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CHAIR



**Andy Cheseldine,
Professional Trustee, Capital
Cranfield**

Andy joined Capital Cranfield in 2017 after a career as an adviser to trustees and employers at Watson Wyatt, Hewitt Bacon & Woodrow and latterly as a partner at LCP. Using his experience of over 30 years in consulting on both DC and DB pensions and liaising with regulators, he is able to use his wide knowledge for the practical benefit of trustee boards. He has served on the Pensions UK DC Council since 2013 and has a successful record of advising on regulatory, governance, change management, investment, provider selection and communication issues.

PARTICIPANTS



**Phil Fortio, CPO and Co-
Founder, Raindrop**

Phil Fortio is CPO and co-founder of Raindrop, pension tracing solution company. In his role,

Phil leads on product development for the business and heads up the team providing innovative pension tracing solutions to Raindrop's clients which include some of the UK's largest financial providers. Prior to Raindrop, Phil held roles at Barclays Investment Bank as an equity markets analyst before becoming an ETF and Delta1 trader. Phil's previous entrepreneurial experience includes founding and running a fund management technology company as CEO.



**Jonny Muir, Chief Product
& Technology Officer,
Procentia**

Jonny Muir is chief product & technology officer at Procentia.

He has spent over three decades working in both software and pensions, holding positions including head of design and development director at Civica, and leading digital teams in Hymans Robertson's third party administration business. He is a regular contributor to the pensions and technology press, and a speaker at industry events.



**Anish Rav, Director of
Pensions Policy & Industry
Engagement, Capita Pension
Solutions**

Anish is passionate about driving innovation and promoting collaboration across the industry. He is known as an influential voice across pensions, and is recognised for his thought leadership and strategic insight into the evolving pensions landscape. He has held senior roles at leading pension firms and has advised master trusts, trustees, and corporate clients on DC and DB schemes. He is also a Fellow of the Pensions Management Institute and SPP Council member.



**Victoria Roberts,
Professional Pension Trustee,
Zedra**

Victoria is a pensions professional and trustee with experience spanning administration, governance and in-house scheme management. Having started her career over 15 years ago, she brings a practical, member focused perspective shaped by hands-on experience across adviser, employer and trustee roles. Now at Zedra, she focuses on delivering value for money, strengthening governance and supporting schemes through an evolving regulatory landscape, including cyber and data risk.



**Maurice Titley, Commercial
Director Data & Dashboards,
Lumera**

Maurice plays a key role in ensuring Lumera's propositions and innovations meet the evolving needs of its clients. Through his deep understanding of technology, financial services regulation and industry developments, he provides consultancy on a wide range of life and pensions data issues. He also chairs PASA's Pensions Dashboards Working Group, which provides support on dashboard implementation. He previously held roles at ITM, Watson Wyatt and Punter Southall.

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Chair [Andy Cheseldine]: I wanted to start today's discussion by thinking about all the regulatory demands facing pensions technology providers and administrators – from dashboards to targeted support, and so on. How does this all impact pensions technology today and going forward?

Maurice [Titley]: I think the new reforms coming down the track make some real step change demands of technology and of data. Look at pensions dashboards, for example – they are being live tested at the moment, but the whole idea that an individual can search for their pension and find it out there in the ether, without any central database supporting it, is a big step up for the platforms and the various technology stacks that support that. And it's got to be resilient. This is a dashboard that someone expects to always be available as well as find all their pensions.

Also, a lot of the other reforms coming down the track are aimed at supporting those who aren't engaged – targeted support and default retirement pathways, for example. There, the requirements in terms of understanding your data, understanding the decisions you're going to be making as trustees on behalf of your members, are significant and it becomes critical to do a high level of data analytics.

Then, of course, you need to make sure you follow through, you need to make sure your platform does what it's meant to do. If someone's meant to be in a certain default pathway, that's where they need to be.

So, these are big step change demands on technology and data.

Chair: Do we think existing pensions technology can cope?



Tech for a new world

► **From dashboards and targeted support, to transfers and tracing, our panel considers the technological challenges and opportunities that will define the future of pensions**

Jonny [Muir]: I would say, yes, existing pensions technology can cope with the overlapping regulatory demands we are facing, but there is a caveat.

