



ISLINGTON

For a more equal future

PENSIONS BOARD

7 October 2024

SECOND DESPATCH

Please find enclosed the following items:

Item B1	Pension administration performance	1 - 6
Item B2	Risk Register review	7 - 20
Item B5	Pensions Board forward work programme	21 - 26

Enquiries to : Mary Green
Tel : Telephone: 020 7527 3005
Email : democracy@islington.gov.uk
Date : 30 September 2024

This page is intentionally left blank

Resources Department
222 Upper Street
London, N1 1XR

Report of: Corporate Director of Resources

Meeting of: Pensions Committee/Pensions Board

Date: 7th October 2024

Subject: PENSION ADMINISTRATION PERFORMANCE

1. **Synopsis**

- 1.1. This report provides the Committee and Board with information on the administration activities and performance of the Pension Administration. The information is an update on the period from 1 May 2024 to 31 July 2024 and includes the number of Local Government Pension Scheme (LGPS) members auto-enrolled into the scheme for this period.
- 1.2. The report also provides information regarding the Internal Dispute Resolution Procedure (IDRP), compliments and complaints.

2. **Recommendations**

- 2.1. To note the number of members' auto-enrolled into the LGPS.
- 2.2. To note the information in respect of the IDRP, compliments and complaints.
- 2.3. To review the performance data for the administration activities of the Council's Pensions Office.
- 2.4. To note any new Internal Audit Investigations in Pensions Administration.
- 2.5. To note the Scheme Advisory Board Update
- 2.6. To note the despatch to members of the 2024 Annual Benefit Statements on time
- 2.7. To note the link to Mercer September LGPS Current Issues [latest update on current issues](#).

3. Background

3.1. The membership profile in May-24 and Jul-24 is shown in the following table.

Category	Apr-24	Jul-24
Number of current active members	6656	6655
Number of preserved benefits	8781	8786
Number of Pensions in payment	6739	6829
Number of Teachers Compensation Pensions in payment	101	101
Number of Spouses/dependants pensions in payment	970	978
Number of Teachers Compensation Spouses Pensions in payment	14	14
Total	23,261	23,363

Active membership in this reporting period has remained virtually unchanged from the last reporting quarter. Deferred members, pensioners and spouses/dependants have seen a marginal increase of approximately 0.06%, 1.34% and 0.83% respectively.

3.2. The table below shows performance against case type for the period from 1 May to 31 July 2024:

Process	Total Cases Processed	Target Days	% Achieved within target days	Actual average days
Deaths	24	10	95%	11.0
Retirement benefits	70	7	83%	12.0
Pension estimates	115	10	80%	14.0
Preserved benefits	10	30	92%	25.0
Pension Payroll Adj.	77	10	100%	8.0
Transfer-in quotation	82	10	84%	12.0
Transfer-in actual	67	10	86%	11.0
Transfer out quotation	88	15	90%	17.0
Transfer out actual	73	12.5	82%	18.0
Transfer out (Non-Public Sector) actual	2	30	100%	28.0
Refunds	35	10	100%	9.0
Starters	176	30	85%	32.0
All key processes	819		88%	

Key processes have increased by 9% during this quarter, primarily due to data reconciliation, identifying previously unreported school new starters and contribution posting exercises required to produce the Annual Benefit Statements. Overall performance has increased by 2% from the 86% achieved in the last quarter in completed processes within the target days.

3.3. The table below shows the number of members auto-enrolled into the LGPS from May 2024 to July 2024:

Month	Starters No.	Opt Outs	Opt Outs %
May	63	5	7.94
June	56	4	7.14
July	57	0	0
Total	176	9	5.11

3.4. The Pension Office received -11- communications thanking Pension Administration staff for their service and -3- complaints. One complaint related to retirement estimate request, the other the processing of a refund and finally a transfer-in request. All these complaints were resolved. There were no IDRPs received during this period.

Audit Investigations

3.5. No new cases of potential fraud have been identified by the Pensions Office and reported to Internal Audit for investigation during this period.

