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HUMAN TOUCH IN THE BRAVE NEW WORLD OF AI

Advisers' roles will change as AI advances into the workplace pensions sector. The human skill of storytelling will become increasingly important

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You would need a fully functioning crystal ball to accurately predict the likely impact of artificial intelligence (AI) and large language models (LLMs) on the workplace pensions sector. What is certain is that things will not be like they are now.

AI is already accelerating into the DC pensions sector, as it is pretty much everywhere else. And with the ongoing radical policy overhaul of the pensions sector set to transform retirement saving even without this science fiction innovation, the need for advisers to adapt to change has literally never been greater.

The provider size threshold, VFM, small pot legislation, the Mansion House Accord, dashboards and a range of other ongoing policy initiatives will have a transformative impact on workplace pensions. At the same time, artificial intelligence and other disruptive technologies are reshaping pensions in ways that have previously been unimaginable.

Like all technical innovations, AI will reduce the need for mundane, repetitive tasks. It will also bring more personalised, engaging, informative communications to individuals that should leave scheme members far better prepared for their retirement.

Early adoption of AI will likely focus on internal processes. Most people are using AI either at home or at work, and we are all getting more productive as a result.

But in the coming years we will see a marked increase in consumer-facing innovation. Hyper-personalised member engagements will include prompts around when to consolidate, how much to contribute and how to think about drawdown.

Banks are already doing much more than pension providers in terms of interacting with customers. This is partly because of regulation, but also because they know so much about them. The pensions industry will need to engage members to encourage them to share data so that interactions can become more personalised.

The dashboard and integrations with open finance will create an opportunity to present members with retirement readiness scores and paint future scenarios more clearly.

The speed of change, and the scale of adoption remains to be seen. There are parallels with debate at the turn of the millennium as the internet changed the world forever. It did change the world, but not in the ways initially thought, and while many jobs did disappear, as many new ones were created.

Notably, financial advice is the one area that has not been cracked by the internet even now, a good quarter century after it became widespread.

This may also prove to be the case with AI. Online tools are only of use if someone can get people to look at them. The storytelling element that the advisory community is so expert at will be a premium skill in the world of the future. Until that is, the bots are so realistic that we can't tell them from us.

INSIDE

ROUND TABLE REPORT

UNLOCKING THE 2030 OPPORTUNITY: ROUNDTABLE

OPPORTUNITIES IN DIGITAL DISRUPTION

The pension industry is already feeling the impact of the AI revolution. But Emma Simon hears how even greater change could be on the horizon

The rapid advancement in artificial intelligence over the last two years is already impacting the workplace pensions market, with providers and consultants anticipating more significant transformation in the years ahead.

This was one of the main topics of conversation at a recent roundtable event, hosted by Corporate Adviser, looking at the opportunities lying ahead for the industry this decade, and the challenges this disruptive technology will present.

Royal London's group head of data strategy Lee Wilson made it clear that discussions around AI's role in the pension industry are about developments happening now, rather than blue-sky future-gazing.

"AI is already here. We've been using more narrow forms of AI, like machine learning and first-generation language models, for some time in the financial services sector to add value for businesses. We are already starting to adopt generative AI tools to find ways to improve products and services in the pensions space."

Much of AI's use to date has been to improve and streamline internal processes, rather than on member-facing technology.

But Wilson said that the next generation of AI tools will transform the industry. "When I think about the scale of disruption in this space, it's akin to computers coming into the world of business, or the shift that occurred with the advent of the internet."

Wilson said one of the key changes happening now was the "democratisation" of AI tools.

This is opening up AI to a wider audience who don't necessarily have coding or tech backgrounds, which is helping drive innovation. She added that newer AI tools are increasingly sophisticated, making them appear more intelligent.

"The latest generation of AI models can deliberately do 'slow thinking'. In other words the model can explain what it is doing, or thinking at each stage, so users can interrogate that and audit it and understand what is happening in there."

From right: Roy McLoughlin, Lee Wilson and Emma Hadley

Gavin Zaprzala-Banks

AI solutions are also increasingly multimodal, she says. "This is just a fancy way of saying they can deal with lots of different types of data. It doesn't all have to be structured data in rows or columns; it can be free text, voice data or images, and it can generate content in all these forms too."

Pension applications

Wilson said that these various aspects will mean AI can deliver better information for consumers and digitalised guidance — particularly as part of the proposed new targeted support services. "This will be a key opportunity for the industry," she said.

