

SCOTTISH WIDOWS

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AI and the future of UK pensions

Laura Blows speaks to Scottish Widows' pensions expert Robert Cochran, about the growing role of artificial intelligence (AI) in the UK pensions industry

How is the UK pensions industry – particularly its regulators – getting to grips with the changes AI brings?

The recent Financial Conduct Authority (FCA) *Mills* report envisages a world in which AI agents transact directly with other AI agents. That raises important questions about how these transactions will work and, crucially, how people will be protected.

At the same time, The Pensions Regulator (TPR) produced a series of AI reports. Both regulators are working to raise awareness of the issues and understand what needs to be done.

The view is that new legislation may not necessarily be required, but additional monitoring will be important. Providers are already beginning to use AI models in their back-office operations and across a range of business activities.

A bigger concern for the FCA, and to some extent TPR, is the guidance people receive when they turn to general-purpose AI tools such as ChatGPT, Claude and Gemini with financial questions.

The FCA has said it intends to provide guidance on the regulatory perimeter, clarifying what AI can safely offer as general information and what falls within the scope of regulated advice.

It is a significant challenge, and one the industry needs to address.

How are pension providers using AI today, and how is that changing?

Across the industry, AI has primarily been adopted in back-office operations, improving call centre processes and making relevant information more accessible.

At Scottish Widows, for example, we have reduced average call-handling times by four minutes through the use of AI techniques.

One of the most obvious applications is call transcription. Previously, a call handler would listen to a customer's conversation, find the answer to their question and type up notes to ensure the interaction was properly recorded. AI can now handle much of that transcription work.

AI is also helping us route customers to the right teams. Rather than having to explain their circumstances repeatedly, customers can provide their information once, and the person who receives the call can see what has already been discussed. We call this 'bullseye routing': directing customers to someone with the right knowledge and experience to answer their questions.

We are also bringing together knowledge management systems that were previously spread across different locations, making it easier for colleagues to find accurate information relevant to our organisation, schemes and customers.

All of this improves the customer experience, even though customers may never see the AI working behind the scenes.

We are also beginning to see AI appear more directly in the workplace pensions market. Scottish Widows developed an agent called Invest AI, initially focused on investments, which sits within our workplace pension app.

Since its launch, it has handled around 8,500 conversations. We are beginning to understand how people use it and the questions they ask at different times of the day. In the morning, questions tend to be more action-oriented, for instance people want help doing something specific. In the evening, they may be more likely to explore an idea or ask broader questions.

There is an important distinction between this kind of tool and a general-purpose AI agent. Our workplace

pension agent operates within a regulated environment and is trained using our own relevant data.

Trustees face increasing regulatory pressures, heavier workloads and more complex responsibilities. How can AI help them?

AI has actually made some aspects of trustees' jobs more difficult.

One reason is that regulators expect trustees to understand where AI is being used throughout their supply chains. They need to know which suppliers are using it, monitor its use and check that the outputs are reliable and how the systems have been trained. That is an enormous task, potentially involving a very complicated web of suppliers and systems.

There are also other ways in which AI is affecting their work.

For example, trustees are seeing more complaints because people can now prepare and submit them quickly using AI. Consultation responses have also increased significantly, partly because AI makes it easier for people to prepare them.

Trustees also need to be careful when using AI transcription tools for trustee meetings. Transcription can make meetings easier to document, but there are circumstances in which a verbatim record may not be appropriate. Therefore, trustees need to think carefully about how they use these tools.

That said, I expect platforms and AI developments will emerge to make trustees' lives easier, including tools that help them carry out the monitoring they are required to do.

How are the members using AI to their advantage?

The FCA's *Mills* report examined how people had used AI over the previous year and found that pensions and debt were among the areas in which people were seeking financial information. The report put the proportion of people who had used AI for pension planning at around 29 per cent.

Scottish Widows' own retirement report found a similar figure, with 30 per cent of people saying they had used AI in this way. That consistency is interesting, and I expect the proportion to continue increasing.

However, in the FCA research, only 40 per cent of those surveyed recognised that they would not have the same protections if they relied on information from ChatGPT, Claude or Gemini as they would when receiving regulated financial advice. That suggests many people do not fully understand the distinction.

One positive finding is that many people are using AI to improve their understanding and work out what to do next, rather than immediately acting on the information it provides.

The research also found that, among people using AI for financial purposes, 80 per cent said they would trust a regulated provider to deliver an AI solution. That suggests there is a significant opportunity for pension providers to offer useful AI tools within a regulated environment, with appropriate safeguards to protect members.

Looking at how AI is being used across the sector, and by pension savers themselves, do you think these developments will ultimately improve the pension-saving experience?

I'd focus on three fundamental pension questions: What have I got? Is it enough? And what can I do next?

AI will not develop in isolation from other changes taking place in the pensions industry.

First, there is the question of what people have. The pensions dashboards programme is intended to help people bring their pension information together in one place, making it easier to understand what they have accumulated across different schemes.

The second question is whether it is enough. People may use AI to help assess their retirement prospects, and some will probably upload information from their pensions dashboards into a general-purpose AI tool to get a broader picture of their finances.

Ideally, we would encourage them to use regulated calculators and trusted tools provided by pension schemes. But AI is likely to play a role unless providers offer an equally compelling experience that allows members to bring their dashboards information into a trusted environment and understand what it means for them.

The third question is what they can do next. This is where agentic AI could eventually make a real difference.

With agentic AI, people could establish the rules and parameters they want an agent to follow, allowing it to carry out certain tasks on their behalf without requiring them to manage every step themselves.

Pensions do not exist in isolation. People also have bank accounts, savings, mortgages and other financial commitments. As access to data develops through initiatives such as open banking and pensions dashboards, it could become easier to manage these different elements together. That could enable AI agents to provide better support and guidance throughout people's financial lives.

At Scottish Widows, we have been exploring the possibility of delivering targeted support journeys through AI conversations.

I can envisage people having several specialised AI tools – perhaps one provided by their bank and another by their pension or protection provider – that feed into a broader AI coach helping them manage their finances.

If these tools deliver good outcomes, people are more likely to trust them. We are already seeing the beginnings of that process in how people view AI and the organisations providing it.

This is an edited summary.
To watch the video in full please visit pensionsage.com

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