⊘ Summary

• Despite regular scare stories about the potential dangers associated with artificial intelligence (AI), many forms of the technology are now widely used by organisations throughout the UK.

• As well as using AI to improve efficiency in the back office, pension schemes, particularly larger schemes and master trusts, are starting to use AI tools in member communications.

• The use of AI in communications may include the creation of video avatars able to provide personalised information to individual scheme members; and AI agents able to draw upon specialised large language models (LLMs) to have complex and detailed conversations with members about pensions.

• In the future, a wider range of schemes, including those with fewer resources, may use these technologies in member communications.

• A range of risks associated with use of AI will need to be mitigated, including risks linked to data security, the accuracy of data within the LLMs, upon which AI systems rely, the need to avoid inadvertently giving members financial advice rather than guidance, and to help members spot AI-assisted scams.

AI says hi

⊘ As the use of various artificial intelligence (AI) technologies becomes more widespread, some pension schemes are using it to improve member communications. David Adams looks at the benefits this can bring – and the risks that need to be mitigated to safeguard members and schemes

As a society we seem a little conflicted about artificial intelligence (AI). Many of us have concerns about it, based in part on regular warnings issued by tech specialists, such as this one, backed by experts including prominent figures at Google and OpenAI (creator of ChatGPT), issued by the US-based Center for AI Safety in May 2023: "Mitigating the risk of extinction from AI should be a global priority, alongside other societal-scale risks such as pandemics and nuclear war."

But by mid-2023 many of us had also already enjoyed playing with the uncanny capabilities of ChatGPT, released in late 2022. We had marvelled at its ability to answer complex questions quickly and reasonably accurately. We had been both amused and disconcerted by its 'hallucinations': Errors created by the limitations of the large language models (LLMs) on which generative AI relies, which may lead it to declare with absolute certainty something that is clearly untrue. We also marvelled at the truly weird 'art' it can create.

Today, most of us interact with some form of AI regularly, including using chatbots or AI agents on service providers' websites, using Microsoft's Copilot generative AI tool alongside Office applications; or when encountering Google's Gemini AI 'assistant' when using the search engine via smartphones.

More unpleasantly, many of us are also receiving AI-created phonecalls, texts or emails sent by scammers.

In 2024, Heywood Pension Technologies surveyed 132 pension scheme members and found that more than three-quarters (77 per cent) had interacted with AI customer service chatbots, 72 per cent had spoken to AI voice assistants, and almost two-thirds (65 per cent) had used generative AI tools themselves. Only 9 per cent had not, to their knowledge, used any AI-based products or services.

