

Putting ChatGPT to the test

How well can AI take on the challenge of writing pensions comms to members?

Arguably the most famous application of artificial intelligence is ChatGPT, the language processing tool that can be used to automatically create text upon request. Therefore, we at *Pensions Age* decided

to see how well it tackles two common challenges when writing pensions comms to members – that of providing entertaining copy, and being able to clearly explain complex subjects. We then asked the industry their thoughts on ChatGPT's efforts.

ChatGPT request: Explain UK pension savers' retirement options, in a fun and engaging article

Title: "Pension Pot Party: UK Retirement Options Made Fun!"

Ahoy, future retirees of the United Kingdom! It's time to talk about that glorious moment when you reach retirement age and your pension pot starts beckoning you like a treasure chest waiting to be cracked open. So, what are your options, you ask? Let's dive in for a rollicking adventure!

Option 1: The Lump Sum Bonanza

Arrr, mateys! If you're feeling a bit like a pirate ready to plunder, you can opt for the "Lump Sum Bonanza." This option lets you take a big chunk of your pension as a tax-free lump sum. Think of it as the buried treasure you've been searching for all your life. Just remember, the bigger the loot, the less you'll have for the long haul.

Option 2: Sail into Steady Waters with Annuities

If you prefer smooth sailing over a lifetime, consider annuities. It's like having a parrot that keeps squawking "money for life!" Annuities provide a regular income until you join Davey Jones at the bottom of the sea. You'll never have to worry about running out of doubloons!

Option 3: The Flexible Approach – Drawdown

Arrr! If you're the type who wants to keep your pension ship flexible, then "Drawdown" is your compass. With this choice, you can take some of your treasure while leaving the rest to grow. You decide when and how much to plunder, but beware – if you're not careful, you could run out of grog sooner than expected!

Option 4: Keep Your Pension Pot as a Keepsake

Some salty dogs prefer to keep their pension pot as a keepsake, letting it grow tax-free while they enjoy their retirement. It's like having a pet dragon guarding your hoard. Just remember, the dragon may need to be tamed when the time comes to access your gold.

Option 5: Mix and Match Like a Pro

Why choose just one treasure chest? Mix and match your options to create your perfect retirement treasure map. You can have a bit of lump sum, a dash of annuity, and a sprinkle of drawdown. It's like being a gourmet chef with your financial future as the main course.

In conclusion, retiring in the UK offers a smorgasbord of pension pot options. Whether you choose to plunder the entire chest at once, go for the steady income, or mix and match like a financial genius, the choice is yours, matey! Just remember to consult with a financial adviser to make sure your retirement plan is seaworthy. Retirement should be a grand adventure, so set sail with your pension pot and embrace the golden years ahead!



ChatGPT: Explain how UK collective DC works and its benefits and risks for savers

Title: Understanding UK Collective Defined Contribution (CDC) Pension Schemes: Benefits and Risks for Savers

The UK's pension landscape has evolved to address the changing retirement needs of its citizens, and one such innovation is the Collective Defined Contribution (CDC) pension scheme. CDC combines elements of both traditional Defined Benefit (DB) and Defined Contribution (DC) schemes, offering a middle-ground solution with distinct benefits and risks for savers.

How CDC Works: CDC schemes pool members' contributions into a collective fund, which is then invested to generate returns. Unlike DC plans, there is no individual account balance or investment choice. Instead, members receive a target retirement income based on a predetermined formula. Contributions continue throughout a member's working life, and the pension income is determined by factors like investment returns and the scheme's funding level.

Benefits for Savers:

- 1. Risk Sharing:** CDC schemes provide risk-sharing among members. This means that if investments underperform, individuals are not solely responsible for covering the losses. Conversely, when investments do well, members may benefit from higher pension incomes.
- 2. Professional Management:** Savers can benefit from professional fund management, reducing the need for them

to make complex investment decisions.

- 3. Stable Retirement Income:** CDC schemes aim to provide a stable and predictable retirement income, similar to DB schemes, which can be reassuring for retirees.

Risks for Savers:

- 1. Uncertain Outcomes:** Unlike traditional DB pensions, CDC benefits are not guaranteed. The retirement income is subject to market fluctuations, and if the scheme's investments underperform, future payouts may be reduced.
- 2. Lack of Individual Control:** Savers have no control over how their contributions are invested, which may not suit those who prefer a hands-on approach to their retirement savings.
- 3. Funding Challenges:** If a CDC scheme faces financial difficulties, it may need to adjust benefits or contribution levels, potentially affecting members' retirement income.

In conclusion, UK Collective Defined Contribution (CDC) pension schemes offer a unique approach to retirement savings. They provide a middle-ground solution between DB and DC schemes by offering risk-sharing and professional management. However, savers should be aware of the potential for uncertain outcomes and the lack of individual control. Before opting for a CDC scheme, individuals should carefully assess their risk tolerance and retirement goals to determine if it aligns with their financial needs and preferences. It is advisable to seek financial advice to make an informed decision regarding pension planning in the UK.