The building blocks are there. Some of them might need simplifying and modifying, as old software always does, but all the things we need are there; it's not like the 1990s where we were building out digitisation and coming up with new things. The software just needs to do what it needs to do.

But, it is not reactive enough or even proactive. When things need to change, when you've got new regulations coming in, we can do that through configuration and so on. That's all possible. But it can still take a long time and it's quite hard for the admin teams to implement it.

So, in terms of how technology can step up, it's about making sense of what the changes mean and linking back to why the changes were made in the first place. And being able to, almost in real time, monitor what effect it is having. It's the 'so what' of technology rather than just saying, 'yes, we can do all of that'.

I agree also with Maurice [Titley],

it needs to do things right as well. If the technology gives you the wrong information or using it is painful, people will just disengage more.

Phil [Fortio]: There are clearly a lot of regulatory requirements and different changes coming in and, from the perspective of an API-led fintech solution, we like to look at things in terms of having the flexibility to meet each of these things in a modular way. Some of our clients, for example, will use us as a tracing solution, but they will then have other fintechs that they're using for their targeted support, and so on.

There are a lot of demands out there and trying to build all of that from day one is difficult, or trying to patch bits onto what you already have can lead to Frankenstein-like solutions.

So, for fintechs and other platforms like ours, where we focus on one specific thing and we do that well, it's about enabling those solutions or allowing those solutions through APIs so that other clients and providers can integrate with that and then swap them out as they need to – that is quite powerful.

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The demands are increasing and there are ways to meet them more nimbly by using off-the-shelf fintech solutions that can focus on solving that one core problem and then obviously taking the things that you want to do, or you want to own, more in-house yourself.

Chair: What is the trustee view here?

Victoria [Roberts]: From a trustee's perspective, it's about the rate of change that's coming down the tracks and whether we can keep up.

We also must always consider the potential costs associated with any change, and how that is being passed on to the membership, the scheme or the scheme sponsor.

In terms of targeted support, that in itself has its own risks. You could have systems producing incorrect information based on the data that's available, because we all know that data on some schemes isn't always completely accurate. As trustees then we are at risk of producing incorrect outcomes for members.

Anish [Rav]: You mention cost, and there is of course a wider debate around the value of administration; and what's good is that people are now seeing the value of administration much more so than in the past. If you look at what The Pensions Regulator (TPR) is saying, and at some of this legislative change, it is all helping to bring administration to the fore, which is the right thing because, all too often in the past, administration was given 10 minutes at the end of any given trustee meeting; and that is changing.

Going back to the original question regarding reform, I think technology has to evolve and it is evolving. A pension can be a 40-60 year product. If you think about what's going to change in that time, it is considerable, so technology has got to be able to adapt to those changes.

We sometimes forget also that the



industry has adapted when it has had to – when changes have come down the line, the industry has been good at getting together and dealing with the change. Dashboards is one example of that, where the industry has come together and said, 'this is what we need to deliver, so how do we do it?'

The pace of change we are seeing, however, is significant. In my 30 years in pensions, there's always been change. But the amount of change we've got at the moment is a lot; and the sequencing of that is going to be important, because that will help the technology as well – sequencing this in the right way and making sure we're doing things in the right manner will be key.

So, dashboards, targeted support, default retirement – what's the sequencing around all of that? Certainty on that will help the technology stack evolve and ensure we're doing the right things and that members can see what they need to see at the right time.

We've also done some research with Gen Z/Gen Alpha, and their technology needs are going to be very different to other generations. So, there's a whole debate around that too which we will come on to later.

Chair: Is it still possible to do user testing in any meaningful way given the pace of change?

Muir: Yes, but not user testing as we necessarily know it. When I started out

in technology design, user testing might have taken place over several months – now user testing is much more 'in the moment'. So, you have to listen acutely to everything that is going on and react accordingly.

Back to the point around change, technology was previously always about reacting to change and then automating things to meet that change. Today, it is more about how we develop systems which are coded for there always being change. So, as you code, you want to be able to see how this affects what's going to happen, because you're on the hook for the outcomes to the members.

