



# Local Pension Board

Training/Pensions Update

Martin Doyle – Head of Pensions Shared Service

22 November 2022





## Cyber Risk: What are the targeted assets held by pension scheme?

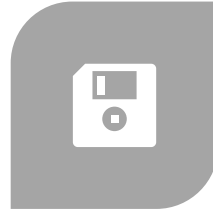
- **300+ billion LGPS assets**
- **millions moving around regularly  
scheme/member/employer bank accounts**
- **Data: 19,000+ employers and  
6.8 million LGPS members**

# What are the key risks faced by pension scheme?



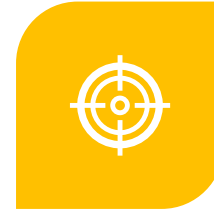
## **RANSOMWARE ATTACKS –**

ENCRYPTING SCHEME  
DATA AND  
DEMANDING A  
RANSOM TO UNLOCK  
ICO FINES  
MEMBERS NOT PAID  
NEED BACK UPS



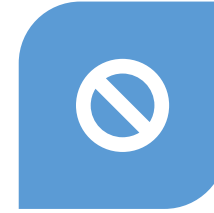
## **DATA THEFT**

MALWARE – EMAIL  
ATTACHMENTS  
DATA USED TO  
DEFRAUD MEMBERS  
OR TARGET PENSIONS  
SCAMS  
REMEDATION COSTS  
ICO FINES  
NEED TO DELETE  
DATA RECORDS



## **CYBER THEFT AND FRAUD**

THEFT OF DATA AND  
ASSETS  
E.G. HACK SYSTEMS  
DIVERT PAYMENTS  
MANDATORY SIPP  
SIGNATURES.



## **DISTRIBUTED DENIAL OF SERVICE (DDOS)**

MULTIPLE  
COMPUTERS  
FLOOD  
SERVERS  
DELAYING  
TASKS

# Risks - E-mail spoofing

- Variation of cyber fraud involving cyber criminals impersonating e-mails to defraud schemes and their stakeholders

SENT FROM: regulatorytransactionsmailbox@thepensionregulator.org.uk

SUBJECT LINE: Scheme Return information

Secure Portal

The Pensions  
Regulator 

Dear Surname

Your details were provided to us as part of your pension scheme's annual Return submission to the Pension Regulator. We are randomly auditing this information and would be grateful if you would confirm the information we hold for you is correct. To view this information the "Regulatory Transactions Mailbox" has sent you an encrypted message via Secure Portal. You have **5 working day(s) left** to collect this message before it expires.

- **Subject:** Confirm your personal details submitted on your scheme Return Submission
- **Expires:** 5 working days from the effective date of this email

To view this message, click the link below to take you to the Secure Portal account so that you can log on to your account. If you do not have an account, then click on the link below and this will allow you to create an account. Once you've created your account, you can view messages you receive from "Regulatory Transactions Mailbox" directly from your Secure Portal account:

[Click here to create your account and read your message](#)

Do not reply to this message. This is a system-generated email and all replies will be discarded.

# Did you spot the clues?

## Email address:

We used regulatorytransactionsmailbox@thepensionregulator.org.uk.  
The normal TPR email address is regulatorytransactionsmailbox@tpr.gov.uk

SENT FROM: regulatorytransactionsmailbox@thepensionregulator.org.uk  
SUBJECT LINE: Scheme Return information

Often there is a **typographical error** in the email. We placed 2 deliberate mistakes.

- losing part of the salutation and opening the email with simply:  
Dear Surname (e.g. Dear Smith)
- using TPR's old logo

Secure Portal

The Pensions Regulator 

Dear Surname

Your details were provided to us as part of your pension scheme's annual Return submission to the Pensions Regulator. We are randomly auditing this information and would be grateful if you would confirm the information we hold for you is correct. To view this information the "Regulatory Transactions Mailbox" has sent you an encrypted message via Secure Portal. You have **5 working day(s) left** to collect this message before it expires.