Scheme Advisory Board (SAB) – News Update

3.6 Pensions Review

On the 16 August 2024, [HM Treasury](#) published the Terms of Reference for Phase one of the Government's Pensions Review. The first phase of the review will focus on developing policy in four areas:

- Driving scale and consolidation of defined contribution workplace schemes;
- Tackling fragmentation and inefficiency in the Local Government Pension Scheme through consolidation and improved governance;
- The structure of the pensions ecosystem and achieving a greater focus on value to deliver better outcomes for future pensioners, rather than cost; and
- Encouraging further pension investment into UK assets to boost growth across the country.

Shared Cost Additional Pension Contributions (SCAPCs) Review

- 3.6.1 SAB has [written to MHCLG](#) officials to ask for a review of the actuarial factors and regulations underpinning shared cost additional pension contributions (SCAPCs). This was one of the first recommendations of the Gender Pensions Gap working group. The current regulations impact those (predominantly female) members with caring responsibilities who may lose pension when they have to take occasional days or weeks as authorised unpaid leave. The letter asks that the rules around buying back pension 'lost' during unpaid authorised leave should be made easier to understand and more flexible to implement.

Change of Name

- 3.6.2 On the 8 July 2024, the Department for Levelling Up, Housing & Communities reverted to its former name as the Ministry of Housing, Communities & Local Government (MHCLG).

Annual Benefit Statements (ABS)

- 3.7 The Pensions Office sent out member ABS in August and updated the guidance notes available on the Pension Fund web pages.

4 Implications

4.1 Financial Implications

- 4.1.1 The cost of administering the LGPS is chargeable to the Pension Fund.

4.2 Legal Implications

- 4.2.1 There are no specific legal implications in this report.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

- 4.3.1 None applicable to this report. Environmental implications will be included in each report to the Pension Board/Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is https://www.islington.gov.uk/~/_media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf

4.4 **Equalities Impact Assessment**

4.4.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.4.2 An Equalities Impact Assessment is not required in relation to this report, because there are no adverse impacts in terms of equalities arising from the contents of this report. The LGPS is a statutory public service pension scheme open to all Council employees.

5 **Conclusion and reasons for recommendations**

5.1 The report will be made to each meeting of the Pension Board and at least annually to the Pensions Committee in order to assess administration performance and dispute resolution.

Appendices:

none

Background papers:

Final report clearance:

Signed by:

Corporate Director of Resources

Date: 30 September 2024

Report Author: Patrick Fullerton, Pensions Manager

Tel: 020 7527 2588

Email: patrick.fullerton@islington.gov.uk

Financial Implications Author: joana marfoh

Tel:02075272382

Email: joana.marfoh@islington.gov.uk

Legal Implications Author: n/a

Tel:

Email:

This page is intentionally left blank

Resources Department
222 Upper Street
London, N1 1XR

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 7 October 2024

Subject: LGPS – Pensions Risk Register

1. **Synopsis**

- 1.1. This report provides the Board with information on the potential risks identified in the administration of Islington Pension Fund. The Pensions Risk Register (PRR) also provides tangible mitigation measures to de-escalate risks preventing them from becoming critical problems.
- 1.2. This report summarises the further development and assessment of those risks that were initially identified on the PRR with the highest risk rating score before mitigation measures.
- 1.3. All risks have been reviewed during the period from May 2024 to June 2024 and if no additional concerns or external actions impact on the designated risk, the trend arrow will be positioned horizontally.
- 1.4. Officers have separated out the inflation risk from investment risk to ensure that it is given proper visibility.
- 1.5. The PRR (Appendix 1) is prefaced by an explanatory table (risk matrix) that sets out how the impact and likelihood ratings of 'low', 'medium' and 'high' rating can be interpreted.

2. **Recommendation**

- 2.1. To note the contents of the report and revisions made to the PRR.

