

PENSION FUND COMMITTEE – 08 SEPTEMBER 2023

PENSION SCAMS REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to receive this report and to determine whether there are any further actions the Committee would like implemented.

Executive Summary

1. As requested last quarter this report is to update Committee on pensions scams and actions taken by Pension Services to mitigate those threats.

The Costs of Pension Scams

2. The Action Fraud website reports that since the beginning of 2021, pension scam losses totalling £2,241,774 have been reported to them. The true number of victims is likely to be higher as scams often go unreported and those affected may not realise they have been scammed for several years.

Note: Action Fraud reporting is a self-reporting tool; information provided within Action Fraud reports may not have been verified and may be subject to discrepancies.

3. All figures, unless otherwise stated, are from Censuswide, with 2000 Respondents aged 45-65 between 07.05.2021-12.05.2021. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

Types of Pension Scams

4. Pension scams can be categorised by those directly aimed at scheme members, and those directly aimed at the fund. In terms of scheme members main scam is that of pension liberation.
5. Scheme members can take their pension benefits from age 55. However, if benefits are accessed before age 55 then, not only will the member have to pay a high tax bill (55%), but if convinced by the scammers will transfer their benefits to an unregulated pension scheme often offering attractive rates of return, when in reality the member is unlikely to see little, if any, of the monies invested.
6. In looking at how to access a member's pension the scammers use a variety of methods to engage with individuals:

Cold Calling

7. One of the methods used by scammers to target people and their pensions by calling out of the blue and offering time limited options to take “advantage” of investment opportunities for their pension savings. The pressures and urgency of the offers have included documents being couriered to the member to sign immediately

DWP Scams

8. Another way of contacting members is to gather information about their pension and personal details such as bank accounts, all by creating fraudulent letters from either HMRC or DWP asking the member to provide information.

Annuity Scams

9. Where members are looking to buy an annuity, the scammers are targeting them with expensive, or totally unsuitable investment choices to relieve them of their cash.

Due Diligence of Requests for Pension Transfers

10. As a potential victim of a pension liberation scam, scheme members would be looking to transfer their accrued pension out to another scheme. Our process, which is in line with The Pension Regulator guidelines, requires several steps to be completed before a transfer can be completed.
11. These steps include checks on the potential receiving scheme for the pension transfer, as well as whether the scheme member has taken proper advice before confirming the decision. The level of checks vary depending on the nature of the receiving scheme. The full due diligence checklist is included as Annex 1

Fraud

12. The other main area of work where there is potential for fraud rather than scams is when dealing with the death of a scheme member. In the normal course of events when a member dies the fund is notified by relatives of the member who will provide a copy of the death certificate.
13. Notifications will also come to the scheme via the “Tell Us Once” system which gives relatives the option to have death registration information uploaded so they do not have to notify all public bodies separately. A list of the organisations contacted is at annex 2.
14. The main area of fraud here is when, on the death of a pensioner, no notification of that death is made to the fund and so pension payments continue to be made. The bi-annual National Fraud Initiative of pension information checked against

death registrations and benefit databases provides a list of matches to be investigated.

15. The 2022/2023 report has identified 220 pension records against the DWP deceased list and 44 deferred pension records against the DWP deceased list to be investigated. Of these there the fund has been notified of all except 12 cases where the member had died.
16. As a result, pension payments have been suspended and recovery is being sought for the calculated gross overpayment of £49,071.58 relating to these deceased members.

Data

17. As a pension fund there is a huge amount of both personal and financial data held on our system which puts the fund firmly in the sight of scammers. The mitigation of these risks and the actions in place are detailed in the cyber security reports previously submitted to this committee.

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