

Resources Department
7 Newington Barrow Way
London, N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 6th March 2023

Subject: LGPS – Pensions Risk Register

1. **Synopsis**

- 1.1. The Pensions Risk Register (PRR) outlines the key objectives of Islington Pension Fund and its administration; 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 Regular code of practice.
- 1.2. This report summarises the risks that have been reviewed during the period from November 2022 to February 2023. 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. **Recommendations**

- 2.1. To note the contents of the report and revisions made to the PRR.
- 2.2. To note the risk associated with incomplete dataset provided by a third-party agent has moved from an initial score rating of 8 to 15 following data quality audit as part of the 2022 Pension Fund valuation.
- 2.3. To note the risk associated with the late provision of payroll reports has moved from an initial score rating of 10 to 20, as this is yet to be resolved and year end is fast approaching.
- 2.4. To note the risk associated with the Council's AVC Providers failure to produce year-end Annual Benefit Statements and Statement of Accounts, as moved from an initial score rating of 15 to 12, following positive engagement with the AVC Providers.

3. **Strategy & Finance, People**

Risk – Member data incomplete or inaccurate

- 3.1. The Pensions Office has received incomplete member data from St Mary Magdalene Academy – The Courtyard regarding new starters. The Pensions Office has informed the Headteacher at the Academy and follow-up reminders sent. The Academy are waiting on their payroll team to provide the information requested. The initial risk score of 8 has been reassessed and moved to a current risk score of 10.

Risk – The late provision of payroll reports

- 3.2. The provision of timely accurate year end payroll reports remains a concern. Work has only recently started on creating the required reports, this delay will make the year-end process more challenging. It is clear that this area needs to assume a much higher priority and dialogue is ongoing with HR and an external consultant to develop bespoke reports. In view of the actions taken to date the score rating as moved from an initial rating 10 to 15.

4. **Finance (Strong Financial and Contract Management)**

Risk – AVC Providers failure to produce year-end Statement of Accounts

- 4.1 Early engagement with AVC Providers have proved constructive in identifying key contacts and their understanding of our timelines and their obligation to meet them. Assurances and actions taken by the AVC Providers provides reasonable assurance of an improvement in service which will be monitored. The current risk score as consequently been re-assessed and moved from an initial 16 to 12.
- 4.2 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.
- 4.3 **Appendix 1** sets out the current risks identified by the Pension Fund in collaboration with the Council's Pensions Board. Further reviews and updates to the PRR will be presented to the Pension Board periodically throughout the year.

5. Implications

5.1. Financial Implications

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

5.2. Legal Implications

- 5.2.1. 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.

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

- 5.3.1. 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/information/adviceandinformation/20212022/20211123islingtonpensionfundinvestmentstrategystatementdec20.pdf>.

5.4. Equalities Impact Assessment

- 5.4.1. 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.
- 5.4.2. 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.

6. Conclusion and reasons for recommendations

- 6.1. 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.

Appendices: Appendix 1

Background papers:

Final report clearance:

Authorised by: Corporate Director of Resources

Date: 23 February 2023

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