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AI, consumer expectations and pensions

Why engagement can't wait,
and trust matters



AI is part of everyday life

Artificial Intelligence, or AI, has become part of our everyday lives. From helping us find answers to questions, to providing information tailored to our needs, AI is shaping how we interact with the world around us.

In the UK, more than 70% of adults say they have used generative AI tools.¹ AI is now increasingly woven into the apps and services we already trust and rely on. Examples include personalised recommendations on streaming platforms, navigation and traffic prediction to predictive text and autocorrect. AI often works behind the scenes to support our daily lives.²

Those everyday interactions are shaping expectations. When people are used to technology that explains things clearly, responds instantly and adapts to their needs, they begin to expect the same experience everywhere. Pensions are no exception. Finance is the second most popular query on ChatGPT (the number one topic is health).³

More than 28 million UK adults use AI tools to help manage their finances, and 39% have used AI for longer-term financial planning, including pensions.⁴

This isn't a short term trend. For many, AI is quickly becoming the first place they go, to make sense of complexity.

The pensions industry, however, is moving at a different pace. Many pension schemes expect to introduce AI to enhance member engagement and communications by around 2035.⁵ That timing doesn't reflect how people behave today. Members who are used to quick, responsive digital experiences are unlikely to wait patiently for traditional communications if clearer, quicker answers are readily available elsewhere.

Consumer behaviour is moving faster than the pensions industry

What's changed is not only where people go for information, but when. Consumers are using AI across the decision-making journey.⁶ These tools have become a first stop for curiosity, reassurance and early decision making, long before a member speaks to a provider or adviser.

This behaviour didn't happen overnight. It reflects a long standing gap between what people need and what the pensions industry can realistically provide at scale. For lower-income households, the cost of financial advice is a major barrier⁷ (see table, right).

This issue is compounded by the fact that access to regulated financial advice has become more limited, particularly for those with smaller pots. Over the past six years, the number of advisers willing to accept clients with less than £50,000 to invest has fallen from 52% to 25%.⁸ This means for many individuals, traditional advice routes are simply not an option.

The result is not disengagement, but substitution. Over 70% of pension withdrawals are made without regulated advice,⁷ but that doesn't mean individuals are comfortable making decisions alone. Many want support. In fact, 34% of Defined Contribution (DC) pension members say they want advice that considers all their pension pots, while a further 34% want help that considers their entire retirement finances.⁷

The need for advice is clear, but it must be accessible, and that means affordable. AI, rightly or wrongly, appears to be filling the gap.

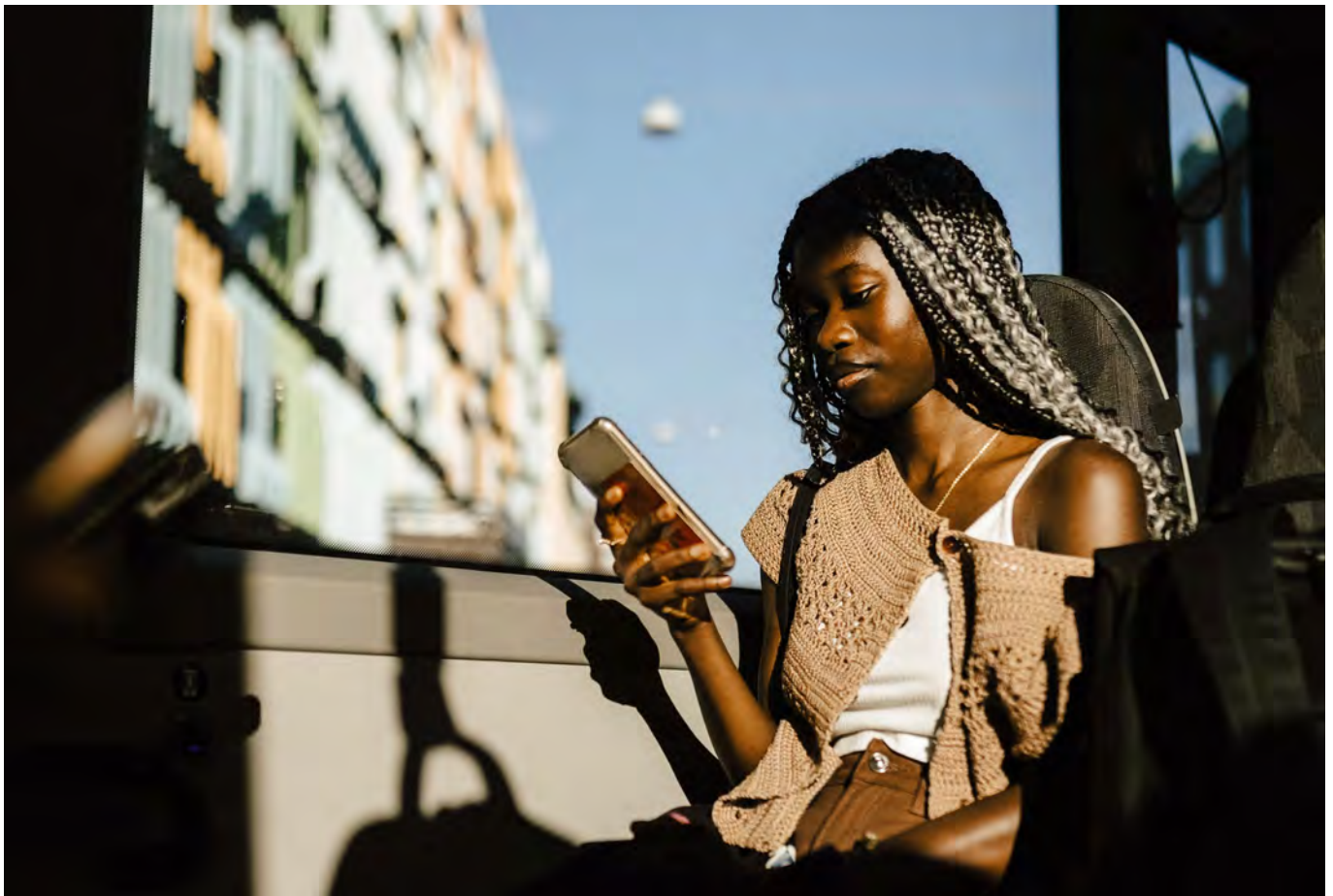
Not only is AI accessible it also changes the experience of asking questions about money. Pensions can be complicated and for some people, speaking to an adviser can cause anxiety about saying the wrong thing or being judged. One in ten people say they would rather receive financial advice from AI than from a human adviser, and among those, nearly a third cite fear of being judged as the reason.⁹ AI doesn't rush or criticise. It simply responds. For individuals with low confidence or limited financial knowledge that can make it the more attractive option.

