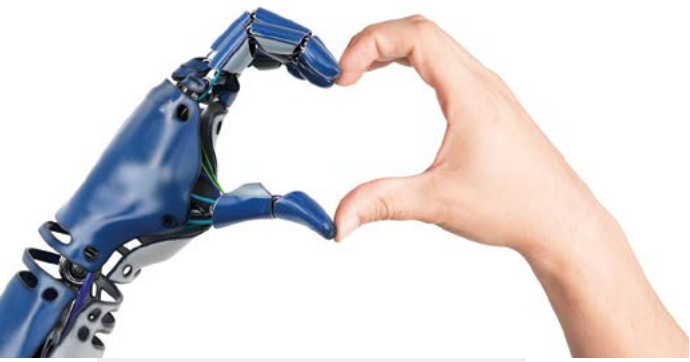

Embracing the digital revolution?

Are industry attitudes towards implementing new technologies changing, and what barriers may be impeding this progress?

Summary
- The pensions industry was traditionally considered slow to adopt new technologies.
- However, the industry seems keen to embrace the opportunities AI, in particular, can provide.
- AI can be used by the sector to speed up back-office tasks and improve member communications.
- Barriers to its implementation include integration with legacy systems and concerns over cyber security.
- The take-up of AI is expected to grow significantly over the next decade.

Once seen as a slow adopter of technological change, the pensions industry has historically lagged behind other financial areas when it comes to implementing digital solutions. But, in a world now increasingly shaped by artificial intelligence (AI), is the sector once again being slow to embrace digital transformation?

Not this time. Now, it seems, the only debate is how quickly the industry can harness the full potential of new technologies.

According to Mantle Services chief revenue officer, Graeme Riddoch, "*[industry attitudes towards new technologies]* are getting better", particularly over the past year. This is because "we have seen a significant shift in attitudes, with many biting the bullet and ready to spend to modernise. This is in part driven by pressure on margins and consolidation".

Festina Finance UK country head, Dan McLaughlin, has noticed this "genuine momentum". "Dashboards, regulatory reform, digital oversight, and fierce competition are setting the stage for some truly exciting progress in our industry," he states.

In July, The Pensions Regulator (TPR) announced plans to launch a Pensions Data and Digital Working Group, describing it as a cross-sector initiative to bring pensions into the digital, data and technology age. According to the regulator, the new group would bring together industry and tech leaders to collaborate on open data standards, support the development of digital services, and help shape a responsible innovation framework for the use of AI in pensions.

AI

The pensions industry certainly seems keen to embrace AI and to utilise its potential in a safe and secure way, SPP Council member and Squire Patton Boggs head of pensions, Matthew Giles, opines. This, he says, is evidenced by the SPP's *2025 AI Survey* results, which indicated "widespread adoption of AI within the pensions industry, with 87 per cent of respondents confirming that AI is being used in their firm".

"The most visible example of AI adoption is probably in online governance portals, where AI can be used to summarise reports and advice papers. Behind the scenes, actuaries are increasingly making using of AI to crunch huge volumes of scheme data and investment consultants are running AI-powered stochastic modelling to help inform investment strategies," Giles adds.

AI is definitely improving administrative efficiency, Pensions UK senior policy adviser, Olivia Sizeland, states, particularly with transforming back-office functions.

"AI assistants can process repetitive, manual tasks in a fraction of the time and cost that it would take human employees to manage the same workload, and at the same time, we know that many schemes are really struggling to find enough administrative staff, so AI can really help to relieve this pressure," she says.

As well as assisting with pensions administration, Sizeland also sees AI being used to improve member communications, such as through AI 'chat bots' answering member questions. "Because the chatbot can access the member's personal information from the scheme, it can provide accurate and personalised responses. The lower costs of these kinds of tools are helping savers who otherwise might not have been able to afford financial guidance," she explains.

Barriers

Riddoch notes that "whilst there are some great examples of new technology

being applied *[within the pensions industry]*, such as through personalised videos and smartphone apps, the overall standard remains poor as compared to other industries". This he attributes to the fact that "underlying DB technology was simply never designed to deliver what modern consumers expect of a financial service".