3. **Background**

- 3.1. The Pensions Risk Register (PRR) outlines the key objectives of Islington Pension Fund and its administration. It establishes the methodology for implementing proactive risk management to ensure that Islington Pension Fund has sufficient assets to meet its pension liabilities in accordance with the Pensions Regulator code of practice. Appendix 1 sets out the current risks identified by the Pension Fund in collaboration with the Council's Pensions Board.
- 3.2. The PRR is reviewed and movement in risks levels of activities and mitigation factors applied are reported to the Pension Board quarterly and annually to the Pensions committee. There are three activities that have been assessed as high and are reviewed below together with the mitigated actions.
- 3.3. In reviewing and making revisions to the PRR in accordance with the Pensions Regulator code of practice issued under section 90(2)(k) of the Pensions Act 2004, the Pension Fund must have regard to the extent to which the exercise of identifying and evaluating risks and the mitigation satisfy the legal requirements to have appropriate internal controls.

Strategy & Finance, People

Risk – Loss of data by administrator – Cyber risk

- 3.4. Daily and weekly backups together with the Council's firewall and encryption mitigates the risk posed by cyber attack, fire, loss of data when home working. The Pensions Office also has in place a Disaster Recovery Plan. The risk rating on this area following review and further actions to mitigate risk has been reduced from 4 to 3.

Provision of inaccurate data

- 3.5. Risk 2 on the PRR has been renamed from 'Conflicts of Interest' to 'Provision of inaccurate data', to identify precisely the type of risk. The further actions to mitigate this risk including checking records thoroughly at the time of making any decision under the LGPS regulations and regular data quality audits. The risk rating on this area following review has reduced this risk from 8 to 6.

- 3.6. **Poor administration of pension fund leads to complaints**

Adequate resourcing, investment in staff with regular staff meetings and training opportunities together with annual review of operational controls and quarterly reviews of our complaints register manages this risk. The complaints register is useful as a teaching aid to establish corrective actions and process improvement. The risk rating on this area following review has been reduced from 6 to 4.

- 3.7. **Internal Fraud**
Detective controls, sample testing, annual and external audits, membership of the National Fraud Initiative mitigates the risk of this behaviour. The risk rating on this area following review has been reduced from 4 to 2.
- 3.8. **Failure to deduct accurate employee/employer contributions(Corporate)**
Regular meetings with the Payroll Manager, reconciliation exercises and contribution audits mitigates the risk of this development. The risk rating on this area following review has been reduced from 4 to 3.
- 3.9. **The late provision of payroll reports (Corporate Payroll)**
Regular meetings with the Payroll Manager and the Reportwriter Consultant have created a suite of pension reports to mitigate the future risk of this outcome. The planned introduction of the iConnect application also provides an additional tool to capture accurate member data and the sourcing of pension-payroll reports. The risk rating on this area following review has been reduced from 12 to 9.
- 3.10. **Failure to apply correct Pensions Increase(PI)**
Early testing of PI implementation, reviewing output and Payroll establishing better response times from their software suppliers to technical issues that may arise will mitigate this risk. The risk rating on this area of work following review remains at 12, to denote the critical nature of this area, the management observation and resourcing required and an acknowledgement of the issues encountered last year.
- 3.11. **Failure to deduct accurate employee/employer contributions (External)**
Regular meetings with external employers and their payroll providers, reconciliation exercises and contribution audits mitigates the risk of this development. However this remains a key risk with our external employers with issues arising each year. The risk rating on this area following review has been reduced from 8 to 6. The impact is low but the likelihood is more probable.
- 3.12. **The late provision of payroll reports (External Payroll Providers)**
Regular meetings with external employers and their payroll providers, buy-in on agreed timelines for delivery of reports with late payment penalties for non-compliance mitigates the risk of this outcome. Also the planned introduction of the iConnect application provides further assurance as an additional tool to capture accurate member data from external payroll providers. Despite these developments this remains a key risk with issues arising each year with some of our external employers. The risk rating on this area following review has been reduced from 12 to 9. The impact is moderate but the likelihood is more probable.