Managed well, this could support better outcomes.¹⁰ Digital tools significantly reduce the cost of providing support and advice, making it easier to deliver this at scale. In a world where instantaneous answers are expected, AI has real potential to assist, but the pensions industry must act quickly, because members are already using these tools. Unlike authorised financial advisers or providers, general-purpose AI tools are unregulated. Members' use of these raises risks around the inaccuracy of information, liability for decision-making and how the advice/guidance boundary applies.²³

Cost of financial advice

Provider	Upfront / initial advice fee	Ongoing advice fee (annual)	Notes / caveats
Provider A	3% on first £250k , 2% on next £250k , 1% above £500k (one-off)	0.80%	Additional product charges may apply
Provider B	Min £1,000 on first £57,000 then 1.75% for amounts up to £1.14m . Any additional amounts over £1.14m , £20,000 fee	Between 0.15% and 0.65%	Fees for regular premium investments may differ
Provider C	2% on first £200k , 1% on amounts up to £1m , 0% on amounts over £1m	0.365%	Additional product charges may apply

Important note: These figures reflect publicly available fee schedules/examples. Total cost of retirement advice often also includes platform, product, and underlying fund/portfolio charges, and VAT may apply to some advice services.



Engagement does not guarantee good outcomes

AI technology may make pensions easier to engage with, but engagement on its own doesn't guarantee good decisions.

When a chatbot presents an answer or recommendation instantly, the balance of effort changes. It becomes much easier to accept what is offered than to gather additional information, challenge assumptions, or fully think through the implications. This is not a failure of judgement; it is a natural human response to reduced friction. When something feels simple and confident, people are more likely to move on rather than pause and interrogate it.¹¹

Pension decisions though are rarely straightforward. And making things simple isn't something the pensions industry is famous for. AI can lower the barrier to engagement by making information easier to access. However, if engagement is driven by convenience rather than suitability, activity can increase without improving understanding¹² or, importantly, outcomes.

Decisions made quickly can have consequences that only become apparent years later.

Engagement on its own is not enough. As AI becomes a more common entry point for pension decision making, the quality, reliability and boundaries of the information people rely on matter. Without the right safeguards in place, increased engagement can amplify mistakes just as easily as it can improve understanding.

This is where trust, and the protections that underpin it, become critical.



Why trust and safeguards matter

When people rely on AI to help them make sense of pensions, the question quickly shifts from whether they are engaged, to who or what they are engaging with. Trust is not an abstract concern. If individuals place confidence in information that is incomplete or incorrect, engagement can increase risk rather than reduce it.