- **Subject:** Confirm your personal details submitted on your scheme Return Submission
- **Expires:** 5 working days from the effective date of this email

## Urgency:

The email had a 5 working day deadline, to encourage recipients to click straight away rather than leave it until later.

Similar emails from the TPR where they request action typically have 30-day deadline

To view this message, click the link below to take you to the Secure Portal account so that you can log on to your account. If you do not have an account, then click on the link below and this will allow you to create an account. Once you've created your account, you can view messages you receive from "Regulatory Transactions Mailbox" directly from your Secure Portal account:

[Click here to create your account and read your message](#)

**Links:** Hovering over the link in the email showed it would take the recipient to <http://thepensionregulator.org.uk?rid=ih9xstw>

Do not reply to this message. This is a system-generated email and all replies will be discarded.

Who is  
responsible  
for  
managing  
cyber risk?

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The 2004 Pensions Act requires trustees to establish and operate adequate internal controls

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Pension Regulator (TPR) has issued guidelines which include the need for controls around computer systems and databases as well as cyber security principles for pension schemes

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The Admin Authority, PSS and Liberata are also Data Controllers under GDPR for compliance with data protection legislation

# What can be done to mitigate cyber risk?

Firstly – the administrator 's personal cyber hygiene:

ISO27001 Statement of Applicability shows compliance with Information security Standards:

- Password complexities
- Role based restrictions
- No installation of unauthorised software
- Security patching (not using unsupported software) virus protection and anti-malware protection
- Penetration testing
- Business continuity plans in place
- Regular information security training for all staff

# Assess other parties

- Need to assess third-party cyber controls both at outset and on an ongoing basis
  - NCSC Cyber Essentials framework or ISO 27001 certification
  - Liberata data hosted by Capita provide disaster recovery and cyber risk assurance



# Fraud Prevention

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- **Mortality Screening** – member data compared against the General Register Office's (GRO's) Death data. All registered deaths in England, Northern Ireland, Scotland and Wales. Liberata received notification of 66 deaths cases, of which 11 were Deferred status, 33 were Pensioner status and 22 were dependants. 25 were already known.
- **Overseas Pensioners Life Certificates** - all pensioners who are resident overseas are asked to complete and return an annual life certificate. If no certificate is returned then the pension is suspended on Payroll. Reminders sent November – non-respondes suspended in January 2023:
  - Bromley returned so far 36 out of 98
- **National Fraud Initiative (NFI)** – we take part in this data matching exercise within and between public (e.g. Councils and DWP) and private sector bodies to prevent and detect fraud.
- **Tell Us Once** each LGPS pension fund uploads an extract of their membership data to the LGPS Database. Monthly, South Yorkshire Pensions (SYPA) send DWP an updated membership extract including the membership of the Pensions Shared Service partnership funds
- **Payslips** are sent to pensioners' home addresses April, May (net changes +/- £10) and if these are returned then the pension is suspended

# Cost of living and the LGPS

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- Direct impact of CPI on fund cashflows - September CPI number into double figures resulting in equally large pension increases next April will be significant. The LGPS pays around £9bn in benefits each year - a figure which will probably increase by at least £900m next year. Included in long-term average CPI assumption for the 2022 valuation.
- Increased Lifetime Allowance (LTA) and Annual Allowance (AA) breaches - higher salaries and revaluation will increase the cash value of pensions.
- Increases in member opt outs - Significant higher living costs may lead scheme members to consider their pension to be unaffordable resulting in increased levels of opt outs. Also, members with significant benefits may see an increase, pushing them closer to the LTA mentioned above, leading to opt-outs or use of the 50/50 scheme
- Increases in requests for Freedom and Choice transfers – potential for scammers
- Reduced dividend payments - over and above the potential impact on asset values, a bleak economic outlook could see firms cut back on dividend payments
- Increases in ill health and compassionate retirements - the stress effect of the higher cost of living on the health and wellbeing of members, may well see an increase in requests for ill health retirements.

