

Biometrics is likely to play a key role in pensions in the future, but only after well established standards and procedures are put in place, according to industry players.

New technology through fingerprint, voice and iris scanning is gaining ground in the financial services industry, and there are calls for these new technologies to be implemented in the pensions industry to simplify areas of administration such as member identification.

Pension Administration Standards Association (PASA) chair Margaret Snowdon believes that pension schemes would benefit greatly from an increased use of biometrics.

"Biometrics is a great way to cut out hassle and cost for pension scheme members while at the same time reducing the risk and cost of fraud and mistaken identity," says Snowdon.

Snowdon says that as chair of the PASA, she is currently focused on improving the efficiency and reducing the "friction in pension processes", with technology and biometrics playing a key role.

Experts believe that while biometrics will play an important role in pensions, the industry will be a follower rather a pioneer in adopting biometrics.

Barnett Waddingham partner Paul Latimer says: "I expect the pensions industry will join in with the use of biometrics, but I do not expect them to lead or do so until protocols are proven and standardised."

This view was echoed by PAN Governance chief executive Steve Delo: "No doubt biometrics will have a part to play in the further future but I'd rather pensions was a later adopter of tested, robust, proven technology than in the vanguard."

PwC partner Peter Sparshott says biometrics would play an increasingly important role in assuring the identity of a member and their entitlement to benefits.

He says: "It is not if this happens, but

■ Summary

- The industry will be a follower rather a pioneer in adopting biometrics.
- Schemes will be 'jolted' into adopting biometrics – a case of 'when' not 'if'.
- Costs and reliance on traditional ways are holding back trustees and administrators.
- Biometrics should be higher on schemes' development agendas.



Going biometric?

■ Raji Menon considers how biometrics may play a crucial role within pensions

merely when. I envisage this is most likely to become mainstream following a major cyber-security breach occurring, which is also a 'when' not an 'if'.

"The industry rarely trailblazes, so until something jolts it to adopt it or until it is proven beyond reasonable doubt to be more reliable and robust than current methods, we will not see this uniformly adopted for some years - perhaps the mid 2020s."

Hurdles to implementation

Snowdon says that a key stumbling block to the wider use of biometrics is trustees who prefer traditional methods of

member identification.

"Trustees may be a little reluctant to adopt it because it is new and often the old methods of identifying members by requesting certificates feel safe and foolproof, but unfortunately they are not. We all have examples of fraudulent use of certificates to claim benefits," she says.

Pension administrators too may be reluctant to invest in the technology needed to read biometric information, but the gains are worth it, she says.

Voice biometrics could be an easy way forward, but Snowdon noted that pension scheme members do not contact the administrator often enough for voice

patterns to be established and updated.

"This issue is not insurmountable. The use of SIRI and similar help apps paves the way to comfort with adopting voice ID, but the technology is not full proof as some banking colleagues have discovered," she adds.

Voice biometrics came under scrutiny in May this year after HSBC's voice recognition security was breached by a twin mimicking his brother's voice to access his account, as part of a BBC report.

Delo says: "To my mind, the thought of trying to collect and maintain biometric data for pension scheme members fills me with dread. Data protection issues, security issues, volume of work issues, unintended consequences, timing. We've had trouble enough with guaranteed minimum pensions (GMPs), let alone DNA. Most pension schemes have missing address data – next stop missing face maps or fingerprints."

Sparshott says the accuracy of biometric software still needed to develop, mature and be proven.

He says: "After all, we need to recognise that even with facial recognition to unlock devices, there remains a one in a million chance someone else's face could unlock it. That's too much risk for pension schemes to accept at the moment, given the amount of money involved."

Latimer says that in order for third-party administrators to use biometrics to identify members, standards need to be established, especially those relating to the type of biometrics being used, collection of data, amount of data points needed to uniquely identify the member, and how the member will present their biometric data.

He says: "We are all nervous about the data we entrust to companies. Is handing over biometric data going to increase that nervousness? We all know that passwords, and security Q&A can be a painful reality of interacting online and no one enjoys the security dance we have to do. However, a compromised password is easy to change."

A major study by HSBC earlier this year of more than 12,000 people in 11 countries found that four in every five people, or 80 per cent, believed that technology makes their lives easier but less than half, or 46 per cent, trust fingerprint recognition to replace their password, despite it being recognised to be at least five times more secure and significantly more convenient than traditional passwords.

HSBC says this lack of understanding and trust in technology was stalling mainstream adoption of innovative new services. The report says that education was the key to ensuring a greater understanding of new technologies. The survey found that trust in biometrics rose 6 percentage points after a short briefing.

Future role

Financial technology services firm Equiniti, which has been developing its biometrics proposition over the past 12-18 months, says its biggest challenge was adapting the technology to suit the current pensioner demographic.

Equiniti Data Services managing director Duncan Stevens says: "We have tried to ensure that our biometrics proposition is such that the current generation of pensioners feel a sense of familiarity with the technology they are using."

Equiniti's offering, which is expected to be launched in early 2018, is initially aimed at identification of overseas pensioners, but the firm is hoping to be able to incorporate biometrics across pension administration processes.

Citing the example of a pensioner in Australia, who would need to make a separate trip to authorised agencies to validate his identity, through biometrics, this pensioner would be able to do that in his own home.

"For a 90-year old, this could represent a real inconvenience if you have to make that trip to a local pharmacy or wherever. But with a smart phone and some instructions, the same pensioner would be able to do this in the comfort of his home," says Stevens.

Equiniti's director of pension administration and strategy Paul Sturgess adds: "While applying this kind of biometrics to overseas existence checking is clearly transformational, we believe biometrics can play a much broader role through all parts of the process, revolutionising the way pension schemes communicate and interact with their members. The key is the way the tools are integrated into the wider member journey."

Snowdon says the issue of adopting biometrics will become more critical in the future as competitive and cost pressures begin to bite.

"Schemes have more pressing problems, like getting their current data to a fit state before running to more sophisticated communications, but it will come to the fore in the next few years as FinTech grows and the need for competitive edge grows too," she says.

And with fraud on the rise, the use of biometrics should be higher on the development agenda than it currently is, she says.

Pensions communications firm AHC's head of web consulting and development Sam Charles says biometric security was going to continue to improve over time, with the biometric identity being paired with machine learning and other user characteristics such as using the accelerometer and GPS on a phone to monitor a user's 'normal' behaviour.

Charles says that for administrators, the most reliable way at present was to make biometric authentication available for members is through a mobile app.

Duncan says: "As the application of biometrics evolves, what will be interesting to see is how schemes communicate with deferred members for example, who tend to be largely unengaged. That will be the real revolution for us – making a reactive industry more proactive. That is the holy grail for us."

► Written by Raji Menon, a freelance journalist