While the pensions industry has been a relatively late adopter of these technologies, most large providers and some large schemes and master trusts are now using them, to help run back office and administrative functions more efficiently, but also, in a growing number of cases, to deliver communications to scheme members. Use of AI for this
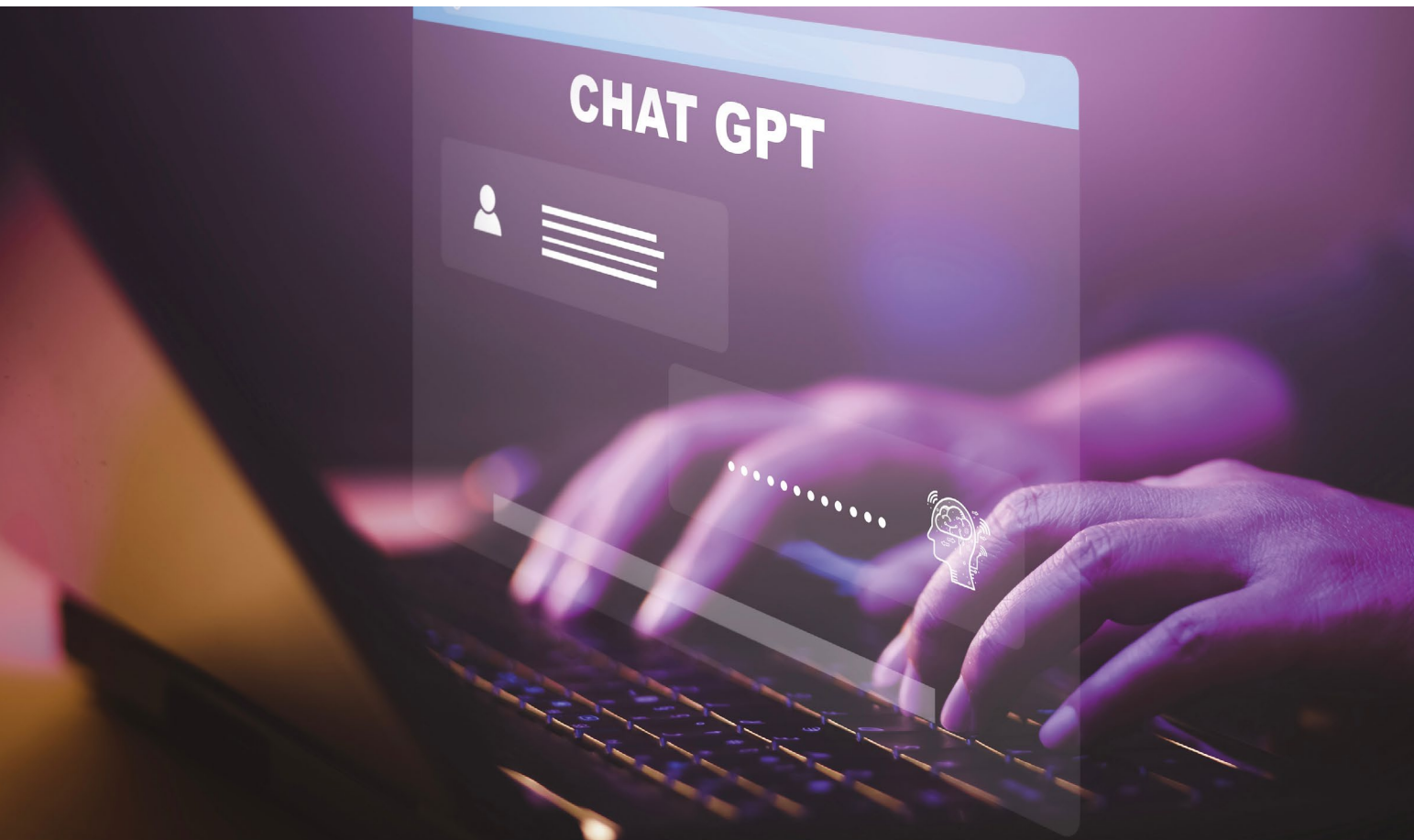
purpose could offer significant benefits, but what safeguards are needed to mitigate the risks it creates?

Personable and personalised
"One of the challenges pensions has always had is that it's a very dry topic, which does not make for easy communication," says Hymans Robertson head of technology and innovation, Dan McMahon. "What this technology opens us up to is personalisation: Being able to talk about an individual's needs and requirements, without straying into advice. And they can have those conversations in real time. Members can also ask questions they might be afraid to ask if they'd phoned a human being, for fear of looking foolish."

Scottish Widows workplace savings engagement and innovation specialist, Robert Cochran, says his company is using AI to create avatars able to deliver communications to scheme members and other pension savers via video content. Avatars can be created quickly and inexpensively, Cochran explains, with Scottish Widows choosing the most appropriate avatar, type and tone of voice, then instructing it to deliver scripted messages to members.

There is also Video Engage, an AI-based personalised video solution developed by Heywood Pension Technologies, which delivers concise, straightforward personalised messages about individuals' pensions.

