



The past year has seen the take-up of artificial intelligence (AI) ramp up dramatically, and the pensions industry is no exception. But with much discussion about how it can be utilised to revolutionise retirement saving, how is AI currently being used by the sector?

According to the Society of Pension Professionals' (SPP) *2025 AI Survey*, 87 per cent of pension firms use AI. However, 77 per cent stated that it is currently used in only 1-5 per cent of their services.

"I would say that at the present time the use of AI is 'patchy' across the industry," HSBC Bank Pension Trust (UK) trustee chief risk officer, Cheryl Payne, says. "Different firms are using it for different items, but there is not yet a 'universal' practice. Its most common use at this time, industry wide, is for communications, minute-taking and document summaries. However, there

Summary

- AI use is now widespread across pensions firms but only for a small selection of tasks, such as communications, minute-taking and document summaries.
- New legislation and regulatory guidance are opening the door to responsible automation.
- As the usage of AI within the sector increases, it will still be essential to have human oversight.

Working with AI

With artificial intelligence dominating conversations, Laura Blows explores how it is being used across the pensions industry today, and how its implementation, governance and oversight are expected to evolve

will be more/less usage at different firms, and for firms who use third-party suppliers they will have different levels of risk appetite," she explains.

Bravura proposition lead EMEA,

Jonathan Hawkins, agrees that AI adoption across the UK pensions industry currently varies significantly by segment.

"Master trusts and large group

personal pension schemes are generally leading, with some leveraging economies of scale to embed AI in document processing, member query triage, and data migration validation. Defined benefit schemes remain more cautious, particularly around actuarial calculations and liability management where the stakes and potential for algorithmic error are highest," he states.

The type of tasks AI is being used for within the pensions industry are mainly simple ones, such as to improve the speed and efficiency of internal processes, subject to human oversight, SPP council member, Matthew Giles, says.

Upcoming uses

"AI has been used in the pensions industry for many years, but uses of generative AI are still at an exploratory stage," Giles explains. "Perhaps the most exciting deployment of AI will be around personalised member communication and engagement," he adds.

Currently AI is used "extensively" for member communication across firms in the form of AI chatbots, Payne notes, "but going forward, call centres could benefit from AI, as could the administrations tasks such as calculations, along with it being used for fraud detection and investment data analysis".

Royal London chief operating officer, Peter Josse, expects AI adoption to transform pensions in four key areas: Communication, by simplifying complex language and creating context-aware content, supported by robust compliance checks; service, such as enabling 24/7 digital support for simple requests, routing demand effectively, and using internal agents to help colleagues focus on meaningful conversations that support good outcomes; business quality controls, such as detecting anomalies, identifying signs of fraud and proactively monitoring customer outcomes for improvement opportunities; and finally by enabling flexible options for more

complex retirement journeys.

Hawkins highlights how the Data (Use and Access) Act 2025, which received Royal Assent in June last year, "fundamentally changes what's legally permissible".

"Previously, automated decision-making was largely prohibited unless specific exemptions applied. This act shifts to a risk-based approach, opening doors for responsible automation whilst retaining essential safeguards," he explains.

"The most successful use of AI in pensions will combine technological innovation with strong governance, human expertise and a clear focus on the needs of savers"

PASA's Industry Policy Committee issued guidance on the act, which highlights how this enables AI in member communications, vulnerability identification, and administrative workflows – provided appropriate governance exists.

Benefits

The benefits of using AI in these ways are expected to be speed and/or costs, SPP's survey finds.

"Further anticipated benefits include the additional insight that AI could bring in terms of analysing patterns within large data sets and identifying unusual data (allowing problems to be detected and addressed at an early stage). AI can also be used to improve the member data held by schemes, by identifying where there is incomplete or suspicious data and prompting action," Giles adds.

In the past, the pensions industry's adoption of technology has been slow,

but this is now changing, Josse says, due to the "clear benefits" of AI being able to "automate repetitive, low-value processes, freeing up time for more strategic work and improving operational efficiency. This will unlock better digital services and enhance member experiences".

However, "care needs to be taken with AI, as with anything new", Payne says. "Human oversight is imperative. Controlling the use and being careful is key to minimising the downsides of AI."

PensionBee chief technology officer, Jonathan Lister, agrees that while he sees AI as an increasingly valuable tool for improving efficiency, accuracy and member experience across the pensions industry, it is "not a replacement for human judgement, accountability or trust".

"Providers and members need to remember AI is technology not magic, and needs careful integration into workflows and experiences," he adds.

According to SPP's survey, 65 per cent think AI 'hallucinations' – where it generates outputs that are false, factually incorrect, or nonsensical, while presenting them as plausible or accurate information – is the biggest risk of AI usage.

"This shows that it's considered a real risk but also that it's one many are aware of and can therefore take steps to minimise through a mix of human oversight and system design," Giles says.

