

# Islington Council

## Pensions Risk Register 2022

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 matrix 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

IMPACT	Rare	Unlikely	Possible	Likely	
5	5	10	15	20	
4	4	8	12	16	
3	3	6	9	12	
2	2	4	6	8	
1	1	2	3	4	
	1	2	3	4	LIKELIHOOD

### 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: 21/06/2022

No	Objective	RISK Identified	Cause	Consequence	Current Risk Score			Current controls in place to manage risk	Risk Evaluation (drop-down list)	Further actions to mitigate risks	Risk rating following mitigation	Target Date	Risk Owner
					Impact (1=Low, 5=High)	Likelihood (1=Low, 4=High)	Combined Score						
1	<b>Strategy &amp; Finance, People</b> To grow membership and confidence in pension scheme administration.	Loss of data by administrator	Fire, flood, IT Breakdown, Cyber-attack. System failure.	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.	Treat	Disaster Recovery Plan. Moving servers to the cloud	6	Jul-23	Pensions Manager/Deputy Manager
		Member data incomplete or inaccurate	Incomplete dataset provided by payroll or third party agent	Leads to reputational damage/financial loss	2	4	8	Pro-active engagement with internal and external employers, school Business Managers and payroll providers.	Treat	Regular data Quality Auditing	4	Jul-22	Pensions Manager/Deputy Manager
		Poor administration of pension fund leads to complaints	Resourcing/inadequate training of staff	Strong dependency on key staff and failure to recruit.	2	4	8	Invest in staff, their development, workloads and review compensation.	Treat	Review complaints register and establish corrective actions	6	Sep-22	Head of Treasury & Pension Fund
		Internal Fraud	Inadequate internal fraud controls	Fraudulent activity resulting loss of benefits to fund members. Adverse impact on the Pension Fund.	4	1	4	Cross checking of work and the segregation of duties.	Treat	Internal & External Audits. National Fraud Initiative Exercise, NI Database check. Life certificates.	2	Sep-22	Head of Treasury & Pension Fund
		Failure to deduct accurate employee/employer contributions (Corporate Payroll)	Payroll calculation failure	Additional work to request and correct data. Financial Loss. Reputational damage	4	1	4	Monthly reconciliations.	Treat	Regular Data Contributions Audit	2	Jul-22	Head of Treasury & Pension Fund
		The late provision of payroll reports (Corporate Payroll)	Resourcing	Late issue of pension statements & govt. statutory returns.	5	2	10	Pro-active engagement with Payroll Manager and other relevant stakeholders	Treat	Establish self-service running reports	6	Oct-22	Pensions Manager/Deputy Manager
		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	Treat	Early engagement with software suppliers to find a solution & test	12	Oct-22	Pensions Manager/Deputy Manager
		Failure to deduct accurate employee/employer contributions (External Payroll Providers)	Payroll calculation failure	Additional work to request and correct data. Financial Loss. Reputational damage	4	3	12	Monthly reconciliations.	Treat	Data Contributions Audit	8	Jul-22	Head of Treasury & Pension Fund
		The late provision of payroll reports (External Payroll Providers)	Ineffective planning	Late issue of pension statements & govt. statutory returns.	4	3	12	Pro-active engagement with external payroll provider and other relevant stakeholders	Treat	Establish self-service running reports	9	Oct-22	Pensions Manager/Deputy Manager
		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.	Treat	Further promotion of the pension scheme. Auto-enrolment	4	Ongoing	Pensions Manager/Deputy Manager
		Remedies in relation to the mcloud judgement	Unlawful age discrimination.	Increased employer costs	4	3	12	To ensure the accurate re-calculation of pension benefits.	Treat	Report the final outcome to actuary	8	Jul-22	Pensions Manager/Deputy Manager
		Lack of understanding among scheme members of scheme issues/options	Limited awareness/Comms Deficit	Complaints/Opt-outs	2	3	6	Comms & website on the benefits of scheme membership 50/50 & AVCs. Pension surgeries on AA & LTA.	Treat	Work with HR to run surgeries on Wellbeing & pension planning. The annual pension statements will direct members to LBI's pension website for guidance notes and other information in relation to pension planning.	4	Oct-22	Pensions Manager/Deputy Manager
2	<b>Contract Management</b> To establish robust data security and to avoid system failure	Pension database may not be secure and appropriately maintained	Poor management/inadequate training	Service impairment and financial lost to the Pension Fund.	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.	Treat	Moving servers to the cloud	8	Jul-23	Pensions Manager/Digital Services