However, this is less of an issue in the DC space, Riddoch adds, as "it's simpler and the underpinning technology more modern".

"The issue is that many DB administration platforms are decades old and a barrier to progress. Administration has been seen as the poor relation and trustees or the TPAs running the schemes reluctant to invest.

"Being able to allow DB members to view and model benefits in real time requires full calculation automation, which only a few platforms can deliver. There's no doubt that AI can be transformational but it's still in its infancy in the pensions world. There are however simple immediate applications such as simplifying complex scheme rules and handling enquiries such as 'what happens when I die'", he explains.

Yet, Giles highlights that in the SPP's recent survey, only 13 per cent identified the cost of adoption and integration of AI as the biggest barrier. Instead, 39 per cent identified organisational nervousness as the biggest barrier and 16 per cent identified customer concerns. A "mere 3 per cent cited regulatory restrictions and 29 per cent said that there is no significant barrier to the widespread adoption of AI", he adds.

Earlier this year, Pensions UK *[named PLSA at the time]*, in its submission to the Treasury Committee's AI in Financial Services Inquiry, stated that: "Given the inherent risks associated with the adoption of AI, the PLSA believes it is essential that trustees remain responsible and accountable for delivering all fiduciary duties to savers."

It also said that: "Due to the strong regulatory environment in which the UK pensions industry operates, which necessitates human accountability and strong governance mechanisms, AI is unlikely to be solely responsible for end-to-end decision making in the foreseeable future, with human agents likely to remain central to decision making across the industry."

Sizeland emphasises cybersecurity fears as a concern for those considering implementing AI into their schemes.

"Pension schemes hold a vast amount of member data, which is financial in nature, so it's an attractive target for bad actors. If any third-party AI developers who are working with schemes become exposed to a cyber security attack, any member data they have would be at risk," she explains.

"We have seen a significant shift in attitudes, with many biting the bullet and ready to spend to modernise"

"Members may then decide to take legal action if they are financially harmed as a result of that, and, if members lose up financially because of cyber attacks, schemes might face penalties from the regulator."

Also, there is the risk of AI chatbots 'hallucinating', providing incorrect information to the saver, which results in them making a misinformed decision, Sizeland adds, so "schemes can also come under fire from the regulators and/or face legal action from the member because of that".

However, "if schemes can work out how to mitigate these effectively, AI presents some exciting opportunities for the sector. Lowering costs, I think, is a really exciting one, along with better engagement with members", Sizeland states.

Embracing change

This excitement is shared by the sector, with Giles noting that "the pensions industry is keen to embrace AI but is cautious to do so to ensure its potential is utilised in a safe and secure way".

"Although most in the industry are using AI in some way, shape or form, over three quarters of respondents to the SPP's *2025 AI Survey* said that it is currently used in only 1-5 per cent of their services. This demonstrates both a willingness to embrace new technology and a caution in doing so," he adds.

Current projects are also affecting this take-up of new technology. As Riddoch explains, "a current issue is that the focus of late has been on getting ready for dashboards, which has reduced the available bandwidth to look at new tech and innovations. Another problem is that some trustees aren't aware that better is possible. That requires for improvements to be made tangible".

Whilst adopting a 'big bang' approach to implementing new digital solutions "is a major hurdle", McLaughlin says, "modular tech is now showing a more agile route forward – one that's not just theoretical, but genuinely achievable today".

This positivity was also expressed in the results of a recent Pensions UK survey. It found that its members expect pension funds to have widely adopted AI by 2035 to enhance member engagement and communication strategies (79 per cent), detect and prevent fraud (75 per cent), improve data security (72 per cent), personalise retirement planning (including advice and guidance) (63 per cent) and allow customisation of investment strategies (59 per cent).

As McLaughlin says: "Attitudes are shifting – not just out of necessity, but because we're entering a new era of tech adoption and a pension industry as a whole."

Written by Laura Blows