



CYBER SECURITY

What Fiduciaries Need to Know

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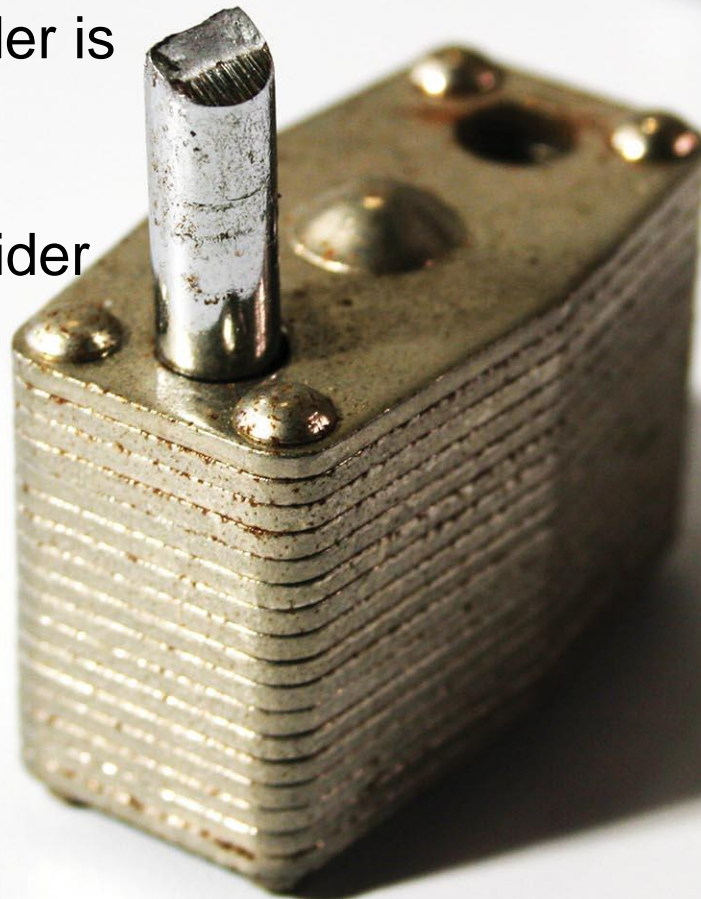
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Fiduciary Role

- A plan trustee is a fiduciary and has the duty to:
 - Protect trust property from loss or damage
 - Preserve the confidentiality and privacy of trust information from disclosure to third party except as required by law or necessary to proper administration
- Selecting a service provider is a fiduciary action
- Trustees have a duty to monitor their service provider

82%
of U.S. citizens
are concerned
about cybercrime



What are the Risks?

- The ERISA Advisory Council considers cyber threats a critical risk to employee benefit plans*
- Risks include:
 - Disruption of business operations
 - Reputational harm
 - Participant loss of confidence
 - Potential financial loss for, or impact on, participants
 - Litigation and remediation costs
 - Fines and penalties governments may assess



*See Report on Employee Welfare and Pension Benefit Plans.

Service Provider Oversight

- Does it have a program?
- Is the program enforced?
- What controls are in place for sensitive data?
- How often does it review and rate its systems for security?
- How does it respond to threats and actual breaches?



What is a “Cybersecurity Framework”?

- An information security framework is a series of documented processes that are used to define **policies** and **procedures** around the implementation and ongoing management of information security controls in an enterprise environment
- These frameworks are basically a **“blueprint”** for building an information security program to manage risk and reduce vulnerabilities



Industry Developments

- Industry developments include audit standards for defined Contribution record keepers' cyber security
- SPARK (Society for Professional Asset-Managers and Recordkeepers) is an inter-industry professional association for financial service companies, investment advisors, third party administrators and benefit consulting firms in the retirement plan industry.



**Record Keeper
Hires Third Party
Independent Auditor**



**Auditor Uses
SPARK's 16
Control Objectives**



**Auditor Creates a
SOC2 of AUP Report
for Consultants and
Plan Sponsors**



**Plan Consultant or
Plan Sponsor
Uses Report to
Grade Record
Keepers**

How It Works

Thank you!

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