Should trustees be worried about the impact of artificial intelligence on master trusts?

Donna Walsh considers whether trustees should be worried about the impact of artificial intelligence on master trusts

Picture the scene. A well-known and widely trusted financial expert promotes an Elon Musk investment opportunity, via video. The video says that Elon Musk's new project "opens up great investment opportunities for British citizens". It is shared repeatedly across multiple social media platforms, including Facebook, Instagram and Twitter.

Interested? A lot of us might be. Particularly when so many of us are feeling the pinch. The trouble is, the promotion was completely fake. An AI-generated deepfake.

The financial expert supposedly promoting this opportunity was Martin Lewis, the MoneySavingExpert.com founder. Except that Martin Lewis had nothing to do with it.

Yet the video was terrifyingly convincing, due to the computer-generated impersonation of Martin Lewis' face and voice.

Martin Lewis soon posted his own message on social media, warning anyone who saw the video that it was an attempt by criminals to steal their money.

Robots have arrived

Sadly, such scams could be the tip of the iceberg in terms of what people may face in future. And they represent part of a much larger trend that seems likely to revolutionise our lives: Artificial intelligence (AI).

Recently, the use of AI has been seen in everything from song-and-essay writing, driverless cars, through to chatbot therapists and the development of medicine.

And it can be increasingly difficult to differentiate AI from human behaviour. For instance, the winner of a major photography award in 2023 revealed later that his work had actually been created using AI.

Meanwhile, a song using AI to clone the voices of Drake and The Weeknd recently went viral on social media.

So, what do these changes mean for how people might make financial decisions? How can people stay safe online when there are so many competing sources of information?

And what is the role of financial providers in this space, when some people – often young, but not always – might trust their social media platforms more than traditional financial services companies, and might be more inclined to invest in cryptocurrency than in a pension?

It's not all bad

ChatGPT itself was recently asked what AI could mean for DB pension schemes.

Its generated article was generally very supportive of the impact of AI (perhaps unsurprisingly), and suggested AI could add value in the following areas:

1. Enhancing operational efficiency and accuracy
2. Risk management and predictive analytics
3. Improved member engagement

Where the data is good enough, AI may well assist (or take over from) human administrators or investment managers in taking on repetitive tasks such as data processing, calculations and member communications while increasing efficiency and reducing errors.

With respect to risk management, AI could potentially help by analysing vast amounts of data to identify patterns. This could provide trustees with more accurate risk assessments, for example with respect to investment outcomes, data protection and cyber security.

And in terms of member engagement, pension member queries could potentially be dealt with in a similar manner to many online retailers, where chatbots and virtual assistants are becoming a common feature.

This might allow staff to focus on more complex tasks that will require more human judgement.

All of these opportunities are accompanied by risks, however. In pensions, neutrality is obviously vital and conflicts of interest must be thoroughly managed. For example, communications with members must be carefully drafted to not be perceived as advising on or influencing member decisions.

There may also be some susceptibility to bias in AI tools, which would have to be carefully monitored and controlled.

Recently, the EU's competition chief said AI's potential to amplify bias or discrimination was a pressing concern. Such bias was alleged when the Department for Work and Pensions (DWP) widened its use of AI to assess Universal Credit applications and tackle fraud. Such use of AI would therefore need to be accompanied by tight governance and control, with all final decisions needing to be made by a human.

More generally, there are also environmental considerations. Training large language models like ChatGPT uses significant energy and water resources, and trustees need to be mindful of this as part of their overall ESG strategy.

Balancing act

For master trusts, it will fall to trustees to try to find the right balance between allowing AI to be leveraged for the benefit of members, and not allowing undue risks to be taken.

This means understanding its current limitations, ensuring members' information is appropriately protected, and keeping pace as this technology evolves. However, it also means understanding the limitations of humans.

For the foreseeable future, at least, AI is unlikely to take over the pensions industry. Many of us will probably continue to want to interact with other people when making significant financial decisions. For instance, when deciding how to use our pension pots, many of us would still want to speak to a human expert, even if most of the calculations and recommendations up to that point had been produced by a computer or AI.

AI is also likely to have a tougher time empathising with people – particularly those with pronounced vulnerabilities, whether physical, mental or financial.

Often, it is only by living an experience first-hand, even just for a moment, that we can start to understand what people are going through. Imagine, for example, someone trying to access information online and make serious financial decisions while suffering from arthritis. Or an eye condition such as cataracts or tunnel vision.

AI may be able to understand the physical consequences of these conditions, but what about the feelings of vulnerability and isolation that someone in this situation might experience?

Staying safe online

None of us have all the solutions to the challenges that accelerating AI and automation might pose. We should, however, always be open to exploring how we carefully utilise emerging technology to enhance our propositions.

Sometimes even making apparently small changes can make a big difference to how customers engage with you. At Standard Life, this has included simplifying the navigation of our mobile app and member dashboard so that finding information takes as few clicks as possible on a smartphone or mouse.

We have recently partnered with Digital Unite to launch a digital skills hub, which hosts all our digital literacy resources in one place. This hub provides our customers with access to tutorials on a range of topics related to digital inclusion. Two areas of focus are 1) using the internet and staying safe online, and 2) managing your finances online.

We have also created a pilot series of webinars. These will provide guidance to help employees feel more financially secure at key life moments, such as having children, becoming a carer, getting divorced or experiencing menopause, which can greatly affect people's finances and retirement outcomes.

Somebody to listen

We are working to provide our staff with a greater understanding of digital inclusion, what it feels like to be excluded, and how they can act with confidence to help those most in need. We know that many of our customers have vulnerabilities, some may experience poor mental health and the rising cost of living is only making things harder.

Simulating the pressures of surviving on a tight budget is near-impossible. But Standard Life has created a virtual reality tool to allow our staff at least a glimpse. When you put on the VR headset, you find yourself witness to a simulated call between a customer and a Standard Life employee.

To your left you can see the customer sitting at her kitchen table on the phone, explaining how she is struggling with her finances and mental health.

She speaks at times with her head in her hands, tears rolling down her cheeks. It's as if you're in the same room as her. You can see her kitchen counter in the background, the ironing board, and a pile of laundry on the other side of the room, her houseplant and lino flooring.

To your right you can see a Standard Life employee. She is speaking in the office, complete with phone headset, mug of tea on her desk and colleagues working in the background. The employee listens sympathetically and tries to help.

Of course, this whole experience is triggered by technology. But it is felt by humans, all of whom crave a sense that what they feel is understood by another person. And perhaps this is where the real opportunity lies: Human emotion and engagement aided by technology to help provide better service and financial outcomes for members.

For avoidance of doubt, this article was written by a human!

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