


<p>Non-Executive Report of the:</p> <p>Pension Board</p> <p>Monday, 6 September 2021</p>	
<p>Report of: Corporate Director, Resources</p>	<p>Classification: Open (Unrestricted)</p>
<p>Pensions and Cyber Risk</p>	

Executive Summary

This report informs the Board and Committee of the issues with regards to the impact of cyber risk on the Pensions Administration Service.

Recommendations:

The Pensions Board is recommended to:

1. Note the content of this report

1. REASONS FOR THE DECISIONS

- 1.1 Pension Schemes hold large amount of personal data and assets which can make them a target for criminals. Officers therefore have a responsibility to take steps to protect those data and assets against cyber risks.
- 1.2 The Council is the administering authority of the Fund therefore its processes and procedures apply in terms of cyber risks and data protection.

2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative option to this report. The Pensions Regulator (TPR) considers cyber risk to be an area of high priority for scheme trustees and recommend that it is included on the risk register and is reviewed regularly.

3. DETAILS OF THE REPORT

- 3.1 Pension schemes hold large amounts of personal data and assets which can make them a target for criminals. Officers therefore have a responsibility to take steps to protect those data and assets against cyber risk.
Cyber risk can be broadly defined as the risk of loss, disruption or damage to

scheme or its members as a result of the failure of its IT systems. It includes both internal risks (e.g., staff) and external risks (e.g., hacking). Cyber attacks event could lead to security breach, privacy violations, regulatory investigations, property damage, phishing/fraud and encrypted data as a consequence can lead to first party costs, loss of income, reputational damage, loss of income and negligence in services. The cyber threat landscape is dynamic and evolving.

3.2. Pensions schemes are particularly at risk of exposure to cyber risks because:

- Pension schemes process and manage large volumes of personal and financial data, making them a tempting target for hackers.
- Pension schemes have access to personal and financial data of sensitive nature, which is compromised carried increased penalties.

3.3 The scheme is reliant on IT infrastructure of the council. The council as Administering Authority is accountable for the security of scheme information and need to ensure that sufficient controls are in place to minimise the risk of cyber incident around systems, processes and people. This also includes ensuring that third party suppliers also have sufficient controls in place and that relevant standards and accreditations are maintained and kept up to date.

3.4 The scheme is reliant on the Council's payroll team for payment of pensioners monthly pensions.

3.5 The Pensions Regulator (TPR) considers cyber risk to be an area of high priority for scheme trustees and recommend that it is included on the risk register and is reviewed regularly. They have produced a guide, "Cyber Security Principles for Pension Schemes" which has been appended to this report.

TPR's advice is that Trustees and scheme managers are ultimately accountable for cyber security, have cyber risk on the risk register, ensure sufficient controls are in place, be assured that all third party suppliers have sufficient controls in place and there should be an incident response plan in place.

3.6 As the Pensions Regulator (TPR) prioritises cyber risk as an area of high priority, one of the largest LGPS actuarial firms has prepared a cyber risk questionnaire for all Funds to voluntarily complete. Given the importance of this risk area, Officers decided the London Borough of Tower Hamlets should participate. This is designed to complement the work already done and to highlight any concerns or areas for improvement. It is felt that this will provide further assurance.

This questionnaire was circulated to Aquila Heywood, Hymans Robertson LLP and Mercer, council IT and Council Governance team in March 21.

Responses have been received from Heywood, Hymans Robertson and Mercer. Once all responses have been received officers will complete the survey and feedback reported to Committee and Board.

Officers will present the score card results along with Information Security Risk Assessment Review. Officers currently maintain a pensions business continuity plan as part of the council's business continuity requirements for services.

Other Information

- 3.7 No personal data breaches were identified during the 2020 Internal Audit of pensions administration.
- 3.8 The Pensions section follows London Borough of Tower Hamlets policies with regards to cyber risks. This includes the corporate training programme, which includes a number of e-learning courses covering Data Protection and information Security. It is a current mandatory requirement for all officers to take this training. In addition, all data breaches are reported to the Information Governance team for advice and next steps.
- 3.9 In addition, advice and clearance is sought from the Information Governance team before data is shared with external bodies. Information Governance also keep records of the data sharing agreement that the team has in place with the Local Government Pension Scheme National Database, which allows funds to share pensions data to prevent the duplicate payments of death grants and monthly pensions, and also allows pension funds to participate in the 'Tell Us Once' service operated by the Department for Works and Pensions, which allows family members to report a death to most government organisations with just once notification.
- 3.10 To comply with General Data Protection Regulation (GDPR) legislation, a Fair Processing Notice is available on documents and will be made available on the Fund's website which will go live in October 2021.

4. EQUALITIES IMPLICATIONS

- 4.1 [Report authors should identify from analysis and engagement how the proposals will address equality implications arising from the proposal.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,

- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management

- 5.2 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed: -
- (a) in accordance with the scheme rules
 - (b) in accordance with the requirements of the law

6. **COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 There are no direct financial implications arising as a result of this report, other than that by implementing adequate cyber controls, the Fund is trying to minimise the chance of financial reputational loss occurring.
- 6.2 There are clearly some cyber risks which would be difficult to transfer or manage, but the understanding of such risks could well impact on the other aspects of the decision -making process to lower risks elsewhere.

7. **COMMENTS OF LEGAL SERVICES**

- 7.1 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed: -
- (a) in accordance with the scheme rules
 - (b) in accordance with the requirements of the law
- 7.2 Cyber risk which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing such risk related to the management of the Pension Fund scheme member records and data.
- 7.3 The activities noted in the report show compliance with this law

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- NONE

Officer contact details for documents:

Miriam Adams, Interim Head of Pensions and Treasury Ext 4248

Email: miriam.adams@towerhamlets.gov.uk