

Resources Department
7 Newington Barrow Way
London, N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 6th December 2023

Subject: LGPS – Pensions Risk Register

1. **Synopsis**

- 1.1. The Pensions Risk Register (PRR) attached as Appendix 1, 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.
- 1.2. This report summarises the risks that have been reviewed during the period from August 2023 to October 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 the failure to apply the correct Pensions Increase for all pensioner dataset due to software calculation issues.
- 2.3. To note the risk associated with the late provision of year-end payroll reports
- 2.4. To note the risk associated with loss of investment returns, bond yields fall.

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. **Strategy and Finance, People**

3.3.1 **Risk – Failure to apply correct Pensions Increase**

The Pensions Office recommended that Payroll test the annual Pensions Increase (PI) program in October 2023, because of the previous failures to get the program working as intended without significant manual intervention. The Payroll Manager has now left Islington Council and the new Payroll Manager is due to take up their post in January 2024. This presents an increased risk as the new Payroll Manager is not familiar with the Payroll System and the testing period is now reduced. The mitigation required is full engagement and adequate resourcing on this project by Payroll. In view of shortened timetable for implementation, the trend on the risk register despite mitigation shows an increased risk.

3.3.2 **Risk – The late provision of payroll reports**

The Pensions Office have engaged in productive meetings with the HR Payroll Consultant working on creating a new suite of pension reports. This work needs to continue until all the Pension Reports are completed and tested. The year-end report remains a major challenge and other actions are being considered to find a simplified solution to capture the data Pensions require. The trend on this particular risk is rated medium and the mitigated score remains at 12.

3.4 **Finance, Strong Financial and Contract Management**

3.4.1 **Risk – Loss of investment returns**

The Council has delegated the investment arrangements of the scheme to the Pensions Committee who decide on the investment policy most suitable to meet the liabilities of the Scheme and the ultimate responsibility for the investment policy that lies with it. To mitigate risk there is a clear investment strategy informed by Investment Advisers and the Council's actuary. There is no change to the mitigated risk score of 10.

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. 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/20192020/20190910Londonboroughofislingtonpensionfundinvestmentstrategystatement.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. 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 – Pension risk register

Background papers: None

Final report clearance:

Signed by:

Corporate Director of Resources

Date:

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