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AI focus:
Unlocking the power of AI in pensions

Capita Pension Solutions managing director, Chris Clements

AI's future within the pensions industry

▶ **Capita Pension Solutions managing director, Chris Clements, reveals Capita's vision for AI in the pensions sector**

Is AI the panacea for pensions? Technology is advancing at an unprecedented pace and for pensions, it has the potential to transform the way we deliver services to our members and clients.

I hear too often in the industry that pensions are complex and need to be looked at differently. Whilst I accept that pensions are one of the most complicated financial products to manage (for trustees, administrators, employers and even members), the potential benefits that AI could bring are enormous. However, it's important that this technology is deployed in the right way and does not become a 'flavour of the month' idea that the industry forgets about when the 'next big thing' comes along.

Our investment in AI

At Capita Pension Solutions, we're investing heavily in 'digital pensions', with AI a part of this investment. AI will be transformational for the industry and free up our most valuable resource, our people, to do what they do best – help our members and clients.

Partnering with technology hyperscalers such as Microsoft, ServiceNow, Salesforce and AWS, we're developing efficient, ethical and impactful solutions that will underpin our operations to support better outcomes for our clients. Living by our principle to use AI to 'amplify humans', we're enhancing roles by removing repetitive tasks and streamlining workflows, so our people are empowered to work smarter and have more time for creative, human-centric tasks.

As Capita's chief AI and product officer, Sameer Vuyyuru, says: "Our strategy is to evolve Capita by building on our strengths and focusing on what we do best. We aim to deliver unparalleled value through technology and human ingenuity, benefiting our clients, people, and society. By transitioning to applied AI, we can achieve significant benefits for our clients, their customers, our people, and investors, positioning Capita as the best implementor of responsible human-in-the-loop AI."

Capita AI Catalyst Lab

We launched the AI Catalyst Lab earlier this year, a dedicated team focused on identifying, testing, and scaling AI solutions that drive measurable business outcomes for both Capita and its clients, including in the pensions sector. By embedding AI into structured workflows internally, Capita aims to achieve accelerated service delivery, optimised operations, and new efficiencies. The Lab's initiatives are projected to enhance decision-making and improve overall service quality.

AI Apprenticeships

We support our employees in upskilling in AI through various initiatives, including AI apprenticeships in partnership with Multiverse, which have already enrolled over 100 colleagues. We also offer Copilot Bootcamps designed to enhance AI literacy and responsible use of AI tools. These programmes are crucial as they empower employees to leverage AI effectively, driving innovation, efficiency, and improved service delivery for clients.

Pensions & Technology

Why are pensions complex?

Before considering how AI can help, it's useful to recognise why pensions are complex to manage. Very few products or services have the lifespan of a pension, and ultimately it is this longevity that creates complexity. Examples of how complexity manifests itself include:

• Each pension scheme will have a unique set of rules, often with several sections;

• There are many 'tranches' of accrual with different benefits/legislation applying to each;

• Keeping records updated as individuals change jobs, homes, names and other personal circumstances;

• Changes in legislation and policy; and

• Macro world events.

These examples demonstrate that rather than being resistant to AI, the pension industry needs to embrace it – AI has the potential to remove a lot of the complexity of running a pension scheme.

Pensions have been called the 'laggards of tech'. Whilst there is some truth in this, it's not entirely fair. Capita Pension Solutions turned 50 last year and when I reflect on how much has changed over that time, it's clear that the industry has made progress, but too often it has not happened as quickly as it perhaps should or could have done, and, as an industry we've not been pro-active in the way we use technology. Whilst we no longer use manual records and actuaries are no longer calculating benefits on paper, technology should be playing a bigger role in 2025 than it currently does.

The complexity is creating the AI opportunity

It's precisely because of this complexity that AI has the power to become transformational for pensions. Its power is in taking the complex, analysing it, and providing the results in super-fast time. However, I do believe that pensions must take the 'human in the loop' approach – it's too complex to rely on AI alone and pensions are very emotive and personal – they need human interaction.

AI will revolutionise the way pensions are managed. The key benefits will be enhanced efficiency, accuracy, and a much deeper personalised service for scheme members.

The ability to create 'agents' using AI is transforming the way we work across all areas of our business. Below are my thoughts on its future uses.