Rav: If you think about how technology has evolved, compared to what people were using 20-40 years ago, there has been dramatic change, however we still need to keep old records, and we sometimes need to get data from those records, so there is complexity there.

Also, within pensions, we've got DB, DC, and now CDC coming down the line – all very different models which again adds more complexity.

Adapting to change

Chair: Picking up on CDC, are current pensions technology stacks capable of delivering reform today, while remaining adaptable to future models such as CDC?

Muir: The stacks that are emerging now are the ones that we need to adopt to address that technology change. If you go back in time, the stacks were about automating computing, whereas now we need to automate the change – it's difficult to keep up with all of that. I talk to people who are at the absolute forefront of AI and other technology and even they feel like they are behind.

So, the technology from the technology vendors is there and moving quicker than we can adopt it. So, going

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forward, the stacks are there, we just need to know what to do with them!

The technology stacks that software is currently written on is fit for purpose for what it does – again, given a bit of modification/simplification/making sure that bugs aren't known, etc – but, going forward, adopting the new stacks is really where it is.

Also, coming back to Phil [Fortio's] comments earlier, the stuff which has always been bread and butter i.e. the modular stuff, that's the stuff that really helps; APIs/modular stuff, it's still what you need.

Fortio: Yes. I live in a world where most of what we have done has always been cloud-based, always microservices, architecture, always API-first in our businesses. So, I feel like from what we build and everything we do, that modular, that flexibility, that API-first approach, our microservice stuff, makes our tech very scalable and very robust. So, as long as that can be adopted within the pensions industry as a whole, then it can all work.

Some of the legacy providers are still on big/single/mainframe technology, old school stuff, and that does need to change. You need to move to a cloud infrastructure to give yourself that scalability and that flexibility to bring in new solutions.

Chair: What is the trustee view?

Roberts: If I look at this from a DB perspective, having worked in DB admin for over 10 years, there was a time when systems weren't always continuously developed. You would have schemes onboarded on legacy systems rather than using the current admin platform. My concerns as a trustee would be, can we still use old platforms with all these changes, are they being developed? Will some schemes get left behind?

And we all know there are still some old microfiche or paper files that haven't been digitised which brings us back to the data discussion.

Rav: Data underpins everything – the data has got to be right.

Back to the question of whether current pensions technology stacks can cope with new things such as CDC, you have to go back to basic principles and ask what you are trying to do with all this. And then design on that basis rather than try to retro-fit into a system.

With CDC, for example, the actuary is going to need the data very quickly to make decisions, so the normal valuation cycles that we're all used to in DB are not going to work. Similarly, with decumulation, to give tools to members and actually understand what the objective is you need to make sure that all of that's working.

So, going back and asking ourselves, 'what are we trying to design?' is going to be important with some of these new things, particularly around CDC, targeted support and default retirement options.

Alongside that, the terminology of that technology has to be consistent, because if you think about it from a member/policyholder's perspective, they can't go to one organisation and for something to be called one thing, and then go to another organisation and it be called something else. As an industry, we've got to also think about that.

As an industry, we like to create complexity. So, let's think about avoiding

that in relation to technology as well.

Titley: That brings to mind some of the work Lumera has done in Sweden. We have a strap line called The Prudent Revolution, which is all about taking legacy complex estates and moving them onto new platforms – API-first, event-driven platforms; they are the way forward. That is the way to get best-in-breed technology components to make it easier to move on. But there are a lot of old-world setups still out there.

Chair: Has dashboards preparation helped with that at all?

Titley: There has been a lot of good work done for dashboards and there's been a lot of data improvement that's been required for them and that is still ongoing. Saying that, it would be wrong to say that dashboards have driven a big step change in terms of the underlying technology, because dashboards are primarily implemented as a layer that sits on top of what's already there.

The new reforms that we have been talking about today, on the other hand, I would argue have created a far bigger push towards a fundamental change in the underlying technology; and you need that basis in place – change will keep coming so we need to be able to adapt.

CDC is interesting in that it shifts some of the risk in a way – there are actuaries designing their products and there is a system implementing those products, and it has got to work, it's got to be resilient, otherwise the trust breaks down. A lot of people agree that CDC is a much better solution for a lot of members, but it's not going to work if members end up not trusting you.