"More 'intelligent' AI models — often called agents — are already far more effective than the chatbots of old. We're getting to the point where a dialogue with the agent will feel like a conversation with a human. It will be very, very difficult to tell the difference unless the AI shares this information."

The consultants attending the roundtable event said this raised some obvious ethical issues.

Howden Employee Benefits and Wellbeing head of pensions Emma Hadley said: "It is a good thing if these new models can help people have more productive and effective conversations around pensions and retirement. But to me, one key aspect is making sure people know that they are talking to an AI agent. I've seen all sorts of avatars where it looks like you are talking to a real person. What responsibility is there on providers to disclose this information?"

Gallagher Benefit Services senior DC consultant Rupert Redman added: "There is a big danger that individuals will be misled by their own use of AI. It's an exciting opportunity at the moment, we need to embrace these changes, but it's a Wild West out there at present and I think the regulators need to get on top of this."

Wilson agreed this should be made clear, and said that it was imperative firms had good governance around new AI models. Royal London had employed an 'AI ethicist' to address some of these issues, she said. However, while larger established providers may seek to adopt best practice on these issues, there were concerns that this would not be true of all AI providers, and many advisers want to see clearer regulation around this issue.

Accuracy concerns

For the consultants in the room, the other big concern at present remains the accuracy of content generated by AI models.

Hadley pointed out that many search engines, like Google, already embed AI into searches. "For more general questions the answers given are around 88 per cent accurate at present. But if you start asking more detailed or technical questions the accuracy rates are quite poor at present." ▶

She added: "We have had members who've used AI tools and got completely the wrong answer. This is an issue the industry has to grapple with, because this technology isn't going away."

Wilson said that providers like Royal London are building their own proprietary AI systems, trained on their own source material IP. "We've engineered them so they are Royal London-specific. We've given them knowledge artefacts which include the relevant regulations for our industry, information about our products and services, and even the company's tone of voice and house style."

This more rigorous approach, she said, can deliver far more accurate and specific answers to more technical questions. "The challenge for the industry is to create something that has the convenience and appeal of ChatGPT or a Google search, but the veracity is much, much higher.

"I think the knowledge management space is going to be a really crucial area and it will be important to develop skills and governance around that."

While most consultants were sceptical about whether AI-driven solutions would replace individual financial advice, many saw huge potential in guidance and targeted support solutions, delivering a more effective service than previous 'robo-advice' options.

Omny strategic partnerships consultant Roy McLoughlin said: "As advisers there aren't enough of us to go around, and we don't see many younger people entering the market, so this is where this technology may help, particularly to those who are not accessing advice or guidance services at present."

As well as having a more intuitive and 'human-like' interface — those at the event were optimistic that these AI-led agents could deliver more personalised answers to those seeking help with pension saving and retirement options.

Data challenge

But Wilson pointed out that in order to deliver this, pension companies have to make better use of data. Wilson has a background in retail banking, and has seen first-hand the transformation that initiatives like open banking had on the industry.

She said pension providers do not have the same rich data points as the retail banks, but could make better use of the data they have on members, while also incentivising them to provide relevant details about their circumstances.

"We need data in order to offer something more personalised and useful

Emma Hadley

Rupert Redman


Mohammed Amin


Lee Wilson


Roy McLoughlin


Jamie Jenkins

back. Customers aren't going to share data if they think this is only going to benefit the provider. We need to demonstrate how this benefits the customer, by delivering better solutions for them, tailored to their needs. Employees — and the employers — need to see the value proposition and know that the more they engage with these tools, the more personalised the content will be."

AI can improve internal processes to help facilitate this, she added, for example taking information from phone conversations. "There are definitely opportunities to take the data out of that interaction and deploy it in order to improve customer service through all stages of the journey. It could highlight vulnerabilities for example, and may ultimately remove the need for a lot of form-filling."

Consultants said that this shows the potential for AI across the industry when it comes to delivering more efficient systems, not just for providers but for the consultancy side of the business too. Foster Denovo head of client consulting Gavin Zaprzala-Banks said: "Most organisations are starting to use AI internally to do many of those frustrating, time-consuming tasks. AI is helping make humans more human, freeing up time to enable us to do the genuine consulting and deep thinking that the industry needs, rather than just cranking the handle and keeping things moving."