Hawkins notes that the digital, data and technology (DDaT) working group's December 2025 meeting surfaced profound fears that should frame any AI discussion.

"This included the risk of members losing trust in the pensions sector, for instance by falling for AI-generated deepfakes or data breaches through AI systems becoming ransomware targets. Industry-wide standards for transparently labelling AI involvement remain essential," Hawkins says.

Another fear raised was stagnation through a 'digital wasteland' –

fragmented systems creating automation islands; technology adopted for its own sake rather than user needs; and lack of data standards preventing ecosystem connectivity.

Governing AI

As Josse says: “AI is not a silver bullet.”

“It should not be used where risks cannot be adequately controlled, for example, where processes are poorly defined, data is unstable or of poor quality, or where governance is weak. Responsible adoption means ensuring accuracy, fairness and strong oversight at every stage,” he explains.

For Parsons, issues such as AI hallucinations, data quality and model bias mean strong governance is essential. “In our view, AI outputs should always be subject to human oversight, with clear audit trails, robust testing and conservative use cases – particularly in a highly regulated environment like pensions,” he explains.

Human expertise must remain supreme for complex member advice and guidance, discretionary trustee decisions requiring judgement, sensitive personal circumstances requiring empathy, and final actuarial calculations, Hawkins agrees.

“AI should augment administrators and trustees, not replace their critical thinking. This distinction is essential for FCA Consumer Duty compliance and member outcome protection. That said, AI does not stand still, and [AI-powered digital financial adviser] Aida from Money Means has recently passed its CII exams...” he notes.

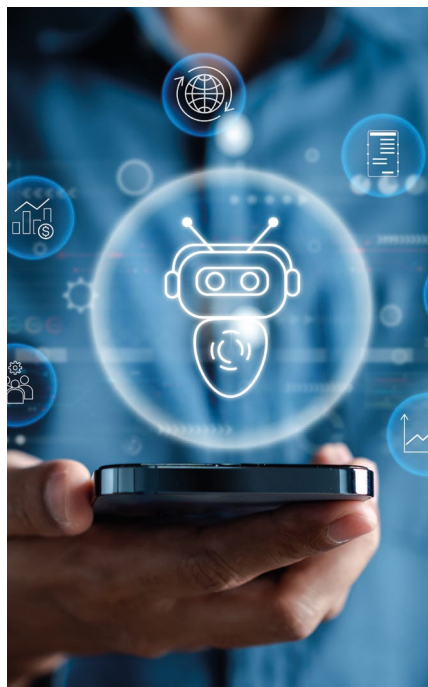
Clearly the interaction between human and AI work integration should be closely monitored.

“Pension providers already operate controls for machine learning and complex models, but generative and agentic AI introduce new challenges,” Josse says.

“These technologies allow anyone to prompt models or deploy agents,

often using third-party foundational models, outside their direct control. This raises risks around explainability, data protection, operational resilience and vendor dependency,” he explains.

“We mitigate these risks through



robust governance measures, including training, AI ethics principles, comprehensive risk assessments and recording AI use. We also monitor and evaluate models to ensure they are grounded in trusted data, tested rigorously and subject to human oversight,” he adds.

According to Josse, while the FCA has issued its position on the use of AI within existing accountability frameworks, the industry still needs greater clarity, and consistent guidance on governance, testing, explainability and third-party risk for high-impact use cases.

“Encouragingly, regulators are pursuing initiatives, such as innovation sandboxes and associated tech sprints, to better understand opportunities and risks for consumers to help inform and shape future standards,” he says.

“You cannot mandate uniform AI adoption across a sector with vastly different sizes, maturities and member demographics,” Hawkins warns. “What you can do is establish common standards for data quality, provide practical implementation guidance, and create regulatory clarity – which is exactly what the coordinated TPR, PASA, and government responses are beginning to deliver.”

The UK’s approach is potentially world-leading with its “proactive collaboration rather than reactive prescription”, he adds.

Looking ahead

So, with its nascent implementation, expected uses and collaborative governance, the take-up of AI across all areas of the pensions industry should only grow.

“We expect AI to become more embedded across the pensions value chain – supporting smarter operations and better member outcomes – but its role should remain firmly that of an enabler. The most successful use of AI in pensions will combine technological innovation with strong governance, human expertise and a clear focus on the needs of savers,” Parsons says.

According to Hawkins, “the UK pensions industry is experiencing a remarkable moment of coordinated action on digital transformation and AI adoption”.

However, he adds, “the question isn’t whether AI will reshape pensions administration – it’s whether we’ll shape AI’s integration responsibly, collaboratively, and with member outcomes genuinely at the centre. Having witnessed the commitment in the DDaT working group meeting, I’m cautiously optimistic we’re capable of building the future our savers deserve. Whether we deliver it depends on actions taken in 2026.”

 **Written by Laura Blows**