Mainstream AI chatbots are very good at producing confident, clear answers, but not guaranteed correct ones. They are trained on vast text data, learning word patterns rather than real-world facts. Their knowledge is fixed at the time of training and can become outdated, and they prioritise fluent language over accuracy, which can lead to hallucinations, confident but incorrect outputs.¹³ A member might ask an AI tool whether transferring a pension makes sense and get a response that sounds sensible but misses an important detail about charges, a guarantee they would lose or tax impacts. If you don't know what to look for, the errors are hard to spot.¹⁴ With pensions, that matters. Our insights reveal that a surprising number of people are getting hit with higher tax rates on their retirement savings than they bargained for. In fact, a whopping 33% of those taking cash payments are seeing more than 40% deducted in tax on payment.¹⁵ Ouch!

The risk increases when advice like answers come from tools that sit entirely outside the regulatory framework. Mainstream AI chatbots are not designed around UK pension scheme rules or regulated boundaries, yet they can provide advice like answers, including recommendations on transfers and providers. They may even point people towards advisers or providers without any checks on whether they are authorised.¹⁴ From a member's point of view, it can all look credible. But if something goes wrong, it's not always clear who is responsible or who a member can turn to for help.

Data privacy and security add another layer of concern. People may share personal financial details with AI tools, often without knowing what will happen to that information. Many public AI tools do not offer clear guarantees on how personal data is encrypted, stored or reused, meaning personal information entered may be used in ways individuals cannot see or control.¹⁶ At the same time, AI is enabling more sophisticated fraud, including phishing, impersonation and deepfake content.¹⁴

Increasing the risk for people who are already unsure who or what to trust.

Against this backdrop, it's understandable that trust remains a significant barrier to widespread AI adoption. More than 30%¹⁷ of UK adults express concerns about AI-generated content, with 83% worried about data privacy and 80% about receiving inaccurate or outdated information.⁴

The concern is that uneven trust deepens existing divides. With some people disengaging entirely, while others may place too much trust in AI answers they have not or cannot validate, leading to poor or inappropriate decisions. Without the right safeguards, AI can just as easily increase confusion as it can improve understanding.





An industry challenge, not just a technology question

The way we seek information has changed. Instead of having to scroll through pages of search results, people increasingly get a single response from an AI agent. It's faster and often easier, but it also means we don't always know where that information came from, how it's prioritised or who's making those decisions.¹⁸

This has real implications for pension providers. They are no longer the sole influence on how members understand their pension.¹⁴ Members don't separate "official" pension information from their pension provider from everything else they read or hear. If one source feels quicker, clearer or easier to use, that's where they'll go. With more than one in three adults expecting to increase their use of AI for money management,⁴ its influence on how pensions are understood is only going to grow.

The question is not simply whether schemes should adopt AI, but what happens when members are already using it elsewhere. Ignoring AI doesn't stop it influencing members, it simply means that influence sits outside the pension scheme.

If the industry doesn't step up, mainstream AI chatbots will continue to fill the gap. Doing nothing is not a neutral choice.

AI cannot be treated as simply an operational efficiency tool or a future back-office upgrade. It's already at the front of the member experience, shaping how members seek answers. The challenge for the industry is to meet members where they are. This means recognising how people actually live, communicate and look for answers, rather than designing experiences around how the pensions system is structured. It's about ease, reducing the effort required to ask questions, find information or take the next step. When support fits naturally into people's lives, through familiar digital channels, clear language and on demand access, they are far more likely to engage and understand what they are being told.

But making things easier for members does not mean lowering standards or removing safeguards. Strong governance, clear controls and operating discipline designed around good outcomes are essential.

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Why trust cannot be outsourced

Actions taken now will shape future consumer trust. But trust is not only about what members feel. Providers also need to trust the tools they offer.

Around one third of all AI use cases in financial services rely on third party tools, yet 46% of firms say they only partially understand how the AI systems they use actually work. This lack of visibility is often the result of relying on external models rather than building capabilities in house.¹⁹

This is a significant concern, particularly given that 55% of AI failures are linked to poor use of third-party AI tools.²⁰ Regardless of where the technology comes from pension providers remain accountable for member outcomes, making understanding and oversight critical. When systems that shape decisions are poorly understood or weakly governed, risks can multiply.

Trust has to work both ways. If a provider does not fully understand or trust the AI it uses, it shouldn't expect members to do so.

Half of UK adults say they've noticed an increase in the use of AI by financial providers over the past year.²¹

While some of this may be for back office or administrative tasks it's important to note, greater visibility of AI has not translated into greater comfort, particularly when it comes to receiving financial advice.²¹ Only 13% say they would prefer receiving advice generated by AI.⁹

That gap between awareness and confidence highlights the risk of getting this wrong. When providers cannot fully explain or govern the AI they deploy, trust erodes, and members bear the consequences.