He said consultancy firms already make widespread use of AI through programmes like Microsoft Copilot, which is having a "real difference" on what teams can deliver and at what speeds.

Delivery dates

McLoughlin said the big question is when we will see more transformational change — particularly in relation to AI agents delivering highly personalised solutions — and whether this will mean better pension outcomes for savers? Did the AI experts in the room expect this within a couple of years, or by the end of the decade? Wilson said this was very much a near-term project. "The technology exists now. It's the engineering and how people use it — that's where the challenge lies."

The current regulatory framework is potentially also an issue when it comes to rolling this tech out at scale at present, with Wilson noting one of the bigger challenges, when delivering personalised guidance, was "ensuring it doesn't slip into advice". However, Royal London said that it was in favour of the more "principles-based approach" from the regulators, which was allowing innovation at present.

Many in the room thought that AI would certainly deliver real benefits — but most thought there would still be a critical role for consultants and advisers, not least in highlighting the need to engage with pension issues in the first place.

Royal London's director of policy Jamie Jenkins said in many ways this will be an evolution rather than a revolution. AI will be driving improvements in products and services, and people will be using these tools, but may not necessarily be aware of it.

He drew a parallel with changes in the banking industry in the last decade, where a combination of technology and better data sharing has facilitated faster account transfers and speedier payments. "People didn't say they were using open banking, they have simply got used to making instant payments through the apps on their phone," he added.

Jenkins said AI presents a huge opportunity for the pension industry to do things better, particularly when considered in relation to wider regulatory and technological change — be it the advent of targeted support, the consolidation of small pots, the introduction of retirement defaults, and most importantly, the launch of the pensions dashboard. ■

UNLOCKING THE 2030 OPPORTUNITY: ROUNDTABLE

DATA DRIVE TO BETTER PENSION STORYTELLING

AI will be a powerful addition to an adviser's toolkit, but there is still a need for human interaction to drive engagement around pensions. **Muna Abdi** reports

The Government's ambitious reform plans will reshape pension providers by 2030, driving consolidation, better value, and increased UK investment, with AI set to play a key role in transforming the market. But no matter how advanced technology gets, attendees at a recent round table event said that the human touch and telling meaningful stories will remain an integral part of helping people understand and make the most of their retirement options.

Pensions dashboards and open finance lie at the core of this shift, changing how customers access and engage with their pensions, evolving from data aggregation to more personalised guidance. These changes will reshape adviser business models and client engagement, as regulators focus more on outcomes than processes.

At a recent Corporate Adviser round table, delegates examined these themes, exploring how digital innovation and wider pensions reforms will drive market development and impact providers, consultants and clients.

Dawn of the dashboard

As dashboards edge closer to launch, they not only promise greater data visibility but also underscore the need for AI to turn that data into meaningful insight and engagement.

Dashboards are set to tackle one of the pension sector's biggest challenges by helping people reconnect with lost or forgotten pots. Omny strategic partnerships consultant Roy McLoughlin noted: "People forget pensions they've had. Dashboards could help them reconnect with lost pots, which is essential to reducing consumer detriment."

But the real transformation is likely to come from the ability to draw in data from various sources, giving users an overview of their finances without having to track down lost pensions. Royal London head of data strategy Lee Wilson said: "Dashboards and AI offer a chance for holistic customer views, especially with consent-based data sharing that enables personalised and accurate scenarios."

Wilson highlighted a crucial second layer of consent, where individuals permit providers to enrich data and model outcomes, rather than just viewing the total balance in a specific pension scheme. She noted: "That's where the real impact will come from."