ChatGPT: The industry expert view

The attractive thing about using AI as a tool is that it can come up with new language and new ways of expressing things in an industry that can easily become a bit stale and where jargon is everywhere. But whilst articles of this sort might work on a public-facing guidance site such as the Money and Pensions Service, it's hard to see a scheme or provider issuing material like this. For example, the article about CDC says that an advantage is that you get 'professional management', which you would hope you can get elsewhere in the pensions landscape! The CDC article is also somewhat one-sided, noting that downside

risks can be shared but not spelling out the flip side of a potentially dampened upside. Similarly, the article about pension choices talks loosely about reaching 'retirement age' as though this is a single point in time when all these decisions have to be made. You can see a compliance department having kittens about things like this! At this stage, it feels as though AI is a good servant but a poor master, although we should expect its quality to continue to improve rapidly.

LCP partner, Steve Webb

📌 The legal view

ChatGPT met the ‘fun and engaging’ brief, however the tone and style may not be for everyone and, for trustees, potential risk may outweigh the benefits of a ‘fun’ style.

ChatGPT uses descriptive language to help reach a wider audience than a more straightforward (or ‘boring’) communication. However, some younger members may be confused by some of the references (‘doubloons’, ‘Davey Jones’), whilst older members, especially senior professionals, may find the style patronising, or suspect that it is AI-generated or, worse, a scam.

The analogies, whilst entertaining, do not provide the absolute certainty of plain language and some are downright confusing (‘a parrot that keeps squawking ‘money for life!’; ‘the dragon may need to be tamed’). Whilst simple language can help people understand complex concepts, trustees have obligations to communicate clearly to members and act in their best interests, and most would be uncomfortable sending these comments without additional clear and concise explanations.

Some of the language is also misleading (‘You’ll never

have to worry about running out...’). Whilst limitation of liability language has been included, encouraging people to seek independent financial advice, trustees could be concerned that, despite this, some of the comments sail too close to the wind (to continue the metaphor) in terms of constituting financial advice.

The explanation of the UK CDC was accurate and outlined the key points. However, in some places it missed additional information and was lacking some detail on the practical application of UK CDCs, such as that they are mainly useful for large employers.

The point on the lack of individual control is true when compared to personal pensions such as SIPPs, although is less relevant when compared with employer DB and DC schemes, which a CDC scheme would likely replace. Overall, given the short briefs provided, ChatGPT has drafted a fair explanation. However, for nuance and further specific detail, human legal advice is required.

DLA Piper partner, Matthew Swynnerton

📌 The communications view

Yes, being ‘engaging’ is an important challenge but that’s not the same as being ‘entertaining’ – and ChatGPT doesn’t know the difference. It’s gone way too far with this metaphor. It might grab someone’s attention initially. Probably an equal number will be immediately put off and stop reading (an expert knows to test for things like that). Then it quickly gets confusing.

ChatGPT is great for brainstorming, so if you want a list of possible points you should make, or for some reason you want a cheesy metaphor, get ChatGPT to generate a list of 100 and pick one. What it’s terrible at is executing them. Particularly metaphors. What’s a flexible ship? Why do you have a pet dragon that you then somehow need to tame?

At times it almost feels as if ChatGPT knows its own metaphor is confusing, because it tries to explain itself with other metaphors! So, at one point it’s trying to explain the metaphor of a treasure map by using the metaphor of gourmet cooking. Neither of which is helpful or clear.

So, this effort might be funny (maybe?! Who would actually find this funny?!?) or cringey, and that’s up to the reader. The main point is that it’s not helpful and it’s not clear. Who would really know what to do after reading this, if they didn’t already understand how pensions work and know their options? We have to get out of the headspace of

someone who’s inside the industry and already knows how to unpick a metaphor to get to real, useful and genuinely engaging content.

The CDC article seems to only do half the job of explaining how it works and what’s different about it. Large language models are fairly unreliable when it comes to providing ‘facts’. And because of the way it works – relying on explanations that are already out there in the digital world – this article repeats mistakes that the industry has been making over and over. Not just technical inaccuracies, but mistakes in the way it tries to explain a complicated thing. For example, a lot of people in the industry try to explain CDC by referring to DC and DB. That’s a mistake. It’s no good explaining one thing people don’t understand by referring to two other things people don’t understand. ChatGPT has repeated that mistake.

Both these articles provide really good food for thought. They could be the basis for a first draft – there are some good things about the structure of both articles. But we need to be really wary of using ChatGPT in a way that magnifies old mistakes or helps us make those same mistakes more quickly. Confusing members faster isn’t better!

Quietroom development lead, Joe Craig