Muir: If you think about the technology stacks as being the modular architecture, I think the future technology stacks will be what links everything together, and that's where



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AI is going to come in. So, it won't be a case of getting everything off microfiche and putting it into structured data, it will be about how we make sense of some of that unstructured data, whether it's scheme rules, getting the benefit specifications, and so on.

Chair: In my earlier years, I would argue that around 60 per cent of IT spend was on hardware, 35 per cent on software, and 5 per cent on training. What you should have had, however, was 20 per cent on hardware, 40 per cent on software, and 40 per cent on training. Do we think any of that has changed or are we still spending maybe too much on software as opposed to hardware now, and not enough on training.

Fortio: When you are talking about software versus hardware, given that we build everything in the cloud, we don't have much of a hardware cost to our business. Again, that is what gives us great scalability in what we do.

What allows us to survive and thrive as a fintech is to be low capital intensive and not take on that hardware cost and do everything from a software basis. So, for us it is 80-90 per cent software cost.

Chair: And are we spending enough on training?

Muir: We are definitely not spending enough on training, but I'd reframe it from 'training' to 'awareness' and 'learning', and that being part of the culture of an organisation. Our business pays for Microsoft Copilot 365, for example, yet lots of our staff don't really know how to use it to its full potential – they play around with it at the edges (even if some others do use it quite well).

So, it's about making learning and awareness just part of how we run organisations now, and there is definitely space to do more of that.

Chair: Can AI help there?



Titley: It can of course help in lots of areas, but there are also going to be areas where AI might not always be the best approach. If someone is using the MoneyHelper dashboard, for example, and they have an AI agent telling them all about what they are seeing, there are dangers there. It can't compare to having a real person properly explaining what you see in the context of what they understand about you and your needs. So, there are risks there.

Fortio: Yes. You can build in certain guardrails there to help with things like that, and they should be built in from day one. Whenever we use any AI-based solution, for example, even if it's for internal training, it will reference the documentation – so it's still built on manually human-written documentation.

Without those kinds of things in place, yes, you get the risk that someone thinks they can just trust things when they shouldn't. It does hallucinate.

When we started the company, we had lots of rules-based algorithms in place, and we've augmented them with AI rather than replaced them. Then we also have the luxury of being able to test between what the AI flows did before and after. In the rules-based stuff, you get humans in the loop and manual intervention, and it's very interesting to see, from our data, that AI does make mistakes, but so do humans. And AI does

make less mistakes in general.

Chair: More problems will arise though when people trust AI more.

Muir: And it's not accountable for its mistakes either.

Rav: That's why you've got to have the human in the loop – we're using AI and providing a lot of training for colleagues, but the guardrails are really important.

Addressing trustee concerns

Chair: What are the main concerns keeping trustees awake at night (and have those concerns changed)? And how can advances in technology help?

Roberts: I don't think the concerns have really changed, but the goalposts have. It was always about paying the right benefits to the right members at the right time. But now we've got added risks attached to that, such as cyber, incorrect data and system performance risks.

Technology advances have helped in various ways – we see more secure portals being used, for example; members having to use multi-factor authentication when logging in to view their pension details, and so on.

In response to cyber attacks, there are a lot more training and webinars available to make us aware of the dangers. We are also now expecting more from our administrators in terms of visibility of cyber risks and controls.

There is also definitely an increased awareness through IT monitoring systems and the introduction of scheme cyber incident response plans. I've even attended a few simulated cyber attacks which have been useful to test how resilient the trustee plans are if ever faced with this scenario. I wouldn't say we've mitigated all the risks, but we are a lot more aware of them than we used to be.

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We are also seeing technology advances on the data side. A lot of advisors are coming forward with advanced data tools that not only do in-depth tracing but are also being used to help schemes with data gaps when approaching their endgame journeys. This type of advancement used to come with significant cost, but we are seeing it become more affordable which is good news especially for schemes at the smaller end.