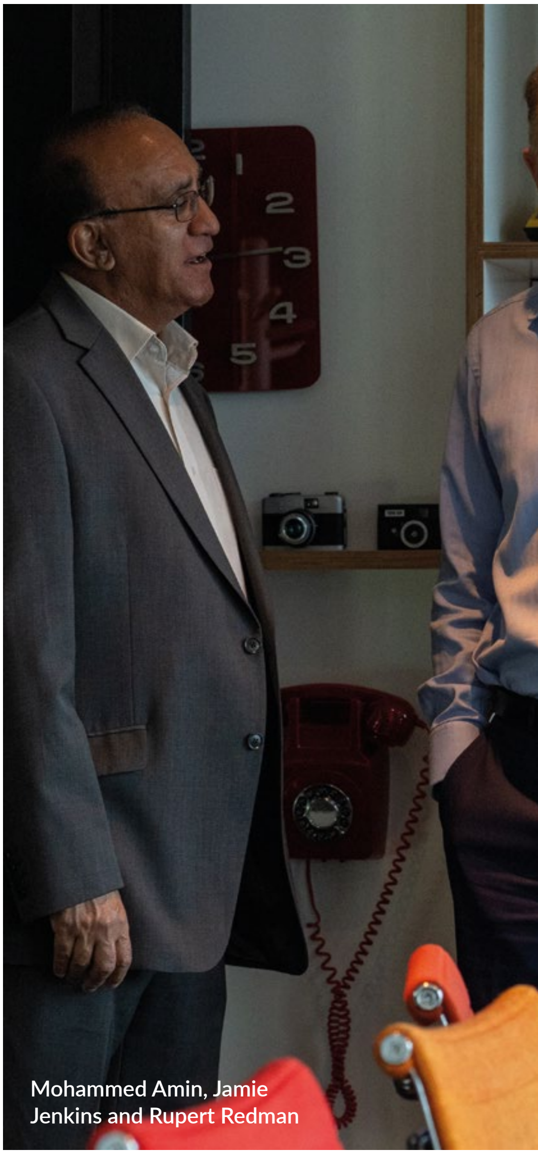
According to Wilson, past reforms give us an idea of what might happen next. When open banking started, despite previous concerns, the majority of people did not switch away from the largest providers. However she said it did highlight how some customers, particularly younger and the more tech-savvy ones, behaved. She said this insight has already helped shape new product designs.

Targeted support

The introduction of the Pension Schemes Bill ushers in a host of new reforms that will support many of these changes, including the introduction of targeted support. Royal London director of policy & external affairs Jamie Jenkins added that targeted support "nudges people into making good decisions rather than the current situation which is largely centred around warning people of all the dangers of doing the wrong thing."

For providers, it's about moving from static statements to dynamic tools. Secondsight head of client consulting Gavin Zaprzala-Banks said: "Empowering members to see all their numbers in real time makes the conversation more meaningful, for both employers and individuals."

Jenkins also noted that the regulatory environment is evolving, with both the FCA and the Pensions Regulator "looking at how they support growth by easing regulations, not to loosen things and allow a kind of free for all, but rather to move to a more principles-based approach."


Mohammed Amin, Jamie Jenkins and Rupert Redman


Lee Wilson

Storytelling arcs

But as dashboards surface more data, the real value will lie in how advisers turn that information into stories and scenarios that resonate with clients' lives.

Technology and changing consumer expectations are putting pressure on traditional advice models, but they're also opening new routes to engage, personalise, and scale. Wilson said: "AI can model contextual scenarios and support customer decisions more effectively. That's key to solving the engagement challenge in pensions."

Even with automation, it's still up to advisers to make sense of the data and turn it into something real and relatable for their clients. Wilson noted: "We already have rich conversations, but struggle to continue them. AI can help create personalised lifecycle that respond to real-life events and needs."

Jenkins added: "We're not going to be prescriptive about your workings. We're more interested in what happens at the end… what outcomes people have." He added that this emphasis on outcomes will "probably start to help us get rid of some of the poorer activities or the bad actors that do kind of blight our industry over time."

McLoughlin underscored the enduring importance of emotional connection in advice. He said: "We all use anecdotes to get the pension message across, stories of people retiring well, or ending up with nothing. But how does AI replicate that kind of storytelling, the kind that makes a 25-year-old think, 'I can relate to this'?"

This tension between data-driven insight and human empathy is shaping how advisers must evolve. Zaprzala-Banks noted that while AI may move away from traditional storytelling, it offers something potentially more powerful. He said: "It acts as a mirror. Instead of saying 'people like you,' AI can say 'this is for you.' It doesn't tell an anecdote, it reflects the individual's situation back to them. That elevates the message."

Those at the event agreed that trust in advice comes from relevance, even in a digital world, with the human story behind the numbers can help to build real connections. Wilson said: "Good data use builds a virtuous circle, people will share more if they get something useful and personal in return."

Knowledge gap

Public expectations haven't caught up with the pension market's evolution. Howden Employee Benefits and Wellbeing head of pensions Emma Hadley warned: "There's a big gap in understanding when it comes to pensions. People still expect DB outcomes but we are living in a DC world. This mismatch will challenge advisers and educators alike."

