



London Borough of Hackney Pension Fund 2018 Employer Forum – GDPR, Cyber Crime and more

Michael Ferguson

Prepared by Aon

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Agenda

Section 1	GDPR
Section 2	Cybercrime
Section 3	Exit Caps
Section 4	Other News of Note



GDPR

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What is General Data Protection Regulation (GDPR)?

The GDPR is the new European Union (EU) data protection regulation that takes effect on May 25, 2018.

GDPR is an EU-wide regulation that will impact any business that processes personal data originating in the EU, regardless of where that processing occurs.

GDPR replaces the existing Data Protection Directive, which has guided data protection legislation in EU member states since 1995.

While GDPR preserves many of the principles established in the Directive, it also introduces new and important provisions designed to ensure the safety of personal data in our modern, technological world and to standardise data protection laws across the EU.

Among its most notable changes, GDPR:

- Gives individuals greater control over their personal data
- Makes organizations more accountable for protecting the personal data they process
- Requires organizations to document their processing activities and be able to demonstrate their compliance
- Gives national regulators new powers to enforce the rules and to impose potentially significant fines on organizations that fail to comply with its requirement

GDPR Principles

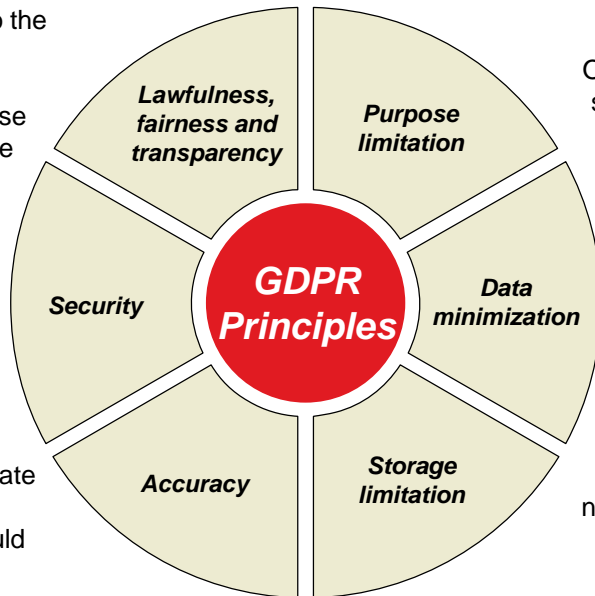
- GDPR outlines six fundamental principles for the processing of personal data.

Organizations may only process personal data in a manner that is lawful, fair, and transparent to the individual, which includes:

- An appropriate lawful basis for processing
- Processing that is proportionate to the purpose
- That the individual has been sufficiently made aware of processing details, including who is doing the processing

Organizations must protect the availability, integrity, and confidentiality of personal data using adequate safeguards to prevent unauthorized or unlawful processing and accidental loss, destruction, or damage.

Organizations must keep personal data accurate and up to date in relation to the specific purposes for which they process it. They should correct inaccurate or old personal data upon becoming aware of its inaccuracy.



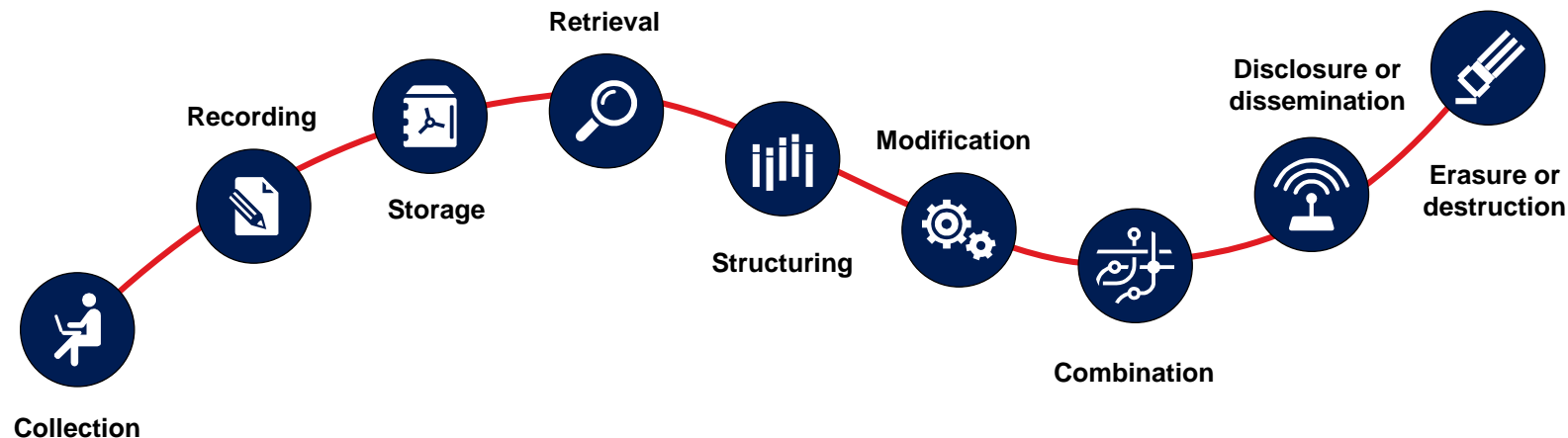
Organizations may only process personal data for specified (defined), explicit (clear), and legitimate purposes determined prior to collection and processing. They may not process personal data for additional, unrelated purposes.