Fortio: When thinking about cyber threats and similar risks, we built our platform up very modern, so we are comfortable that we have in place what we need to help mitigate those risks. We do regular penetration testing, for example. When you do all of those things in the right way, you give your end clients confidence in the solution and that should see you through ultimately. The trustee concerns that Victoria [Roberts] raised in that regard are the same concerns we have with our own tech stacks. We obviously want to make sure we're secure as well.

Muir: To the point Victoria [Roberts] made about paying the right person the right amount at the right time, that's the basis of what trustees are all doing, it's their responsibility to get that absolutely right, and one of the things that puts that at risk is the technology not working.

From an organisational point of view as well, when we used to talk about cyber risk, it was always a hard conversation, whereas now in organisations it sits up at the exec, and near the top of the risk registers. That's good! You can never fully defend yourself against threats, but you just need to be as resilient as possible when they present themselves.

I am also a massive fan of standards, regulation, anything that makes my life easier and that is well thought through. I

think we are in a good place there, there's a lot of that around and people are taking it seriously.

Titley: What is keeping me up at night? I do a lot of work with the Pension Administration Standards Association (PASA) on dashboards, and dashboards is a classic example of a new set of regulations. When you go through those regs and understand exactly what they mean and how things have transpired, you realise that trustees, as duty holders, have a whole set of things that they're responsible for. And of course it flows down to other parties – administrators, connection providers, ISPs, whoever they are – and understanding those things is complex. PASA is doing some work to help the industry with that.

There will also be a lot of secondary legislation that comes out of the new pension reforms and, while the detail of the rules is not necessarily that exciting, ultimately, it's the trustee who is liable for following those rules, so that detail will be important.

Rav: Trustees now need much more information, including on DB schemes, where you need to make funding decisions and look at overall strategy.



The professionalisation of the trustee role and the changes means that they've got a higher duty now perhaps more than ever. Obviously, there's a consultation on that as well, so it will be interesting to see the results of that.

And on the data, we've got to have the data right to be able to make those right decisions. Trustees are rightly saying that these are the things we need to talk about, which is good, because before they used to be quite low down the agenda; and how technology can help with all of that is really important.

Roberts: I agree – in the past, data items were maybe given a small slot at the end of the trustee meeting but now, with the Effective System of Governance (ESOG) having come in and the requirement for administration forms that we're asking administrators to complete, we're getting a bit more reassurance. We're actually starting to receive reports that show those administrators are undertaking the activities we've delegated our trustee responsibilities to them for.

Rav: That goes back to my earlier point, that administration – not just the technology element, but overall – is now getting much more airtime than it used to do. If you look at the DWP consultation on trusteeship and administration, that's bringing that to the fore which is a good thing.

Muir: I think professional trustees play into that as well because they bring a level of organisational maturity that you wouldn't necessarily get at scale in the past.

Fortio: We talked earlier about having the stack built in the right way from the start, having all your alerting and monitoring in place. Of course, the attack vectors are changing so quickly all the time so you're not always going to be

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protected against everything, but if you've got the right monitoring and alerting in place, you can have the confidence to say, 'oh, I see someone's trying to call our APIs from China, what's happening there?' You make sure you've got those things in place, so you give confidence to your end clients or your trustees.

And then beyond that as well, to deal with new attack vectors, we have continuous integration, continuous deployment, which means we can move very fast when we need to make changes. If we've identified another attack vector, we fix it quickly, we continuously integrate, continuously deploy, so that kind of modern stack allows us to at least try to move as fast as the cyber criminals.

Advancements in tracing

Chair: How can advancements in technology help overcome historic challenges in pension tracing?

Fortio: Tracing has been around for a long time but, in the past, it was so punitive from a cost perspective that it was never really a scalable service that could be offered.

Back in the day, you had humans phoning up pension providers, etc, and doing all the manual work needed to get the job done. If it wasn't for the advancements in technology, we would not have been able to get to a solution like we have today, at a price point that actually makes sense for our end clients to take on, and offer value for money on that kind of service.

We use things like Optical Character Recognition (OCR) to extract structured data, turn unstructured data into structured data, but now, with things like agentic AI, we can take that to the next level in terms of identifying next steps, with the right guardrails in place. We can use AI, for example, to connect the dots



between a document we receive/the user/the request, and whatnot. And without AI, we probably wouldn't have been able to get to the level of automation that drives the operational costs down to a point which makes sense as a price point.