Grant Thornton employee benefits consultancy manager Mohammed Amin said there is a stark lack of understanding about pensions, with many people still expecting to largely rely on the state pension in retirement. But even with the inflation-busting increases of recent years this only provides a subsistence level. Most people will need workplace or private pensions to enjoy a decent standard of living once they stop working he said. "You can tell someone to increase contributions, but it won't land unless they understand what they want in retirement. The moment you say, 'This is your last month of work,' it becomes real, that's when the conversation changes."

Amin emphasised that retirement isn't one-size-fits-all. It's shaped by personal, cultural and financial realities that advisers must understand to deliver meaningful support. This can be supported through AI, but again he stressed the 'human' element as being essential as a first stage to getting people to engage with savings more widely.

McLoughlin added: "Advice has to reflect real needs, someone with one pension and a mortgage needs different support than someone with 10 pots and wealth management. Yet TikTok is the biggest advice platform now."

As the pension market consolidates over the next five years with a growing focus on better outcomes, dashboards and AI will improve clarity and personalisation. But delegates agreed that connection still depends on human stories and empathy, and technology should support the role of good advice rather than replace it. ■

OPINION

TOWARDS A BRAVE NEW WORLD FOR PENSIONS

» **Jamie Jenkins** director of policy, Royal London

For years, the pensions industry has been calling for an end to tactical policymaking and instead to forge a long-term strategic plan on how pensions policy would be shaped. Perhaps we now have that, or at the least the making of one.

It seems that by 2030 we will have fewer, larger pension providers, constantly assessed to ensure they are providing value for money, and some of them acting as consolidators for small pension pots. There will be a greater focus on domestic investment, alongside private markets. Digital access and connectivity will be available through pensions dashboards, and more meaningful help available in the form of 'targeted support.'

That appears to be the vision.

Another way of looking at it is that we have a collection of projects that now need to be brought together under a programme of work, one which acknowledges the interdependence of the others, and sets out the sequencing for delivery.

For example, there are questions about the compatibility of the Value for Money framework, focused primarily on short-term investment performance, charges and service levels. While each of these elements is clearly important, it is a little less clear how compatible they are with a focus on investment in long-term illiquid assets, whether that be for economic growth, mitigating climate change, or indeed both.

The idea of having 'default consolidators' for small pots has some merit, but this is perhaps more simply an extension of the criteria for acting as a scale provider in the future.

And indeed, we have yet to fully understand the development roadmap for pensions dashboards, and whether that will bring the functionality to allow consolidation to happen naturally. Perhaps we'll see much higher levels of engagement from the next generation of savers, who may be more inclined to take control of their retirement savings, actively seeking to bring pension pots together.

Notably missing from this list is the implementation of the changes proposed in the 2017 review of automatic enrolment. While the impact may be minimal for higher earners, or those in more generous workplace pensions, bringing the age down to 18 and calculating contributions from the first pound of earnings is a very significant change for younger, lower earners.

Digital access and connectivity will be available through pensions dashboards, and more meaningful help available in the form of 'targeted support'

And that of course leads to the wider point about the adequacy of savings levels, which is probably the single most significant area of change in terms of retirement outcomes. The combination of the current economic challenges, allied with some difficult cost increases already underway for employers, looks set to leave this firmly in the long grass for now. However, we'll need to face into this at some point if we are to avert the worst effects of an under-saved and increasingly large, retired population in future.

Targeted support may well go some way to bridging the advice gap, providing constructive answers to people's questions, rather than simply a list of warnings about the dangers of poor decision-making. Delivered well, it could lead to greater demand for advice over the long-term, particularly as people approach retirement with large pension pots, trying to navigate the income conversion conundrum.

Finally, we need to consider the role of AI in all of this.

At a basic level, it could enhance almost every aspect of the pensions ecosystem, creating efficiencies and innovative platforms for interaction. But the rise and rise of agentic AI allows for more imaginative thoughts. What if everyone could have their own AI agent, acting 24 hours a day, 365 days a year, monitoring your finances and making suggestions along the way. Even for those people fortunate enough to have an adviser, you could see how AI would augment the face-to-face interactions between client and adviser, mitigating risk and seeking out opportunity, while learning and improving all the time.

The possibilities feel limitless.

But back to basics for now – we have a plan for pensions. ■

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