"So, at a time that is convenient for the member, using their data, the scheme can speak directly to them," says Heywood chief product officer, Fredric Karlsson. He highlights the cost-effective attributes of the solution. Several Heywood clients, including some relatively small schemes, are using the solution to communicate with a collective total of about 250,000 scheme members.

"We haven't had any negative feedback," says Karlsson.

Elsewhere, Mercer has created an AI agent, called Ask My Pension, accessed via a text interface, which can answer questions about pensions and retirement posed by the 250,000 members of the Mercer Master Trust. The interactive tool has been developed during the past two years with technology specialist EngageSmarter. A demo of the tool shows it can answer questions then ask the user if they would like to find out more about another related aspect of the subject. At the time of writing the tool is in the beta testing phase, with a full roll-out scheduled before the end of March. Mercer will also offer access to it via WhatsApp.

"If you take it to people through channels they're comfortable with, away from the fear of asking silly questions, we think we're able to offer a warmer engagement experience," says Mercer Master Trust head of engagement, Tom Higham. But he acknowledges that not everyone will respond positively. Testing of the solution included trials that measured end users' eye movements, heart rate, and anxiety levels. Results varied widely, with some people very comfortable with the technology but others clearly uncomfortable. Higham says she shows the importance of continuing to enable access to human assistance.

But he says one of the other important lessons learned from testing the solution is that scheme members want to use it to access personal pensions information. This is not yet included in the tool, but will be in future, alongside modelling functions that will allow people to consider the consequences of different choices they might make in relation to their pensions.

"People wanted that more personalised experience, where they could ask about their own savings," says Higham. "But we have to make sure that all the controls are right – which is why we're launching the internal, conversational side first."

In the future, he believes Mercer's tool could be used by a wider range of pension schemes, but he expects to see master trusts among the early adopters, in part because this part of the sector is growing so quickly.

> ## "Over the course of 2025 and 2026 you're going to see a lot more *[AI]* technologies entering the *[pensions]* space"

Karlsson believes solutions like his company's Video Engage will put personalised communications capabilities within reach of less well-resourced schemes. McMahon isn't so sure, but he also thinks that whatever the scale of resources at a scheme's disposal, it may not be financial constraints that delay adoption. Instead, he says, "the biggest barrier might be the risk appetite".

A range of risks

The risks are certainly real. "Any sensitive member or scheme data inputted into an AI system has the potential to be abused by third parties," warns Pensions and Lifetime Savings Association (PLSA) deputy director of policy, Joe Dabrowski.

The PLSA has compiled a list of issues it advises scheme trustees to consider if contemplating use of AI. They include the need to increase awareness of cyber security risks, to control access to data that could inform AI models, and to embed privacy considerations into governance processes. It also stresses the need for service providers' governance and audit practices to meet appropriate standards for end-to-end privacy and data security; the need to create and test incident response plans; to consider use of cyber insurance; and to review and adapt governance and approval processes to address ethical and technical implications of using AI.

Another group of risks relate to the 'misbehaviour' of AI systems, stemming from their reliance on inaccurate information. Is the data upon which AI systems base information given to members accurate? As Karlsson puts it: "It's not enough to be right 90 per cent of the time: if you're talking to members it's got to be right every time."

McMahon is concerned about another potential compliance risk: The possibility that an AI tool might effectively dispense advice, rather than guidance. "You need stringent rules to ensure the system stays within the realm of guidance," he says.

He also highlights the need to try to help members spot malign AI-created material – emails, texts, even audio calls – created by scammers using AI technologies.

Yet despite the challenges involved in identifying and mitigating these risks, McMahon expects to see more use of AI technologies in member communications in the near future. "I think, over the course of 2025 and 2026 you're going to see a lot more of these technologies entering the space," he says.

That seems likely to be true. The conquest of our world by – at this stage generally benign – AI continues. Pension scheme trustees and managers must take care to ensure the benefits of using it for member communications continue to outweigh the risks.

> **Written by David Adams, a freelance journalist**