There are other interesting developments that are happening too. We have strategically always tried to meet the requirements of the providers we reach out to when we trace, which sometimes can mean that we need to do phone calls. Phone calls, again, are not operationally scalable. But now, with AI, we've been doing outbound provider AI calls – we get AI to do a transactional call whereby we collect the data from a human operator that speaks with us and then pass it via webhooks back, so it automates that into our system.

So, tracing would not exist in the way we do it now, as scalable as it is and able to meet the demands of today, if it wasn't for technological advancements.

Chair: How does tracing at Lumera and Capita differ to the Raindrop offering?

Titely: Lumera is engaged in tracing whereby the scheme is finding the member, rather than the member finding the scheme. But, at the heart of it, the challenge is the same. It is a matching challenge, which is talked about a lot in respect to dashboards. We use credit reference agencies to do that tracing and, ultimately, you are trying to match up the details you hold with the details they

hold. In a lot of cases, it's straightforward. But where it's not straightforward, that's when the types of techniques that Phil [Fortio] mentioned come in. And AI does have a role in this for sure.

Rav: Capita also has a tracing business and, over the last year, we've started to look at it a bit differently. Rather than saying, 'let's trace members', we are saying, 'let's try to never lose those members'. To that end we have launched Digital Mover, which uses technology to work out when members might be moving, and to then give prompts to members to remind them, when they are moving, to update their new address. That adds a lot of value. Let's face it, if you're about to move house, the last thing on your agenda is going to be telling your pension provider about the move, so if you can prompt members, it helps.

Fortio: People do update their retail banks, so yes, a prompt to say, 'while you're at it, why not also let your pension provider know', sounds useful.

Titely: Pensions dashboards should also help with all of this.

Saying that, none of this, of course, compares to what they have in some other countries where you can obtain somebody's current details from a national ID number – we're not going to get there in the UK in the foreseeable future, so we have to find other ways.

Roberts: There is certainly a lot more choice and variety of tracing now compared to the past. It used to be your administrator couldn't trace a member so you would use that admin provider's tracing service and that was it. The data used to trace has advanced as well, with searches including social media platforms. But there are of course dangers associated with that and the risk of scammers intercepting that need to be considered.

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Pension transfers

Chair: Can technology help with friction points in pension transfers?

Rav: It depends whether we're talking about DC or DB, but if you think about it from a DC perspective, I think technology will help with that. Some friction, in the right context, is probably no bad thing. Pensions are complex – members might have guaranteed annuity rates, and so on. So having a little bit of the 'good friction' in there is probably no bad thing. But technology is going to help reduce the 'bad friction'.

I remember a few years ago my wife trying to do a pension transfer from a DC scheme from one provider to another. It wasn't a huge amount, but she got a 40-page pack to try and transfer! Technology will take some of that stuff away. Now you'll be able to transfer, hopefully, in a much more digital fashion, which is what people expect today. So, it will reduce the timescales.

Roberts: This is a topic that is discussed a lot in trustee meetings – a lot of transfers do take a long time to process.

From a DC perspective, things have sped up over the past few years due to straight-through-processing, online verification of ID and so on.

But on the DB side, there is still a long way to go. What might make things easier, is trying to create a more standardised process across all providers. It would also help to give members more visibility as to what's going on. One admin provider I work with, for example, provides visibility on the status of their case logged on the system. That way, the member isn't having to constantly chase progress.

Fortio: As we are focused on the tracing side of things,

we don't touch the transfers part of the process. But, from our experience of speaking to clients, with a lot of transfers, a lot of the issues seem to be data related and related to the quality of the data going into the transfer in the first place.

So, for example, members keying in plan reference numbers wrong against the wrong scheme, or not knowing which scheme they are registered with, and there are technical things that we provide to our clients that can help with that. You can do a regular expression check against plan reference numbers to see if they match what you expect for a scheme before even initiating the transfer.

So, a lot of improvements can come through cleansing that data beforehand.