Personal data may only be processed when that processing is adequate, relevant, and limited to what is necessary for the purposes for which it was collected

Personal data may only be kept for as long as necessary to achieve the purpose for which it was initially collected and processed. Organizations must delete personal data when it is no longer needed to achieve its specified, explicit, and legitimate purpose.

What constitutes processing?

- Processing is any operation or set of operations performed upon personal data, whether or not by automatic means.



Collection

Use

Transfer

End of Life

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What is personal data?

- Under GDPR, 'personal data' is any information or combination of pieces of information that could reasonably allow an individual to be identified.

Personal Data

Includes information that can be used to identify a natural person, directly or indirectly, by reference to another piece of data:

Type

- Online identifiers
- Employee information
- Sales databases
- Customer services data
- Government issues ID
- Location data
- Financial information

Example

IP addresses, emails, cookies
Employee ID, compensation data
Customer purchases, rentals
Loyalty programs
National Identifier, passport number
Address, postal codes
Credit cards numbers, account numbers

Special Categories

- Data consisting of racial or ethnic origin
- Political opinions
- Religious or philosophical beliefs
- Trade union membership
- Genetic data
- Biometric data
- Data concerning health
- Data concerning a natural person's sex life or sexual orientation

It also includes 'Special Categories of personal data' that are subject to additional protections.



Cybercrime

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Cybercrime

Examples of cyber attacks during 2017

- The WannaCry ransomware attack hit over 200,000 computers in 150 countries
- Arguably the most significant data breach in U.S. history hit Equifax, exposing the sensitive data of 143 million people
- Russian hackers attempted to influence election outcomes around the globe
- Chinese hacker groups, known for targeting U.S. defence and aerospace companies

What is cybercrime?

Cybercrime remains one of the most rapidly evolving, yet poorly understood risk topics in the pension scheme industry¹.

New and rapidly developing risk environment

Much of this lack of understanding is due to the fast pace of digital transformation within the pension scheme business model (Cloud Computing, Big Data Analytics, Mobility), and inconsistencies in how the threat from cyber risk is measured and mitigated by the trustees and administrators.

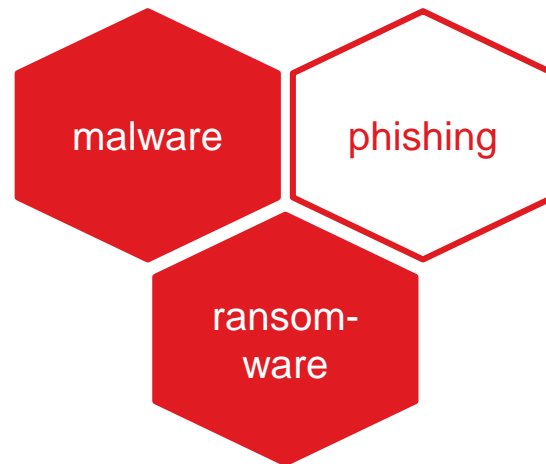
Pension schemes are a target

With large volumes of personal and financial data processed within a relatively less sophisticated security environment by comparison to other financial institutions, pension schemes are an increasingly attractive target for cybercriminals².