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3	Finance Strong Financial and contract Management	Loss of Investment returns	Market turbulence/Inflation	Reduction in asset market values.	5	3	15	Clear investment strategy, quarterly monitoring of managers' performance and a diversified portfolio	Treat	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.	10	Ongoing	Director of Finance/Pension Sub-Cttee
		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.	Treat	Triennial valuation process of determining contributions consults with employers to agree affordability and sustainability of the Fund	12 or 8	Ongoing	Head of Legal/Head of Treasury & Pension Fund
		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	4	16	Early engagement with AVC Providers.	Treat	Reporting any breach to the Pensions Regulator.	12	Sep-22	Pensions Manager/Deputy Manager
		Failure to sign off annual accounts and reports on time	Late information from 3rd parties	Qualified audit opinion	3	1	3	Early dialogue with external auditor.	Treat	Ensure internal audit work is complete.	1	Nov-22	Director of Finance/Head of Treasury & Pensions
		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	Treat	Regular quarterly Audits reviews.	4	Ongoing	Pensions Manager/Deputy Manager
4	Governance & Compliance Compliance with statutory regulations and guidance issued by TPR and LGA	Failure to interpret rules or legislation correctly	Poor management/inadequate training	Financial & reputational damage	4	2	8	Treasury and Pensions Admin review LGA, TPR and SAB website, other literature and have networking arrangements to ensure they remain up-to date. Membership of relevant professional groups ensures any potential changes in statutory requirements are properly implemented.	Treat	All staff go on relevant training courses at the LGA as appropriate to remain up-to date on Pension issues.	6	Sep-22	Pensions Manager/Deputy Manager
					3	2	6	Altair system calculation checks to ensure compliance with LGPS regulations.	Treat	Regular review of updates and patches.	4	Mar-23	
					3	2	6	Networking with key partners, Actuaries, Govt. LGA and TPR.	Treat	The Fund's Investment Advisors and Actuary provide briefings on new legislation and guidance on implementation. Auditors also test our process to ensure best practise	4	Ongoing	
		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	Treat	Conflicts document 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	Ongoing	Pension Board Chair/Democratic Services
		Insufficient knowledge and understanding by Pension Board Members.	Lack of knowledge and understanding by Pension Board Members.	Poorly informed for decision making	3	2	6	Members training plan, investment & legal advice	Treat	Re-appraisal of members skillset.	2	Dec-22	Pension Board Chair/Head of Treasury & Pension Fund
		Non-compliance with GDPR requirements	Poor data protection processes/inadequate staff training	Data protection breach and reputational damage.	3	3	9	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3rd parties. Use of secure portals to share information with key stakeholders, mandatory data protection training for staff.	Treat	Regular review of data protection polices.	6	Ongoing	Pensions Manager/Deputy Manager
5	Strategy & Finance Sustainable investment and climate actions	Non-compliance with Investment Strategy Statement	Investment managers fail to take adequate note of ESG risks	Investment in stranded assets. Adverse media coverage	4	2	8	Regular monitoring of Investment managers performance	Treat	The fund will monitor ESG risks annually and set targets to mitigate these risks.	6	Ongoing	Pension Sub-Cttee
6	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	Prompt action to ensure data quality.	Treat	Quarterly review of data on information platforms.	6	Sep-22	Pensions Manager/Deputy Manager