1. Streamlining administrative processes

AI is being employed to automate routine tasks such as data entry, form processing, and member queries. This reduces human error and frees up valuable time for pension administrators to focus on helping members and trustees. Machine learning algorithms will be used to predict and flag anomalies, helping colleagues with processes and reviewing and summarising scheme rules. We are developing agents to help with:
- automating labour intensive tasks
- autonomous email resolution
- project management
- member interaction

2. A truly personalised experience

AI will help us provide members with a truly personalised engagement experience tailored to each individual. From how information is presented, to recognising vulnerabilities and language selection, AI has the potential to drive better engagement, create personalised modellers and react to changes in circumstances, rather than the generic segmentation that is currently the norm.

3. Enhancing engagement

AI-powered chatbots and virtual assistants are improving communication between the scheme and members. These tools can handle a wide range of enquiries, provide real-time information, and guide members through complex processes. This leads to higher member satisfaction and engagement, as individuals receive timely and accurate support.

4. Predictive analytics for longevity and liabilities

AI has the power to support trustees and advisers in their decision making, making them both quicker and more effective – for example it will be able to predict longevity and other demographic factors that impact pension liabilities. By analysing historical data and trends, AI models can estimate future obligations more accurately, helping pension funds to better manage their financial positions and ensure long-term sustainability.

AI and pensions – a bright future

AI has the potential to transform the pensions industry and at Capita Pension Solutions we are committed to being at the forefront of this technological revolution. As AI technology continues to evolve, we can expect to see even more innovative applications that will further enhance the efficiency and effectiveness of pension management – the possibilities are endless.

In conclusion, safe and ethical AI is playing a crucial role in modernising the pensions sector and ensuring its adaptability to future challenges. We are all at the start of the AI journey and we are empowering our colleagues to identify opportunities to use it across the business. I am excited about the journey ahead and the potential of AI to transform the industry, and am personally committed to leveraging this technology to deliver better outcomes for our clients and members.

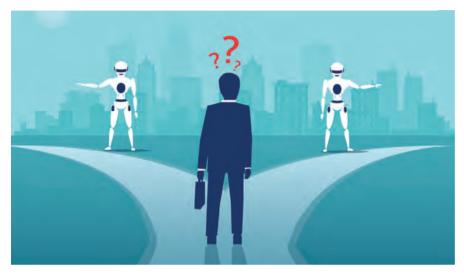> Written by Capita Pension Solutions managing director, Chris Clements

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Trustees and the AI crossroads

▶ **The industry is transfixed by the potential of AI, but how could this realistically impact the role of pension scheme trustees?**

⟩ Summary
• A growing number of trustees, and other parties in the pension industry, are already using AI but mostly for back office and administrative tasks.
• Regulators and associations are dedicating more resources to AI and how it could impact the pensions industry, with these being continually published.
• Concerns around AI are less to do with taking trustee jobs, but instead around scams, data security and other similar issues.
• Though AI can support trustees in what they do, the consensus is humans must stay involved due to the empathy they have towards members and their retirement needs.

AI is being increasingly discussed in the industry, and across all financial services, with many firms fascinated at what this technology could potentially bring. Last year, The Pensions Regulator (TPR) launched its Digital, Data and Technology Strategy – or DDAT – which set out a five-year plan to renew its capabilities in emerging technology. AI is a key part of this with TPR predicting this could "reshape" the pensions landscape, as it is already starting to impact trustees daily.

"AI presents a unique opportunity to deliver efficiency and improve member experience within pensions; however this has to be using AI to amplify humans," says Capita managing director, Chris Clements. "AI will help automate repetitive tasks, freeing up humans to add value to human-centric tasks.

"Trustee boards of all schemes will be looking at AI integration – administrators and advisors should be discussing their plans with clients, setting out their AI strategy and explaining how it will help create a better outcome for all stakeholders."

This is already playing out. A recent survey by the Society of Pension Professionals showed the majority (87 per cent) of pension professionals confirmed their firm uses AI. Use cases currently include minute taking, transcription, data gathering and research. These are early days though and Independent Governance Group trustee director, Roger Mattingly, sees AI as currently being in the "foothills".

"The potential for it to be used for trustee and governance is huge in terms of member communications, managing risk and detecting bespoke and systemic risks," says Mattingly. "It will morph from here exponentially, I'm sure."

Preparing for AI
Along with its DDAT strategy, TPR is planning to establish a working group with industry experts to help the pensions space unlock AI's potential. TPR DDAT executive director, Paul Neville, says this will focus on providing actionable resources for the industry, and follows its recently launched 'innovation support service'.