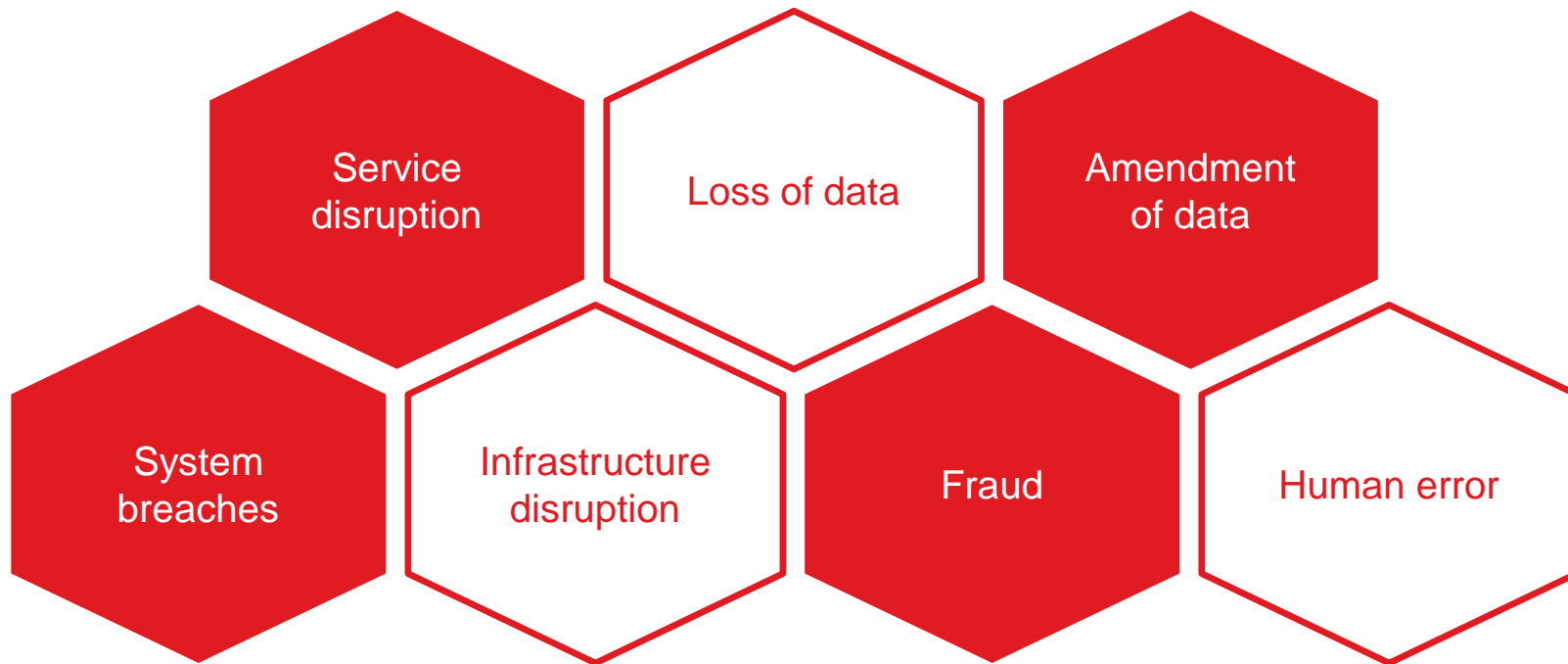
Cybercrime is constantly changing

To date, cybercriminals and 'hackers-for-hire' have been predominantly focused on financial gain by stealing or holding to ransom personal and financial data. However, increasingly ideologically motivated groups also exploit hacking techniques to sabotage the operations and reputation of corporations by stealing confidential information or taking critical systems offline.

1. *Financial Institution participants in the Aon Global Risk Management Survey (2017) rated cyber risk as the number 5 challenge facing their business and expected this to remain in the top 5 by 2020, whilst only 59% of organisations have completed a risk assessment to determine the financial exposures from Cyber risk (Aon Captive Cyber Survey 2016)*
2. *Lesley Titcomb, CEO of The Pensions Regulator speaking at the Society of Pension Professionals event 2016.*



Top cyber threats



Where do the threats come from?

Accidental

Loss of hardware
(laptop, mobile,
USB)

Loss of electronic
data

Computer
systems failure

Untargeted

“Hobbyist”
hacker

Generic
malware
(e.g.
WannaCry)

Targeted

Ex-employee
(e.g. Snowden)

Customer

Current
Employee

(Anonymous)
Activist

Severe

Cyber criminal

Competitor

Cyber terrorist

State-sponsored
attack

What questions should Employers be asking of the Administering Authority?