Also, there are a lot of quality issues – for example, employers who won't update their records when the member leaves, and so the policy is still marked as actually receiving contributions, which leads again to issues at the transfer stage. When those things are addressed with the member before the initiation of the transfer, they can get up to 80 per cent straight-through processing on their transfers.

Muir: I'm going to answer this from the point of view of the service design. Building on what Anish [Rav] said about a bit of friction being a good thing, that's

absolutely spot on! You need to remove the friction where it shouldn't be, and you need to put in place some safety measures where there should be.

On the data point, if you've got bad data, you're going to have bad service. That's an absolute no-brainer.

What's also interesting is understanding where things are going wrong, this is failure demand; so when you look at service, you're looking at failure demand, and you're looking at how the two things can affect failure demand and it might be something as simple as stronger nudges, and things like getting people information at the right time that are needed.

Titely: Thinking about the safety and the frictions that are in there, you might be asking questions when a transfer request comes, as a ceding scheme, such as 'is this a real scheme, is this really our member?'

And if we think about this in relation to small pots, if small pot consolidation does happen, and small pots start getting transferred, the school of thought is that most of the stock will end up getting transferred in bulk chunks, and then the flow will be transferred individually. But in both those scenarios, if the small pots identification piece has worked out and they know which consolidator it's going

to go to, then the whole point about saying 'is it you?', that matching side of it, won't be a problem. It's going to an approved consolidator. You've also got the question, 'is it a scam? Is it a real pension arrangement?' That won't be a problem. We'll know it is real. So, it's quite interesting that in the context of small pots, a



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lot of this friction might drop away which will be helpful, but it will still exist, obviously, for other transfers.

Rav: It's just about making sure we're not creating barriers for barriers' sake – and technology will remove some of those barriers – whilst at the same time making sure the right checks and balances and guardrails are in place. There are a lot of scams out there, so making sure people don't get scammed is so important, and tech has a role to play in all of that.

Roberts: Yes – there's still quite a lot of manual work with transfers, which comes with its own risk, for example it certainly used to be that you had to check an approved list of IFAs and overseas recognised arrangements that you could safely transfer to. The list might not have been updated for a while, which meant you could be warning someone of a potential scam, when it wasn't. I definitely think the advancements in technology will help with things like that.

Harnessing AI

Chair: Should the pensions industry fear or celebrate AI? Also, Gen Zs' attitude to tech and pensions is different to previous generations – what risks could that pose from an AI point of view?

Rav: It's important that we use AI, but that we don't just use it for AI's sake – we use it in the right way, the right areas.

At Capita, we're already using AI, but with the right guardrails in place. Having the human in the loop is also important, so the human is still accountable.

More widely, as an industry, everyone needs to understand what AI is and what it isn't. There are lots of misconceptions around AI and what it can and can't do. Having that base understanding across the industry, including trustees, is really important.



So, yes, AI is going to be a positive, but it's got to be used in the right way. It's not going to replace humans – it's augmenting humans, freeing them up to be able to do the more value-added stuff, but with the right checks in place as well.

On Gen Z, we undertook some research with them (and Gen Alpha) recently around their attitudes to pensions. We spoke to individuals in focus groups and the results were interesting because there were quite a lot of myths that got busted. One thing we discovered was that, actually, they are ready for pensions, but they need pensions to be delivered for them, and in the right way.

If you think about pensions historically, they've always been designed by the previous generation. Does that always work? For example, we as an industry tend to say things like, 'give up your daily cup of coffee and put that into your pension.' Well, actually, that's just turning people off because they want to have those little luxuries.

Also, how do they use technology? They use technology in very different ways. There's a misconception that young people don't have a long attention span, but actually they are online, playing longer games, or they are doing virtual training. So, they are interested and can be engaged, just in a different way to us. AI can help with that.

Don't get me wrong, there are lots of dangers with AI as well. That's why we always say you need guardrails – you need to understand the risks and work out what you're using AI for. But there are also opportunities.

Titely: In terms of AI, we have a whole range of different AI models, and it's

very easy to think of AI as being all about ChatGPT and other large language models that people interact with, but there are some important new use cases coming down the track. For example, when you're looking at who you assign to default retirement pathways, you might want to use AI to look at that because you're trying to understand what signals the data you hold gives you about what someone's going to do and whether a pathway is going to be appropriate for them.

