

Will AI leave room for the human touch?



Summary

- AI has a range of capabilities that can be useful in the pensions industry, particularly around improving member engagement.
- It is helpful with tasks that have a defined set of rules on to complete them, including administrative functions.
- However, there still are sectors of the industry that require a human touch, and an over-reliance on the technology could be harmful in the future.

Companies are increasingly turning to artificial intelligence (AI) for a range of activities, starting with repetitive calculations and moving all

The artificial intelligence boom has sent shockwaves through the financial services industry, but its impact has yet to be fully felt across the pensions sector, finds Beth Ure

the way through to delivering bespoke communications. It is being applied both as a method of reducing costs and improving member outcomes. However, some people remain sceptical of the more ambitious ideas about how far the new technology can be applied across the pensions industry.

While pension professionals are increasingly looking to embrace AI, the tasks it can be used for so far remain limited. Generative AI thrives off data, so it is ideal for fulfilling functions that require analysing large data sets, particularly tasks with defined rules on how to complete them.

However, humans are still needed

to provide oversight on these functions, as generative AI models can answer questions incorrectly. Meanwhile, many people working in the industry are concerned that introducing AI has the potential to result in significant job losses.

Engagement with your pension

Beyond data analysis, another key area where AI could benefit the pensions industry is to encourage members to engage with their pension scheme. Many people put off interacting with their pension provider, likely because communications are poorly targeted to their preferences. AI could be



used to deliver highly personalised communications to members that would spur them to become proactive.

“AI could help improve the member engagement problem in pensions,” says Mercer pension risk transfer principal, Maurice Speer. “Pensions are complex, and for many, not an immediate priority, with retirement feeling like a problem ‘for my future self’.

“But with creative personalisation of communications for individual circumstances and preferences, chatbots for immediate access to routine queries, and powerful predictive analysis to anticipate proactive communication and support – AI has the potential to transform member communications in the pensions industry.”

Cardano director, Felix Mantz, also suggests that AI could be used to boost member engagement. “If your pension

scheme knows about your life and can predict your needs and potential decisions, you are more likely to get involved and make better decisions,” he says. “There are a lot of benefits to be had from the additional analysis and customisation that AI can bring.”

Isio chief digital officer, Vito Faircloth, adds that AI-powered retirement planning systems – which can analyse the personal data of each member, including age and income – could guide members through the process of setting retirement goals.

“Members would be able to see personalised financial planning and investment strategies, with advice to help them to make educated decisions about their retirement savings,” he says. “Ultimately, they could have an AI assistant who knows everything about their goals, aspirations and financial circumstances that would provide extremely relevant content, nudges and journeys.”

Administrative jobs

Another area that stands to benefit from the introduction of AI is administration. The majority of tasks and functions have a defined set of rules, making them ideal to be taken over by AI.

The pensions industry’s drive towards consolidation and providing individuals with a holistic view of their finances is set to accelerate with the introduction of the pensions dashboard and the move towards Open Finance. Faircloth notes that this is likely to generate a massive number of queries for administrators – but these can also be handled by AI.

“An AI-powered system can speed this [*consolidation*] up. AI can analyse data, identify errors and take corrective action, reducing human intervention and improving efficiency, so administrators can easily cleanse the data they are working with,” he says.

“Most member queries will be able to be answered by artificial intelligence, and most documentation will be produced

on an automated basis, providing an increasingly frictionless experience,” he adds. “This won’t happen immediately, though, as there will be administrative hurdles.”

“While AI is going to change how many people view their financial futures, the more emotive parts of the job cannot be fulfilled by AI”

The legal sector

AI’s ability to analyse large amounts of information means it could also handle the legal aspects of pensions provision.

“The real win from the use of AI will be in the collation and analysis of complex information such as required by accountants, lawyers and professional trustees,” says Capital Cranfield professional trustee, Christopher Clayton.

“Imagine that all relevant laws and regulations – all case law and legal judgments – were available to AI. Much of the work that is currently undertaken by lawyers could be done by AI.”

Mantz says that AI could directly answer members’ legal queries. “There will be a prime application for generative AI models. When a member has a question about pension tax legislation, it would look at the relevant tax code and explain what it means,” he says.

“The challenge there is with the FCA, as the use of generative AI would be dependent on the extent we can be comfortable with it having access to the regulated parts of the pensions space.”

Job losses

While AI has many advocates, people working in the sector are concerned that they could lose their jobs if AI demonstrates it can complete their tasks more quickly and efficiently. Any losses would need to be considered relative to

the cost savings to members. The EU is developing the EU AI Act, which if approved would set the world's first rules on AI, with many regulations aimed at avoiding job loss.

"The EU AI Act shows a desire to embrace this new technology, but to do so safely," Mantz says. "We are at a stage where AI is replacing tasks not jobs. It'll be interesting to see how job specifications change to allow more time to do things we never did before because we didn't have time."

Speer adds: "Despite the benefits, people across the industry are rightly worried that AI might introduce new risks and replace jobs. However, past innovations have shown that technological advancements have the

power to elevate and create new roles, not [just] replace people. AI has the potential to enhance the work we do, allowing us to work more efficiently and spend more time thinking strategically and creating new solutions to generate better member outcomes."

Clayton suggests that even the areas that can be automated with AI would still need human oversight, and sometimes need to be overruled. "We will still need to be knowledgeable and skilled to be able to determine whether AI is producing the right answer, and in the case of professional trustees sometimes the technically correct answer, which would be produced by AI, may not be the right decision for a particular situation," he says.

Capital Cranfield professional trustee, Allan Course, notes that AI, at least for the moment, can only produce answers that need to be checked by a human.

He says that even using AI for basic tasks could create problems for the future.

"If I use AI to automate a job I would normally delegate to a junior trustee, I still need to examine the answer the AI produced and potentially edit it," he says. "However, if I always do that then junior trustees never get the experience needed to provide the oversight that I am providing now. How can they progress in their career and start checking over the work AI is doing if they have never done that work themselves?"

It remains to be seen whether AI progresses fast enough for it to be reliable enough to be trusted to do the checking and oversight role in the future.

The human touch

Nonetheless, at least for the foreseeable future, the importance of the human touch cannot be overlooked. For example, as a trustee, Course emphasises the importance of human relationships and understanding how different people may respond to the same offer. This is something that AI is yet to accomplish, he says.

In the pensions industry, difficult situations can arise for which a human response is the most appropriate. "We should remember that all our members are human and rely on us for their income in retirement," Clayton says. "Sometimes this involves decisions that require a little humanity, such as in death cases."

Faircloth adds that while AI is going to change how many people view their financial futures, the more emotive parts of the job cannot be fulfilled by AI. "A human response will continue to be key," he adds.

 Written by Beth Ure, a freelance journalist