ASSESS:

- What risks are we most concerned about?

QUANTIFY:

- What would happen in the event of a successful cyber-attack leading to a data breach for the pension scheme?
- Do we understand the risk for the scheme?

TEST:

- How secure are our providers systems, building security and data transfer processes?
- How frequently are staff and committee members given training?

IMPROVE:

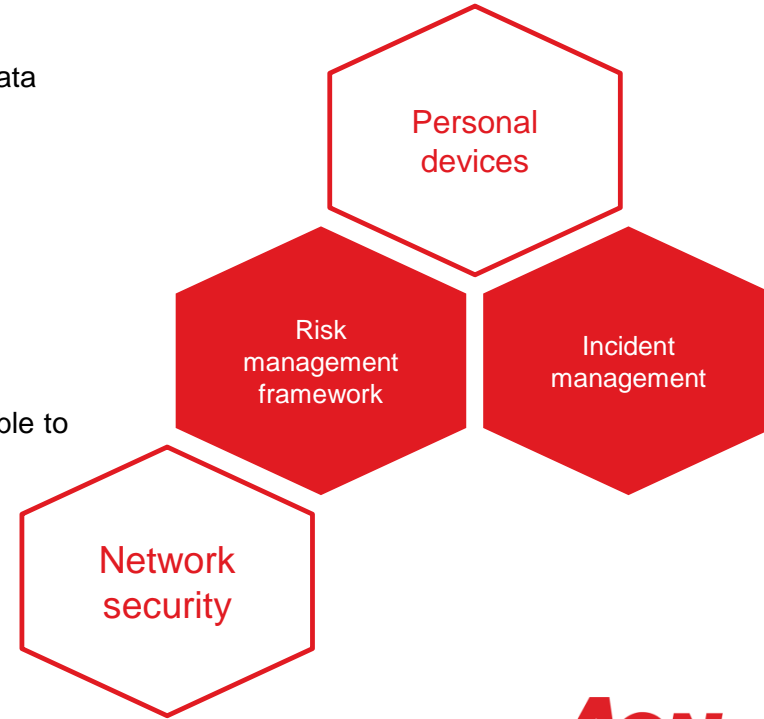
- Are we satisfied with residual risks? Are there any affordable options available to mitigate these further?

TRANSFER:

- Should we consider insurance?

RESPOND:

- Do we have an incident response plan?
- Who would run the incident response?