- 3.13. **Low take-up of pension scheme membership**
The overwhelming majority of Council staff are in the pension scheme. Auto-enrolment and promotion of the LGPS mitigates the risk of the low take-up of membership. The planned introduction of a members portal provides further user engagement of the benefits of LGPS membership. The risk rating on this area following review has been reduced from 4 to 3.
- 3.14. **Remedies in relation to the McCloud Judgement**
Adequate resourcing, applying all relevant McCloud software updates from Heywoods to automate calculations and reporting final outcome to the Council's actuary will mitigate the risk of a material increase in employer costs. The risk rating on this area following review has been reduced from 8 to 6.
- 3.15. **Lack of understanding among scheme members of scheme options**
The Pensions Office have developed comprehensive webpages on LGPS membership and engage in Pension Surgeries to mitigate the risk of a lack of understanding among scheme members. A review is planned in November 2024 of our member communication to ensure they meet best practice. The risk rating on this area following review has been reduced from 6 to 4.

Contract Management

- 3.16. **Pension database may not be secure and appropriately maintained**
The Pensions database operates within a secure environment within the Council's digital estate. The Council's Cyber Security policy defines a series of controls, including firewalls, encryption, two factor authentication with the intention of reducing the likelihood and impact of a cyber-attack. These controls mitigate the risk of the pensions database not being secure. Further actions to mitigate risk is the planned move of the pensions database from an on-prem solution to a cloud solution with the concomitant increase in cyber security. Heywood's UK based data centre is rated as 'Tier 4', meaning that it is completely fault tolerant and has redundancy for every component. Annual penetration tests are performed across their estate and Heywood employ tenable vulnerability management to continuously scan all servers for vulnerabilities and patching requirements. The risk rating on this area following review has been reduced from 5 to 3.

Finance

3.17. **Inflation Risk (new)**

Inflation is a significant risk to the Pension Fund as the liabilities of the Fund are inflation linked. Long periods of higher inflation will likely lead to significant increases to liabilities and reduce the Fund's overall funding level. This is why the Fund needs to maintain inflation linkage within its overall investment strategy.

3.18. **AVC Providers failure to produce year-end Statement of Accounts(SOA)**

Regular quarterly meetings with the AVC Accounts Managers, ensuring they understand their statutory obligations and agreeing timeline for the production of the SOA, mitigate this risk. The ultimate sanction is to report the AVC provider to the Pensions Regulator for non-compliance. The risk rating on this area following review has been reduced from 8 to 6.

Governance & Compliance

3.19. **Employer failure to pay monthly contributions into scheme**

Monthly monitoring of contribution payments by Pensions and Treasury and regular audit reviews mitigates this risk. The risk rating on this area following review has been reduced from 4 to 3.

3.20. **Failure to interpret rules or legislation correctly**

Technical advice and information from the LGA, the fund's actuary and the Scheme Advisory Board mitigates this risk. The risk rating on this area following review has been reduced from 4 to 3.

3.21. **Non-compliance with GDPR/data protection requirements**

Regular review of data protection policies to ensure that all supporting information and justification is documented and still valid mitigates this risk. The use of secure portals to share information with key stakeholders provides additional assurance in relation to data protection. The risk rating on this area following review has been reduced from 6 to 4.

Customer Outcomes & Quality

3.22. Non accurate information on information platforms

Regular monitoring and review of information platforms including the Council's website and Sharepoint mitigates this risk. The risk rating on this area following review has been reduced from 4 to 3.

4. Implications

4.1. Financial Implications

4.1.1. The cost of administering the LGPS is chargeable to the Pension Fund. There are no financial implications arising directly from the report.

4.2. Legal Implications

4.2.1. There are no specific legal implications in this report. The Pensions Regulator code of practice requires the Pension Fund to prepare, review and publish a Pensions Risk Register. This Register must thereafter be kept under review.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

4.3.1. None applicable to this report. Environmental implications will be included in each report to the Pension Board/Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910ondonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

4.4. Equalities Impact Assessment

4.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in

public life. The council must have due regard to the need to tackle prejudice and promote understanding.

- 4.4.2. An Equalities Impact Assessment is not required in relation to this report, because there are no adverse impacts in terms of equalities arising from the contents of this report. The LGPS is a statutory public service pension scheme open to all Council employees.

