



Summary

- Virtual member verification offers a robust and cost-effective solution to member identification.
- There are still limitations, such as member willingness and accessibility, that can leave room for member ID fraud, but the pandemic has created more acceptance.
- Historical data issues will need to be addressed, but digital ID services can help prevent them building back up.

The future is now

▶ Forced to become the mainstream option amid the pandemic, Sophie Smith looks at how digital member verification services have advanced and the limitations still present

“**V**irtual member verification is revolutionary for pension schemes,” says The Tracing Group managing director, Danielle Higgins, who explains that it offers a much more robust means to identify an individual than a traditional approach. ITM director, Matt Dodds adds that digital verification not only provides protection from fraud, but also means a better experience for members, and increased efficiency by removing manual processes, time delays and human error.

Being asked to confirm your identity via your phone may have once sounded like a ‘dodgy’ request, but amid the pandemic it’s quickly becoming the mainstream. And as Pensions and Administration Standards Association (Pasa) chair, Kim Gubler, notes, ID verification has evolved, meaning administrators can go beyond the probability they’re dealing with the right

person, as biometrics give ‘certainty’ you are. Administrators can also support members better through a more efficient benefit process, as there are no delays caused by waiting for key documentation.

“It doesn’t stop at the administrator though,” Gubler clarifies, “with ID verification embedded in online processes, straight-through benefit processing becomes possible – leaving the member in control”

This sense of control is a core advantage also highlighted by MyPensionID managing director and founder, Lisa Lyon, who argues that member verification services allow schemes to give the power back to members, a particularly valuable aspect amid the Covid-19 pandemic.

Higgins highlights digital ID verification as having a “vital part to play” in the current landscape, with lockdown forcing pension schemes to adapt. This, according to Dodds, has “accelerated many operations into more


modern ways of working”, with many businesses looking to the wider adoption of technology enabled solutions that are commonplace in other areas of financial service.

A kink in the system

“Of course,” he clarifies, “there are limitations on technology, a key one being the customer must be able to make it work”. This is a concern shared by Gubler, who warns that the industry must never forget about the digitally disengaged.

“It’s not just older people who do not interact online, over six million people in the UK do not,” she stresses, arguing that member engagement is not about only offering one way of dealing with people, but about allowing people to choose the method by which they interact with their scheme.

“Technology is an enabler,” she explains, “if administrators offer a quick online solution, many people are used



to technology and will use this route. Leaving time and resource available at the administrator to support those who do not.”

Lyon agrees that it is not necessarily about age, but more about the need and why, noting that users for the MyPensionsID service for instance, range from 19 to 94. She explains that digital ID services will allow members an easier, and “far more secure” way of accessing their pension, stressing that if the need is there, such as for retirees abroad, then even non-technologically inclined users will use it, provided it is easier than the alternative.

Technical ability is not the only limitation however, as Dodds highlights that whilst unrestricted access to the internet is almost taken for granted, there will be individuals who do not have an internet connection or the skills to use an online tool to verify their identity. Furthermore, whilst some might be used

to verifying their identity online, whether for their Glastonbury tickets or Monzo account, others may not.

“These individuals may be comfortable taking a picture of their passport and then their face,” Dodds warns, “but for many this may set alarm bells ringing and either increase the pressure on operations staff to provide support through the process or negatively impact customer experience.”

Access denied

Customer willingness is also highlighted as a key limitation by Higgins, who warns that schemes will only get the benefit of this “significantly improved approach” if members are willing to engage. Unfortunately, she warns that not all are, especially in cases where they are making a fraudulent claim.

Indeed, one recent case that The Tracing Group worked on saw the impact of fraudulent members who are unwilling

to engage with digital verification, leaving the scheme to take a more traditional approach to verification, which Higgins warned “might have been where the process fell down”.

However, she points out that this issue was only discovered during a ‘deep-dive’ data exercise, stressing that there are issues around historical data that could be present in a number of schemes.

She explains: “At the minute, there is a lot of emphasis on how to improve this process now and in the future, but I think where schemes need to start is also by looking back and seeing if there is anything that has been missed in the past, because the identification process that has been applied historically will not be this lovely robust method that is used now, so that really needs to be the starting point for most clients.”

