

Summary

- The shift from defined benefit (DB) to defined contribution (DC) pensions has made retirement planning more complex, requiring members to take greater responsibility for their financial futures.
- Technology, especially AI, is increasingly used to personalise communications and improve member engagement, with trends moving toward short, digital messages and video statements rather than lengthy documents.
- Industry regulators and working groups are urging pension schemes to adopt modern technology and high-quality data, aiming for more targeted guidance, responsible AI use, and a connected ecosystem that supports savers throughout their financial journey.



approach, it wrote, is crucial in navigating these changes in order to safeguard and enhance the future of the industry.

It concluded: “We must be ready to embrace this change, by supporting the industry to provide clear, accessible, and reliable pensions data that keeps us ahead of savers’ changing needs, while developing quality pensions offerings from joining the workforce right the way through retirement. We can only do this by unlocking the transformative power of digital, data, and technology.”

TPR has gone further since. In December, it convened a new data and digital industry working group, urging schemes to accelerate the adoption of modern technology and higher-quality data. It agreed three initial objectives: supporting more targeted, action-oriented guidance for savers; helping schemes adopt AI responsibly, underpinned by robust data; and working towards consistent data standards and a ‘single source of truth’ to reduce system friction and support ‘tell me once’ processes.

The working group’s members highlighted from the outset the need for a more-connected ecosystem with pension at the heart, seamlessly, of a saver’s financial life. They also highlighted the potential uses for AI to improve scheme operations.

Engaging with pensionholders

Technology, and its use, will be vital for the industry when it comes to engaging with its consumers.

“Most members” says FinancialEducation.co.uk founder, Saq Hussain, “now rely on technology to be

Two rivers come to meet

➤ The role of communications within the pension landscape is changing rapidly as the shift continues from defined benefit to defined contribution (DC) for members. But how can those managing DC schemes utilise technology to improve member engagement?

The ongoing shift in the pensions landscape from a prevalence of defined benefit (DB) schemes to the now most-common defined contribution (DC) models has sparked many changes. Whereas decades ago, pension holders may have paid little attention to their arrangements, assured of a guaranteed amount at the end of their working lives, many in 2025 may find their retirement planning to now be complex and overwhelming.

“Members are taking on far greater responsibility for their financial futures,” says Legal & General director of customer strategy and engagement, Jenny Hazan, “at a time when decisions are becoming more complex, retirement is lasting longer, and everyday financial pressure is rising. Many underestimate what they will need, feel overwhelmed by the choices, or delay engaging altogether. There is also a degree of quiet optimism, a sense that things will probably work out, even when people may be off track.”

These are challenges that are also not felt equally, with consumer outcomes varying by age, income, ethnicity and

life stage, and caring responsibilities or broader financial commitments. The time of a one-size-fits-all approach has come to an end.

Technology has also marched on in recent decades, from paper-and-pen to digital, and now facing the incoming use of AI.

These two rivers are now coming to meet. In October 2024, The Pensions Regulator (TPR) released a new report – *Digital, Data, and Technology Strategy – Innovating for Better Saver Outcomes* – that looked at the landscape and attempted to assess how technology could assist in improving outcomes for consumers.

“Our savers,” the authors wrote, “must have value for money throughout the savings journey and into retirement. Empowered by technology, they expect their data to be accessible and their pension schemes and providers to be transparent and accountable.”

TPR also predicted that AI will reshape financial markets and the pensions landscape, introducing with it new opportunities and risks. A proactive



communicated with, so DC schemes need to meet them where they already are. People expect to get information on their phone, in short bursts, and not through long newsletters or chunky PDFs.”

People, he says, have different expectations in 2025 on how they receive information, wanting to access it through their phones and in short bursts rather than in long newsletters or chunky PDFs. Many schemes and providers, he adds, have moved away in recent years from sending out four-to-six-page documents a handful of times each year to instead producing short digital messages that cover only one topic at a time.

He states: “Video has become a big part of this too. Video benefit statements are now pretty normal across providers. Most people never really looked at written benefit statements. The statistics were that, on average, people spent fewer than ten minutes a year looking at their pension statements. But a short video explaining what their pension is worth and what it could become makes it feel more real. This type of direct personalisation is the way member communication engagement has to go. This could all be achieved through technology.”

The role of AI in pensions engagement

Most industries within the past two years have felt the onslaught of AI as many rote jobs and tasks have been automated by the technology. Back in October, the financial services giant PwC released a report, *Use of AI in pensions administration – embrace the opportunity with caution*, that explicitly called out the ‘remarkable potential’ of AI to enhance administration functions. Even so, the firm warned that organisations needed to proceed with ‘responsibility and caution.’

“AI has real potential,” says Trafalgar House director, Daniel Taylor, “but it needs to be used carefully. It works best as a guide rather than a decision-maker. Used well, AI can personalise nudges, explain complex choices in plain English,

and help members explore scenarios without feeling overwhelmed. It should support better conversations, not replace advice.”

It is important to note that while AI seems like a miracle technology, it is fundamentally derived from large language model technology that is prone not to breaking, but infiltration by bad data and information. AI can fail at making judgement calls, producing false information and – in a worst-case scenario for the pensions industry – bad advice when the designation of ‘advice’ can land firms and funds in hot water.

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Festina Finance UK country head, Dan McLaughlin, advises, too, that AI assistants and agentic AI have the power to elevate the member experience. At the same time, their roles should be clearly defined, controlled, and overseen.

He adds: “But this isn’t and mustn’t be about AI for the hell of it but rather clear-use cases that create new value for members. This is about standalone or more complex tasks, normally handled by a human, being replaced by AI. Therefore, trustees and the like will need to understand where their risk appetite lies in relation to technological autonomy. And a strong technology foundation is required to achieve this as legacy systems will typically always have limitations in this area.”

Where the future lies

Technology moves and progresses quickly. That is also true of its role within

the pensions sector. Part of the demand for this will come from within – funds and firms looking to streamline and make efficient their operations – and some will come from without, with members increasingly expecting tools that reflect their own circumstances rather than a generic set of functions.

“Trustees and providers need to keep pace,” says Taylor, “which means being open to change and asking harder questions of their suppliers. The schemes that prepare well will be those that focus less on shiny features and more on whether the technology genuinely helps members feel more confident about their retirement choices.”

Hazan, meanwhile, sees two shifts. The first will be more intelligent, AI-assisted experiences that can respond in real time to member needs, requiring strong data foundations, behavioural insight and best-in-class tech. The firm, she adds, is launching an AI virtual assistant to help people move from questions to action, with clear escalation to human support when decisions become more complex.

The second will come on the back of the Financial Conduct Authority’s (FCA) new Targeted Support framework. This, said the FCA in December, will allow firms to provide suggestions designed for groups of consumers with common characteristics to help them make important decisions across their pensions and investments.

Such a move, says, Hazan, creates an opportunity to go further. She concludes: “It bridges the gap between information and full advice and supports more suggestive, well-governed support at scale. We have been early contributors to this work and see it as a positive step for members and employers.”

Written by Pete Carvill, a freelance journalist

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