER contributions. Pressure on liabilities and funding level perhaps impacting on ER contributions.	4	2	8	The establishment of a Responsible Investment (RI) Policy. ESG considerations embedded in investment decision making. Regular monitoring of Investment managers performance.	Ongoing review by Pension Committee, Investment Officers and Advisor of the fund's carbon exposure and other ESG factors. The fund will monitor ESG risks annually and set targets to mitigate these risks.	4	1	4	↔	Dec-24	Pensions Ctte.
27	<b>Customer Outcomes &amp; Quality</b> Incorrect information in public domain including pension fund website	Non accurate information on information platforms.	Failure to update information platforms.	Adverse media coverage. Complaints which take up time to resolve. Compensation payments.	4	2	8	Regular monitoring and review of information platforms.	Review of data on information platforms every 2 months to include the Council's website and Sharepoint	3	1	3	↔	Dec-24	Pensions Manager/Deputy Manager

## Islington Council - Pensions Risk Register 2024

The Pensions Risk Register outlines the key objectives of the Pension Fund and its administration; establishes the methodology for implementing proactive risk management to ensure the 'Fund' has sufficient assets to meet its pension liabilities.

The Pensions Risk Register is forward looking and under continuous review with relevant stakeholders to identifying potential problems and the tools needed to mitigate any obstacles that may endanger critical objectives.

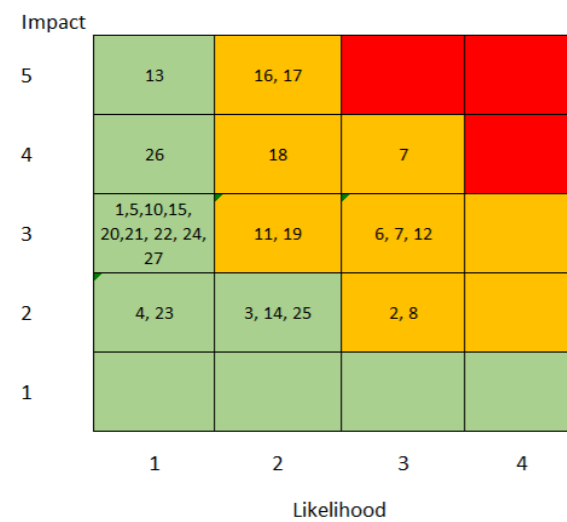
The Pensions Risk Register sets out these risks and the risk heat map assesses the probability and impact.

### Risk scoring guide

Likelihood ratings	Description	Example	Probability	
1	Rare	Very unlikely that this will ever happen.	1%	1 in 100
2	Unlikely	Expected to occur in only exceptional circumstances.	10%	1 in 10
3	Possible	Expected to occur in some circumstances. Has happened elsewhere.	20%	1 in 5
4	Likely	Expected to occur in many circumstances. Has happened in the past.	50%	1 in 2

Impact Score	Financial	Service Delivery	Reputation
5	Over £1M	Repeated disruption of a core/critical service	Long-term reputational damage
4	£500K - £1M	Major disruption to a critical service	Medium term reputational damage
3	£100K-£500K	System failure/Cyber attack	Adverse media coverage. Reputational damage
2	£10K - £100K	Disruption of service affecting multiple pension scheme members	Adverse local media coverage
1	£1K - £10K	Disruption of service affecting an individual	Unaffected

Risk Heat Map - October 2024



### Definition

Risk: An action or event that will affect the Pension Fund's ability to achieve it's objective

### Assessing Risk

Low
Medium
High

Date: 31/10/2024