# Scheme Advisory Board Update



## Headline issues – spinning plates!

Big things that the government will be throwing our way:

- Government response and regulations on McCloud
- TCFD/Climate risk reporting
- Levelling Up
- BDS

As well as...

- Exit Cap (Mk II)
- Pensions Dashboard – data!
- Education sector?
- Pooling guidance

Existing things that need doing:

- Completing the 2022 triennial valuation
- Strengthening governance (following up the SAB review)
- Using the new employer flexibilities
- Accounting and Audit issues
- Update of Funding Strategy Statement guidance
- GMP Equalisation
- Cyber Security

Plus

- Annual Reports
- Cost Management
- 4 year Valuation Cycle
- Survivor Benefits



# Consultations: Funding Strategy Statement

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- Consultation with employers
- AA must have regard to CIPFA guidance 2016 and ISS
- maintaining a stable primary contribution rate

the FSS



# Government consults on TCFD-aligned climate risk governance - Key Points from DLUHC Consultation Paper

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- Each AA will need to publish an annual Climate Risk Report
- The first report will cover the financial year 2023/24 and must be published by December 2024
- AAs will be expected to identify climate-related risks and opportunities and as their impact on their funding and investment strategies.
- AAs will be required to review their investment strategy against two scenarios. One scenario must be Paris-aligned and one scenario will be of their choice
- 
- AAs will be expected to set targets and report annually against the metrics below:
  - Absolute emissions metric Scope 1, 2 and 3 greenhouse gas (GHG) emissions
  - Emissions intensity metric
  - Data Quality
  - Paris Alignment Metric. In particular, the percentage of their assets for which there is a public net zero commitment by 2050 or sooner

# Indicative project timescales for Valuation



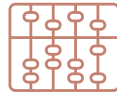
## Mar 2022

Y1 & 2 Data submitted to Actuaries' Online Portals



## Apr to Jun 2022

Y3 Data received then CARE revaluation and PR checks before submission to Actuaries



## Jul to Sept 2022

Final member data and Initial Fund results  
Assumption setting and Individual employer results



## Oct to Dec 2022

More individual employer results  
Draft FSS Updated



## Jan to Mar 2023

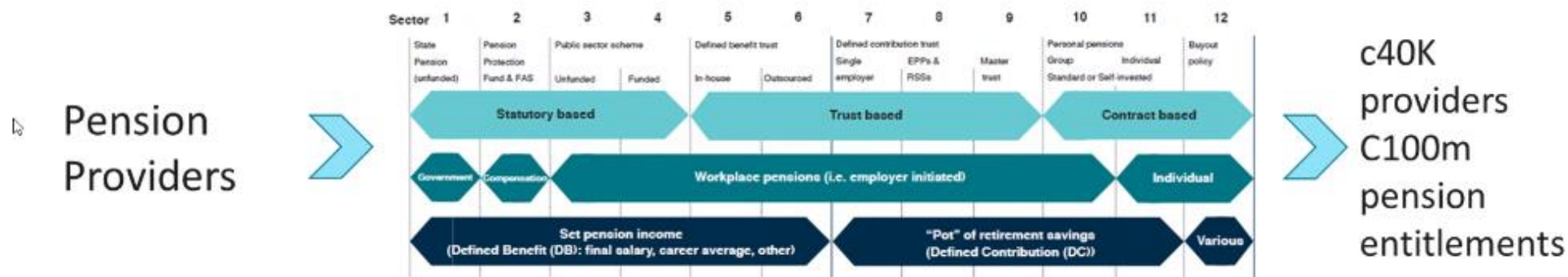
Draft valuation report with R&A  
Finalise FSS  
Finalise valuation report and R&A

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# Pensions Dashboard





# Dashboards continued

## PASA – Matching Options Summary

PASA Matching Option	Name (Surname)	DOB	NINO	NINO (Char 1-8)	Given Name (Forename)	Alternate Name (Previous Surname)	Address Line 1	Postcode	Result
Option 1	Y	Y	Y						Positive Return

Implementation for LGPS funds – September 2024