Dodds echoes this, emphasising that the key to embedding new technologies is in the systems, and that system

effectiveness relies on data, meaning that a scheme relying on paper records will be have “immediately less effective” systems.

“Digitisation of as much data as possible is valuable,” he adds, “but often still overlooked, in increasing efficiency. It’s safe to say there are still pension schemes that are too reliant on data that isn’t on their main administrative platform.”

Laying the right foundations

Lyon meanwhile, argues that there is real pressure on schemes to get their data accurate. “Not just present,” she clarifies, “but actually accurate”, also emphasising that there are costs involved both in getting, and keeping, data clean.

Higgins, however, argues that a scheme that is “wholeheartedly committed” to improving their data and routing out any problems will usually result in “the very best outcomes”, acknowledging that whilst this involves “a slightly greater investment”, the benefits of that initial investment “significantly outweigh” the costs. Furthermore, she argues that the process to review data is relatively quick and painless from a scheme perspective, clarifying however, that reviewing data alone is not enough.

The bigger investment, according to

Higgins, is the commitment to dealing with anything that gets raised as part of that process. She clarified that whilst this can feel like a scary process for trustees, the benefits to the scheme can be significant, adding that deep dive exercise should only be needed once, with a “business as usual” process to maintain data after this.

Whilst Lyon agrees that data can become out of date as soon as it is corrected, she explains that giving members the power to keep data up to date themselves through digital tools such as MyPensionID can keep data clean going forward. Furthermore, she explains that the use of services such as MyPensionID has also led to a far higher success rate of tracing and verification exercises than historically seen, as it is easy for members to ensure their details are accurate, emphasising that this is likely the future, compared to traditional retrospective tracing.

Adapting to the new norm

Digital ID verification could have a range of implications within pensions, with Dodds also highlighting the potential impact on the dashboard, arguing that lost pots “would be a thing of the past” if people had one digital identity

that connected them to their pots and automatically populated common data items.

“Digital ID verification has been on the periphery for a few years,” he adds, explaining however, that as people are increasingly required to prove their identity, this has become more of a focus, with the government currently consulting on developing legislation for consumer protection for digital identity. “It makes complete sense to develop a robust and well governed environment to operate digital ID verification – especially considering the rise we have seen in identity fraud,” he adds.

Adding to this, Target business and innovation director, Nic Jones, states that digital opportunity is being talked about more widely across the financial services industry, noting that whilst the pensions industry has been “a little bit slow on the uptake” historically, the pandemic has forced to schemes to adapt new methods.

Furthermore, Jones notes that some schemes have even begun to restrict their verification options to allow only the use of digital verification, potentially preventing issues where members refuse to engage. In addition, Dodds argues that as technology increasingly becomes part of more and more facets of everyday life, the fall out numbers will drop, “because the pace of change in technology is so rapid, and also because human adoption and acceptance of new technology is not far behind”.

Already being used on platforms such as Airbnb, Lyon emphasises that services such as this are likely to become the norm, with many simply expecting some form of digital identity verification service when accessing their pension. With attitudes shifting to become more accepting of digital solutions amid the pandemic, it seems likely that virtual verification has an important role in pensions too – so long as members are ready to sit up and engage.

Case study

In October 2019, The Tracing Group was appointed by a scheme to screen its data and identify historic deaths, which triggered a process of residency checks on all members. Whilst carrying out this work, the group identified that the address held on record for a member was unable to be verified, as the member refused to engage. It was at this stage that the group flagged the case as a potential issue.

The scheme acted “proactively” in instructing the group to conduct a trace on all members highlighted, which saw the member traced to a new address. After subsequently confirming the members new details as part of this check, the scheme learned that the member had not lived at his previous address for decades.

The scheme found that, unknown to the member, someone had been fraudulently claiming the pension, with payments ongoing for several months. The member later revealed that he had spent much of 2019 in hospital, with others having access to his home during this time. It was during this period that the benefits were put into payment, after an electronic verification was attempted unsuccessfully, whilst a request for identifying documents was not.

The pension has since been suspended, and the case referred to the pensions administrator’s financial crime team, whilst the correct member is now being paid.

Written by Sophie Smith