"We expect it will remove unnecessary barriers by fostering early, open dialogue between TPR and innovators, concentrating on two main areas: Enhancing administration and member experience – particularly during the decumulation phase – and supporting innovation in investment strategies and new pension scheme models," explains Neville. "A key foundation for this innovation is improving data quality, which we have identified as a top regulatory priority."

The PLSA is also doing a lot of work in this field, working closely with TPR and the government with plans to produce educational resources and guides later this year around AI. Policy lead, Krista D'Alessandro, reveals the PLSA has a dedicated team working on

this, and the need for greater education is required given the trepidation she sees in the industry.

"At a recent event I attended, there was a trustee breakfast, and it was interesting to hear a lot of them speak hesitantly about AI," says D'Alessandro. "There are varying degrees of comfort with the technology. From our perspective, AI is coming, and we want to ensure trustees are prepared."

Fear and loathing in pensions
Like with any new technology, AI is being greeted with its fair share of confusion, distrust and even outright fear. Daniela Silcock, director at Daniela Silcock Pensions Research, highlights that trustees are using AI for basic tasks but concerns around confidentiality, accuracy and clarity remain.

"Trustees on the whole are quite a cautious bunch – there's a lot of fear of AI, especially among older people and the majority of trustees are over 50 so change might take a while," says Silcock. "There's a cultural element among trustees who tend to be risk averse."

In agreement is HS Trustees managing director, Bobby Riddaway, who doesn't see trustees as the ones driving AI engagement, but this coming from schemes' service providers.

"The trustee role is to govern the scheme with experience and professionalism, so I don't see AI taking over here," says Riddaway. "I don't think AI will flourish in the foreground – it will in the background with providers of consulting, governance and/or administration services."

Looking to the future
Despite the excitement, it is still unclear how AI will actually integrate with pensions and the role trustees play. In addition, some parts of the industry have been slow to adapt to technology which raises questions about how realistic the AI integration is. Clements sees this as "entirely" feasible and points to the fact

many trustees have had to adapt before: "Trustees have always had to consider new ways of working, including how technology can help, and AI will be part of this continuous journey.

"We're just at the start of the AI journey in pensions but we're already beginning to see the benefits. Therefore, I am confident that it will flourish in pensions, helping to remove some of the complexity, but most importantly delivering better outcomes."

Getting to this point will require more than just technological developments, and Neville sees a role to be played for strong information architecture, governance and understanding of the responsible use of AI. Specifically, Neville says the "digital literacy and openness" of trustees will play a key role.

"Trustees, and their advisers, should ensure they continually identify, assess and manage any risks from adopting new technology," adds Neville. "The use of AI should not produce discriminatory outcomes. Any technology adopted by schemes should have clear, appropriate lines of ownership and accountability with a process for decisions and outcomes driven by AI to be contested. It is critical trustees are aware of their cyber and data security responsibilities."

Who's in charge?
AI concerns inevitably bleed through to an erosion of human control and concerns around job losses. Such fears have abated in some areas, and trustees is one such field – instead, there is a growing acceptance that AI will help support trustees in what they do. Some remain wary, and Mattingly argues it is imperative for the government, regulators and industry bodies to stay visible and in control.

"The ability to create a more forward-looking pensions system is huge, but it will require human judgement along the way," says Mattingly. "My plea is for the government, regulators and the pension industry to get together as a matter of

urgency and create serious guidelines and protections because this can go one of two ways.

"My nervousness is the threat going forward when it goes to the next level – if thought hasn't been given to this level, then what chance do we have at the next level?"

Administrative tasks are one thing, but an age-old debate about man vs machine has raised questions as to whether or not AI could replace trustees. Experts are not entertaining this and instead argue this will highlight the value human beings bring to a role.

"The human element is key," says D'Alessandro. "Trustees, and their fiduciary duty, are paramount within all of these conversations and in all of our thinking. We have done a lot of thinking about ethical AI and ensuring, with the integration into pensions specifically, it is done with the saver in mind."

The end-saver is key. AI would look at a spreadsheet of members and see numbers, whereas a human trustee would understand each number is a human beings with real retirement needs.

"It's essential to have that human-to-human contact and communication," says Mattingly. "The benefits [of the technology] are there but there can be too much emphasis and reliance on AI, and this needs to be balanced to make sure this does not become a clinical relationship."

However, while Silcock concedes that AI does not have empathy, she objectively asks why this couldn't change one day.

"If you program [AI] correctly it would provide a more empathetic response," says Silcock. "AI could do it better than us. It won't be distracted, have personal biases and so forth. Where do the ethics lie?"

❯ Written by Jon Yarker a freelance journalist

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