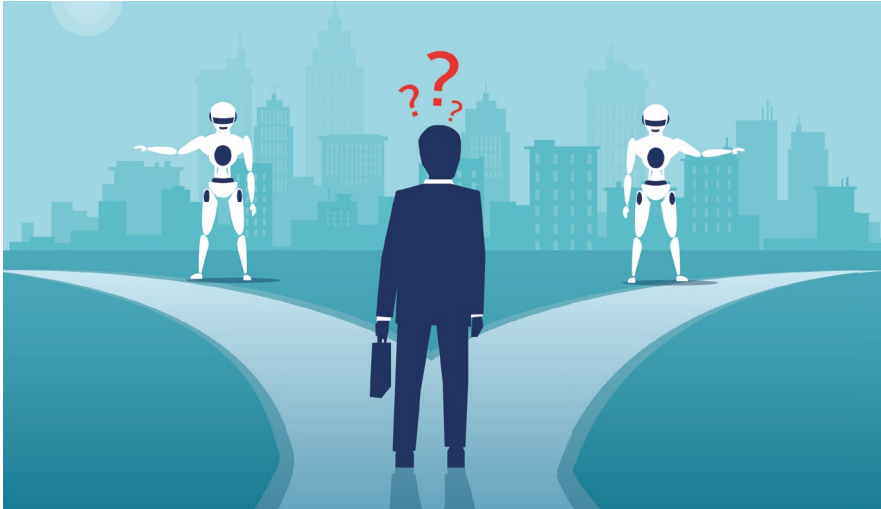


# Trustees and the AI crossroads



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

**A**I 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.”

### ✦ 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.

### 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?”

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