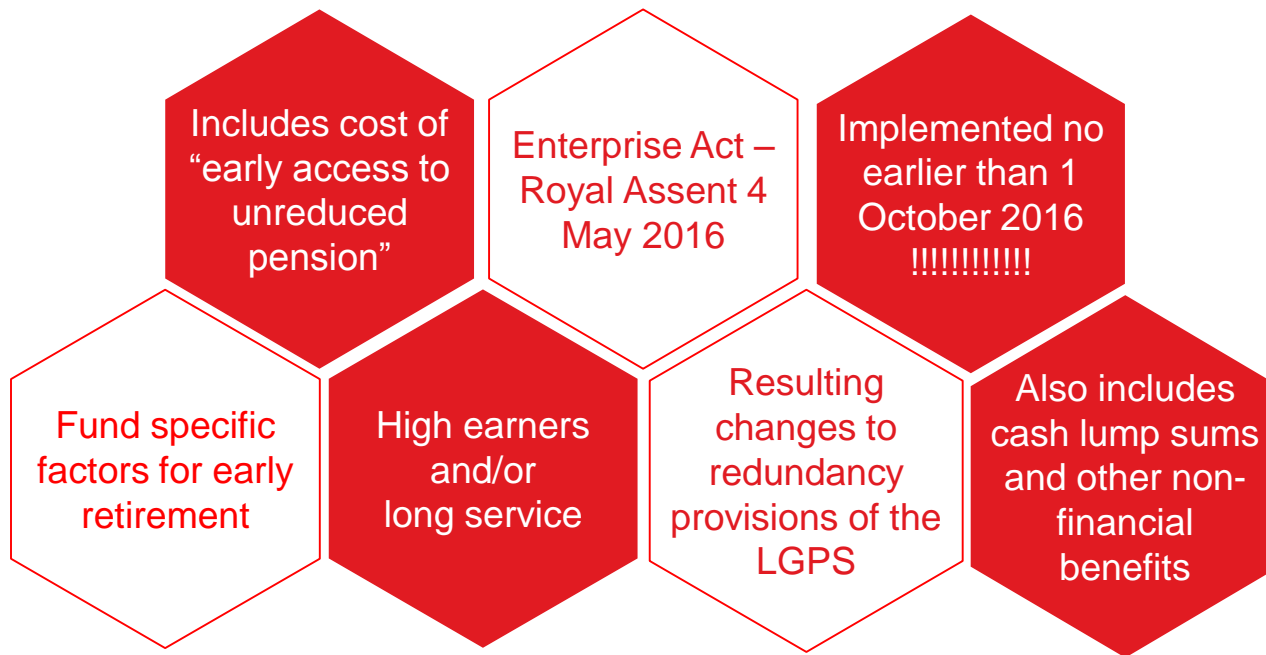
Exit Caps

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The Exit Cap

Proposals to cap the total cost of exit payments to £95,000 (before tax)



Capping the total cost of exit payments to £95,000

Illustrative Example –Redundancy Male member retiring 1 August 2017 including additional redundancy payments		
Age at retirement*	55	57
Years service	25	25
Final Pay**	£50,000	£50,000
Redundancy Payment***	£25,900	£26,850
Approximate Early Retirement Cost	£75,000	£45,000
Total Exit Cost	£100,900	£71,850

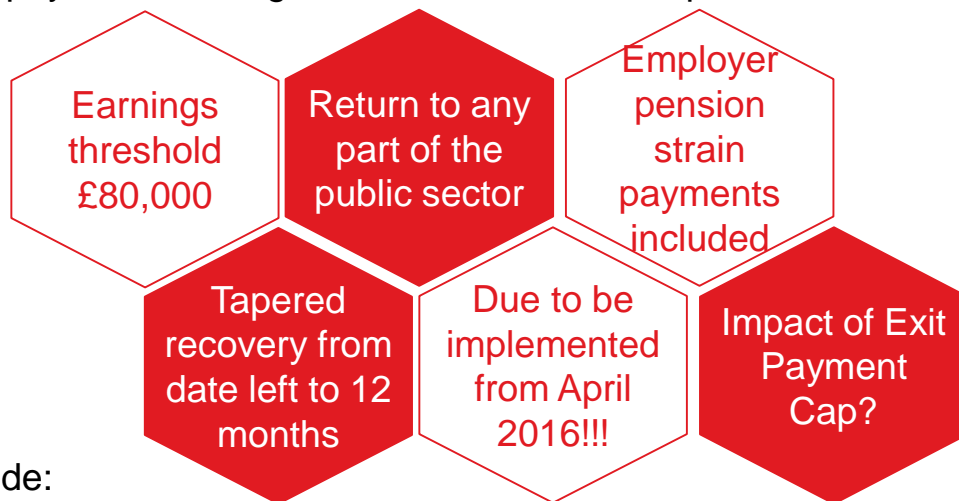
* Critical retirement age 60 for Pre 08

** Pay under previous 3 years under 2014 and 2008 definition also £50,000

*** Statutory redundancy calculation but using actual weekly pay

Repayment of Exit payments

Recovery of exit payments for High Earners who return to public sector within a year



Proposals include:

- Employers must notify employees of requirements on termination
- Employee must notify old and new employer
- New employer not to employ the individual until repayment arrangements are finalised
- Potential to waive (Secretary of State or Full Council) but HMT directions

Other news of note

- Pensions Ombudsman upholds members complaint against employer where incorrect strain costs were quoted
- The Pensions Advisory Service and Pensions Ombudsman are to merge from 1st April 2018, this means any member with and IDRP will only have to approach one service
- Market volatility picks up
- New Civil partnership law, the case argues opposite sex partners should be able to have a civil partnership in the same way same sex can. Could impact pension entitlements
 - Currently cohabiting partners only entitled to a pension membership on or after 01/04/2008
- Lifetime allowance goes up on 06/04/2018 to £1,030,000



Any questions?

Michael Ferguson

Senior Benefits and Governance Consultant

Public Sector Team

07798 841776

michael.ferguson@aon.com

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Registered office:

The Aon Centre | The Leadenhall Building | 122 Leadenhall Street | London | EC3V 4AN

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