5. **Conclusion and reasons for recommendations**

- 5.1. There is a legal requirement for the Pension Fund to regularly review its Risk Register. In identifying and reviewing the Register the Pension Fund must have regard to ensuring effective internal controls that will not lead to a serious loss of confidence in the public service. Members are asked to note the updates to the PRR attached as Appendix 1.

Appendices: Appendix 1

Background papers: None

Final report clearance:

Signed by:

Corporate Director of Resources

Date: 30 September 2024

Report Author: Patrick Fullerton, Pensions Manager
Tel: 020 7527 2588
Email: patrick.fullerton@islington.gov.uk

This page is intentionally left blank

Islington Council Pension Board Risk Register - 30 June 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	↓	Ongoing	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).	Lack of resources/time	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	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. Report the final outcome to Actuary.	3	2	6	↓	Nov-24	Pensions Manager/Deputy Manager
12		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
13	Contract Management 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

Islington Council Pension Board Risk Register - 30 June 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)				
14	Finance and Investment 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	↔	Ongoing	Director of Finance/Pensions Cttee
15		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	New	New	Director of Finance/Pensions Cttee
16		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	↔	Ongoing	Head of Legal/Head of Treasury & Pension Fund
17		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
18		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	↔	Ongoing	Director of Finance/Head of Treasury & Pensions
19	Governance & Compliance 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
20		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	↓	Ongoing	Pensions Manager/Deputy Manager
21		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	↔	Ongoing	Pension Board Chair/Democratic Services
22		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	↔	Ongoing	Pension Board Chair/Head of Treasury & Pension Fund
23	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	
24	Strategy & Finance 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	↔	Ongoing	Pensions Cttee.
25	Customer Outcomes & Quality 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 Pension Board Risk Register - 30 June 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)				

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.

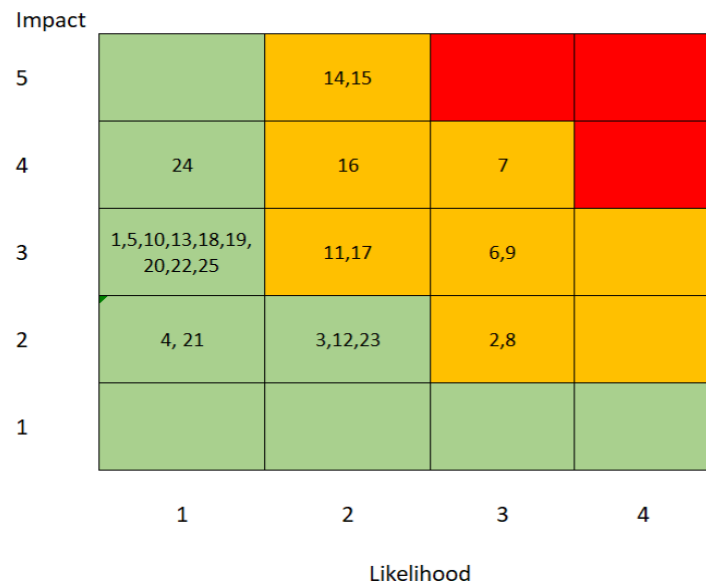
Risk scoring guide

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

Page 18

Risk Heat Map - June 2024



Definition

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

Assessing Risk



Date:30/06/2024

This page is intentionally left blank



**Resources Department
222 Upper Street
London N1 1XR**

Report of: Corporate Director of Resources

Meeting of: Pension Board

Date: 7th October 2024

Ward(s): n/a

Pension Board 2024/25 Forward Work Programme

1. Synopsis

- 1.1 The Appendix A to this report provides information for Members of the Board on agenda items for forthcoming meetings and training topics where required as per its work programme objectives.

2. Recommendation

- 2.1 To consider and note Appendix A attached and amend the forward programme where there is change in priorities.

3. Background

- 3.1 The Public Services Pensions Act 2013 required the establishment of local pension boards for each Local Government Pension Fund.
- 3.2 Local Government Pension Scheme (Amendment) Governance Regulations 2014 (the Governance Regulations) provide that Pensions Board will have responsibility for assisting the 'scheme manager' (the Pensions Committee in Islington's case) in relation to the following matters:

To ensure compliance with:

- the Local Government Pension Scheme Regulation (LGPS),
- other legislation relating to the governance and administration of the LGPS, and
- the requirements imposed by the Pensions Regulator in relation to the LGPS to ensure the effective and efficient governance and administration of the scheme.

