

Islington Council Pension Board Risk Register - Oct-2023

| 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. Any supplier to be checked for having a business continuity plan in place. | 4 | 1 | 4 | ↔ | Jan-24 | Pensions Manager/Deputy Manager/IT Manager |
| 2 | | Conflicts of Interest. | 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. | 2 | 5 | 10 | Pro-active engagement with internal and external employers, school Business Managers and payroll providers. | Regular data Quality Auditing. | 2 | 4 | 8 | ↔ | Jan-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. | Review complaints register and establish corrective actions | 2 | 3 | 6 | ↔ | 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. | Internal & External Audits. National Fraud Initiative Exercise, NI Database check. Life certificates. | 4 | 1 | 4 | ↑ | Ongoing | 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. | 4 | 1 | 4 | ↑ | Dec-23 | 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. | 5 | 2 | 10 | ↓ | Jan-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. | 5 | 2 | 10 | ↓ | Jan-24 | 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. | Data Contributions Audit. | 4 | 2 | 8 | ↓ | Dec-23 | 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. | 4 | 3 | 12 | Pro-active engagement with external payroll provider and other relevant stakeholders. | Early engagement with external payroll providers | 4 | 2 | 8 | ↓ | Dec-23 | 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. | 4 | 1 | 4 | ↔ | Ongoing | 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. | Report the final outcome to Actuary. | 4 | 2 | 8 | ↓ | Dec-23 | 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. Pension surgeries on AA & LTA. | 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. | 3 | 2 | 6 | ↑ | Jan-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. | 5 | 1 | 5 | ↓ | Feb-24 | Pensions Manager/Digital Services |
| 14 | Finance Strong Financial and contract Management | Loss of Investment returns; bond yields fall. | Market turbulence/Inflation; bond prices falling often due to falling interest rates and market caution. | Reduction in asset market values; increase value of liabilities. Discount rate falls will increase liability valuations. | 5 | 3 | 15 | Clear investment strategy,quarterly monitoring of managers' performance and a diversified portfolio | 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/Pension Sub-Ctee |
| 15 | | 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 | 4 | 2 | 8 | ↔ | Ongoing | Head of Legal/Head of Treasury & Pension Fund |
| 16 | | 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. | Reporting any breach to the Pensions Regulator. | 4 | 2 | 8 | ↓ | Jan-24 | Pensions Manager/Deputy Manager |
| 17 | | Failure to sign off annual accounts and reports on time. | Late information from 3rd parties | Qualified audit opinion. | 3 | 2 | 6 | Early dialogue with external auditor. | Ensure external audit work is complete. | 3 | 1 | 3 | ↑ | Ongoing | Director of Finance/Head of Treasury & Pensions |

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| 18 | 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. | Regular quarterly Audits reviews. | 2 | 2 | 4 | ↔ | Ongoing | Pensions Manager/Deputy Manager |
| 19 | | 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. | The Fund's Investment Advisors and Actuary 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. | 4 | 1 | 4 | ↔ | Ongoing | Pensions Manager/Deputy Manager |
| 20 | | 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 |
| 21 | | Insufficient knowledge and understanding by Pensions Board Members. | Lack of knowledge and understanding by Pension Board Members. | Poorly informed for decision making. | 3 | 2 | 6 | Members to adopt a training plan, including Regulator's 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 | ↓ | Mar-24 | Pension Board Chair/Head of Treasury & Pension Fund |
| 22 | | Non-compliance with GDPR/data protection 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. | Regular review of data protection polices. | 3 | 2 | 6 | ↔ | Ongoing | Pensions Manager/Deputy Manager |
| 23 | Strategy & Finance Sustainable investment and climate actions | Non-compliance with Investment Strategy Statement; London CIV fail to achieve performance targets over the longer term. | 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 | Regular monitoring of Investment managers performance. | The fund will monitor ESG risks annually and set targets to mitigate these risks. | 4 | 1 | 4 | ↓ | Ongoing | Pension Sub-Ctte. |
| 24 | 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 courage. Complaints which take up time to resolve. Compensation payments. | 4 | 2 | 8 | Prompt action to ensure data quality. | Quarterly review of data on information platforms. | 4 | 1 | 4 | ↓ | Jan-24 | Pensions Manager/Deputy Manager |

Islington Council

Pensions Risk Register 2023

The Pensions Risk Register outlines the key objectives of the Pension Fund and its approach for implementing proactive risk management to ensure the 'Fund' has sufficient assets

The Pensions Risk Register is forward looking and under continuous review with relevant potential problems and the tools needed to mitigate any obstacles that may endanger

The Pensions Risk Register sets out these risks and the risk heat map assesses the pro

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 |

Risk Heat Map - October 2023

Impact

| | | | | |
|---|-------------------|--------------|---|---|
| 5 | 13 | 6,7,14 | | |
| 4 | 1,4,5,10,19,23,24 | 8,9,11,15,16 | | |
| 3 | 17,21 | 12,22 | | |
| 2 | 20 | 18 | 3 | 2 |
| 1 | | | | |
| | 1 | 2 | 3 | 4 |

Likelihood

Definition

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

Assessing Risk



administration; establishes the methodology to meet its pension liabilities.

Identify key stakeholders to identifying critical objectives.

Assess the probability and impact.

| 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 |

Date:20/11/2023

