

Resources Department
7 Newington Barrow Way
London, N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions Board/ Pensions Sub-committee

Date: 12th July 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 Regulator code of practice.
- 1.2. This report summarises the risks that have been reviewed during the period from March 2023 to May 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.
- 1.3 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.
- 1.4 **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.

2 **Recommendations**

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

- 2.4 To note the risk associated with the loss of data by Pensions Administrators and Cyber risk.
- 2.5 To note the risk associated with the failure to apply the correct Pensions Increase for all pensioner dataset due to a software calculation issues.
- 2.6 To note the risk associated with the late provision of payroll reports as moved from a mitigated score rating of 12 to 10, as a consequence of the progress made in creating the year-end reports by the HR Payroll Consultant for the Pensions Team.

3 **Strategy & Finance, People**

Risk – Loss of data by administrator & Cyber risk

- 3.3 The adoption of remote working within Pensions Administration in accordance with Council policy present security challenges in relation to loss of data by a Pensions Officer and members of their household having access to confidential and privilege data. This is mitigated however, by Islington Council's Cyber security policy and enforcement with all Council laptops protected by complex passwords, anti-malware, firewalls and multi-factor authentication to access secure council databases. Staff are regularly trained on cyber security and acceptable usage policy incorporating GDPR. Backups are regularly taken each night so the potential loss of data is extremely limited.
- 3.4 Islington Pension Fund is compliant with the Pensions Regulator 'Cyber security principles for pension schemes' and this is regularly reviewed. Cyber risk is complex and evolving and as a consequence, there is regular engagement between Pensions and our Digital Services colleagues who protect and maintain Islington Council's digital security infrastructure.
- 3.5 Islington Council is in the process of tendering for its Pensions Administration Software and one of the key requirements will be to move our systems and assets to the cloud to better enhance the safe custody and security of Council property and work product. Considering the above the previous mitigated risk score of 6 as now been evaluated as 4.

Risk – Failure to apply correct Pensions Increase

- 3.6 The annual Pensions Increase (PI) program needs to be thoroughly reviewed by the software suppliers Zellis to ensure it captures all qualifying pension datasets and applies the correct pension increases values. The calculation program overstates the values for some datasets and ignore the increases on others. The checking process involves extensive manual intervention to correct. This issue has been a problem for a number of years and priority must be given to testing the

(PI) program by Corporate Payroll in October working with Zellis on a solution. In view of the actions taken to date the mitigated score rating remains at 12.

Risk – The late provision of payroll reports

- 3.7 The Pensions Team have engaged in productive meetings with the HR Payroll Consultant working on creating new pension reports. This work needs to continue until all the Pension Reports are completed and tested. The HR Payroll Consultant understands the Pensions Team timeline and is working to meet them. The current mitigated risk score as now been re-assessed and moved from an initial 12 to 8.

3.6 Implications

3.7 Financial Implications

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

3.8 Legal Implications

- 3.8.1 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.

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

- 3.9.1 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/20192020/20190910/ondonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

3.10 Equalities Impact Assessment

- 3.10.1 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.

3.10.2 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.

4 **Conclusion and reasons for recommendations**

4.3 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: 3 July 2023

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