3.3 The Pensions committee is the decision making body of the Fund and the Pension board can only advise or make recommendations to the Pensions Committee
The Pension Board should therefore be mindful;

- Its work plan should take account of the Fund's own work programme and seek to add value
- Servicing the Pension board will consume Fund management resources and time
- Senior Fund officers servicing the pension Board may on some fund performance issues be personally compromised and conflicted
- Some work items required may need the use of specialist external consultancy resources rather than using the officers servicing the Fund.

3.4 Based on the LGPS and The Pension Regulator's guidance on the role of the pension boards, the focus should include the following:

- a) Its own training, knowledge and understanding
- b) Avoiding any conflicts of interest
- c) Ensuring its own statutory compliance
- d) Checking fund governance
- e) Reviewing fund risks and internal systems and controls
- f) Checking fund external advisors/service providers and their internal controls
- g) Reviewing fund member record keeping
- h) Checking fund contributions
- i) Reviewing fund administration
- j) Benchmarking fund performance and Value for Money (VFM)
- k) Fraud prevention
- l) Employer and member communications
- m) Complaints and dispute resolution
- n) Reporting regulatory breaches

3.5 The Pension Board must also consider its Annual Report and the review of Pension Fund's draft Annual Report and audited accounts and triennial actuarial review.

3.6 Members need to consider their priorities for the next 12 months and use that to formulate their agenda for forthcoming meetings. The draft programme and timetable attached as Appendix A is a guide for members to discuss and amend. It will be updated as necessary at each meeting, to reflect any changes in administration policy, new regulation and pension fund priorities after discussions with Members

4. Implications

Financial implications

- 4.1 Any cost associated with the governance of the fund will be treated as administration cost and charged to the Fund.

4.2 Legal Implications

The Public Services Pensions Act 2013 required the council to establish a local pension board by 1 April 2015. The board must comply with the requirements of the relevant legislation and regulations.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board / Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>.

4.4 Equalities Impact Assessment

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

- 4.4.1 An equalities impact assessment has not been conducted because this report is seeking opinions on a policy document and therefore no specific equality implications arising from this report.

5 Conclusion and reasons for recommendation

- 5.1 To advise Members of forthcoming items of business to the Pension Board and training.

Appendices: Appendix A- Work programme for 2024/25

Background papers:

None:

Final report clearance:

Signed by:

Date of final approval Corporate Director of Resources
30 September 2024

Report Author: Joana Marfoh
Tel: (020) 7527 2382
Email: Joana.marfoh@islington.gov.uk

Finance implication author: Joana Marfoh

Legal implications author:

APPENDIX A

Pensions Board Forward Plan for October 2024 to June 2025

Date of meeting	Work programme objective	Reports
	To ensure the effective and efficient governance and administration of the Scheme	<p><u>Please note:</u> there will be a standing item to each meeting on:</p> <ul style="list-style-type: none">• Admin Performance report• Forward work programme• Review of last Pensions committee minutes
30 th September 2024		Annual Pension Meeting
7 th October 2024		Risk Register Review Pensions Performance Report Draft Annual Report
10 th December 2024		Interim Actuarial Funding Review
25 th March 2025		3 yr Forecast Cashflow and 2024/25 Annual Cash Flow Risk Register review

Planned and Previous Training on committee meeting dates

November 2018- pension sub cttee meeting	Training Actuarial Review update
September 2019 joint pension sub and board training	Funding strategy and actuarial valuation
February 2021- joint pension sub and board training	Net zero carbon transition training
September 2022- joint pension sub and board training	Actuarial Valuation training
On going self training	The Pension Regulator Toolkit
12 th July 2023	CIPFA skill and knowledge assessment matrix
24 th July 2024- The Pensions Regulator General Code	Training on governance

This page is intentionally left blank