

# Fraud, cybercrime and pensions

## ➤ Crowe's Judith Hetherington explores how fraud and cybercrime continue to affect pension schemes

The latest Office for National Statistics (ONS) figures for the number of incidents of cybercrime and fraud show that in the 12 months ending June 2021, there were 1,772,000 incidents of cybercrime in England and Wales, compared to 876,000 in the same period prior to March 2020, showing an increase of 103 per cent. In the 12 months prior to March 2021, the increase was 100 per cent and in the 12 months prior to December 2020, it was 91 per cent. This means that even after the massive increase in the immediate period after Covid-19, the level of cybercrime is still continuing to grow.

The latest information, obtained after an FOI request to the Information Commissioner's Office (ICO), shows that cybercrime incidents reported by pension organisations in the 22 months between June 2018 and March 2020 averaged just under two reports a month. However, for the period from April 2020 to November 2020, (ie after Covid-19) cybercrime incidents averaged just under five reports a month, a 150 per cent increase in frequency.

For pension specific fraud activity, there has been a 37 per cent increase of reported cases in the period from March 2020 to June 2021.

Crowe national head of forensic services and counter fraud, Jim Gee, said: "We should be clear that these figures are unprecedented. The surge in cybercrime continues to grow and all pension administrators and pension schemes should be reviewing their protection and checking that it matches the significantly more dangerous threat.

In particular, trustees should be ensuring that they have assessed the extent to which they and their third-party suppliers are cyber resilient, agreeing a cyber resilience policy and a cyber incident response policy, and determining the right metrics to monitor the effectiveness of their protection going forward."

### What does fraud and cybercrime look like?

*The types of fraud and cybercrime incidents reported include:*

- internal fraud by those running pension schemes, such as manipulation of records, to enable pensioners to receive a pension they are not entitled to or diversion of payments from legitimate pensioners
- opportunistic pension fraud, eg, close relatives of a deceased person who fail to declare their death or falsify details enabling benefits to continue to be claimed
- investment and misappropriation risks, such as corrupt insiders investing in inappropriate schemes and organised fraudsters targeting staff running pension funds
- impersonation of legitimate beneficiaries to divert payments
- hacking of systems to alter records for the purpose of fraud
- hacking of systems to secure the personal information of pension holders.

*Therefore, trustees need to consider matters such as:*

- what form of verification does your administrator use prior to the payment of member events?
- how frequent do pensioner existence checks occur?
- how does your administrator update member data such as changes to bank details and addresses?
- how is data transferred securely to third-parties?
- what are the key operations, IT systems



and information flows that are vulnerable to cybercrime and, have these been tested to identify such vulnerabilities?

### Are schemes prepared?

Despite the prevalence of cybercrime and the potential impact on pension schemes, we reported in our *2020 Risk Management Report* that over 10 per

cent of respondents do not have an incident response plan in place, and of those that do, around 25 per cent have a plan without details of a restoration process, investigation process, external communications process, or details of how a breach would be contained. There is plenty of guidance available to assist trustees in the preparation of an incident

response plan and we encourage trustees, irrespective of scheme size, to ensure they have such a plan in place.

### How is your scheme performing?

Our *2021 Governance and Risk Management Survey* looks at the progress that has been made over the last year on how confident the trustees of pension schemes are that they have the right processes in place to protect against fraud and cybercrime and if there is a breach, whether they have appropriate procedures in place to react in a timely manner.

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In association with



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If you are actively involved in managing occupational Trust based pension arrangements, we would appreciate it if you could complete this short survey. It will take no longer than 10 minutes to complete. We will not publish any names of participants or their organisations in our report.

If you are involved in several schemes (e.g. as a Consultant or Independent Trustee) please answer on behalf of the most relevant scheme.

**EVERYONE COMPLETING THE SURVEY WILL BE ENTERED INTO A DRAW FOR A FREE iWATCH!**

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