From a trustee perspective, we have been making the argument that, for default retirement pathways, you might come to a point where you'll say, 'I really should be using AI because AI is made to do these kinds of predictions, made to draw out reasons why this might not work for this type of person, that just would not be obvious to human analysis.'

So, I think trustees will want to become comfortable with it. There's definitely a need for increased guidance, and providers have to set out their own approaches as to how they operate and how they govern, and there's going to be some guidance later this year from TPR which is good. I think there will be a lot that trustees need to give them confidence that their providers are working within the right parameters.

Roberts: AI creates opportunities, but it also creates risks.

Tech roundtable

As a trustee, it's a very busy job. Some of the decks that come through run to 600 pages or so, and sometimes you might just want a general idea of what's on the agenda. AI can help with that. It can give you the ability to focus on the areas that you want to focus on, for example, before you go into a meeting. Or if you've got a trustee board, give them a bit of a heads up of what's coming in their direction.

The risk side of things that worries me is the amount of information that people are willing to just pop into the web. 'I'm this age, this is my name, this is my date of birth, tell me what my financial outcome should look like.' That's something that worries me quite a bit.

On the Gen Z side of things, what I've seen is they bring a bit of fun to everything. For a long time, you used to just get a newsletter, and it would be quite standard. We're now sending out links and providers are using platforms like Tik Tok to make it all a bit more fun.

Fortio: AI has a lot of value to give. Again, the guardrails are important as is taking an incremental approach.

Our processes, for example, had a lot of rules-based workflows and things like that, and we slowly brought in AI to augment beyond those, with all kinds of controls in place. And when we do that, and we constantly regression test and see how things improve over time, then obviously we gain more confidence and roll it out more.

Through the tracking of the data, we can also see that humans make more mistakes than AI does in general.

What we try to avoid doing is always using AI in things that have well-defined outcomes. So, we know what the next step should be. We know what data should be extracted from this so we can corroborate and check that.

One approach to using AI is to automate what was already done before. But where things will get very interesting is where AI can enable what was never done before. We've been working on, for example, a fee comparison tool for pensions. A lot of people want to compare the fees in their policies, but there's usually static comparisons. It's very complex, different policies will have their own fee structures, and it's only through the use of AI that we've been able to extract the data from the policy, but then also source the other bits of data that we need online from fund websites, etc, to collate a full picture. That has enabled us to give, what we think, is the most comprehensive fee comparison to a member when making the decision of whether they should transfer the policy that we've just found for them. So, that's a very exciting area.

When it comes to the Gen Z side of things and their use of AI, the most important thing is the outcome of it. Gen Z are obviously more AI first, they're naturally using it in their a day-to-day, but ultimately the outcome they're looking for is maybe they're asking for financial advice, right? Or they're asking for these kinds of things but, to be honest, would they really care if it was AI that was delivering it? They just want the outcome of that guidance, which is where targeted support can come in and things like that.



Things like proxy voting are also powerful! Gen Z want to engage with their pension, and they have things that they care about – they want to be able to see if their pension is invested in oil, for example, or they might want to have an impact on where their pension is being invested. Technological solutions that help them achieve those aims will be important.

Muir: Should the pensions industry fear or celebrate AI? Regardless of how we feel about it, AI is here, and it is going somewhere as well. AI, for me, is automation, and there's a pattern that happens with automation all the way through history – through the industrial revolution, through the information revolution, through web, through to what we've got now. And it is always that you lead the automation to start with, then you get the human in the loop. I don't think we should be under any illusion that we will get to a place where the human will not be in the loop for it!

We need to follow what it's doing, and we need to provide the necessary safety tools around it. So, things like AI standards and regulation are important.

From speaking to my own Gen Z children about pensions, it is clear they care where their money is being invested, but they don't necessarily equate pensions with investment. So, it will be interesting to see how technology can change that.

Chair: To conclude, I think we should both fear and welcome AI. There are lots of opportunities out there because of it, and I suspect the future is bright because we're going to be able to do a lot more positive stuff than we could before. However, as everyone has said, we need to make sure the right guardrails are in place to protect everyone as we go forward.