AI that's built for members

Mercer's approach to developing a conversational AI pension assistant started with a simple, practical observation: members are already using AI to ask pension questions. Ignoring that reality would not protect them. If anything, it would leave them more exposed.

That reality shaped our approach. The question wasn't whether to engage with consumer facing AI, but how to do so in a way that genuinely supports better decisions.

The focus, therefore, has been on building trust from the outset. We focused first on getting the fundamentals right: answers that are accurate, relevant to the member's own scheme, and grounded in expert content. This is why Mercer has brought AI development capability in house, rather than relying on generic tools. By developing a customer facing AI pensions assistant specifically for members of the Mercer Master Trust, we have kept the skills, governance and accountability close to the scheme itself.

At the heart of the AI pensions assistant is content members can rely on. Responses are drawn from around 1000 items of Mercer curated pension content, all reviewed and maintained by subject matter experts.

Members will not get answers from open-domain sources but will get information that reflects the Mercer Master Trust scheme rules.

Testing is equally important. In 2024, the AI pension assistant's output was assessed against hundreds of pension questions, reviewed by subject matter experts, to test accuracy, clarity and appropriateness and adjusted where necessary. The result was an accuracy rate of 98.5%, with a 1.5% error rate. When the same questions were tested against mainstream AI chatbots, they displayed a 60% accuracy rate with around 40% of responses containing errors or misleading information.²² That comparison reinforced our belief that pensions require a different standard.

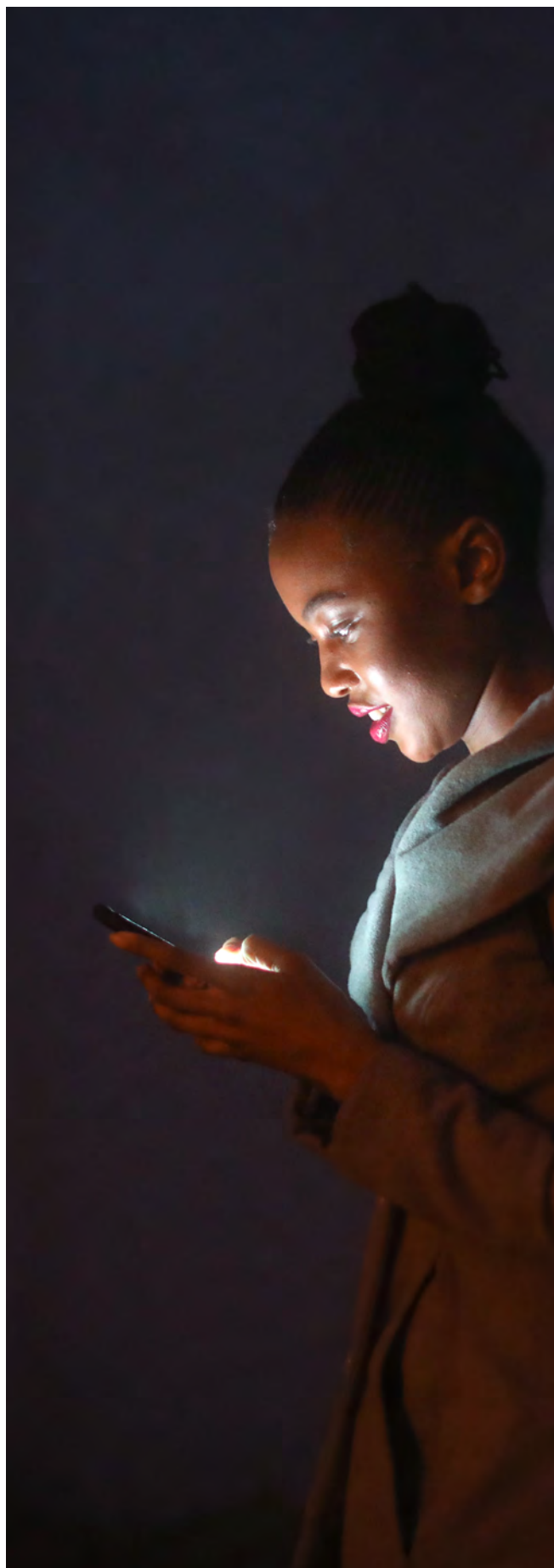
This is not a one off exercise. Ongoing testing is built into how the system operates. Pension experts actively try to break the AI pension assistant and log responses for improvement. In parallel,

an internal security specialist has made hundreds of attempts to confuse, misuse or compromise the system. Alongside this, we maintain extensive libraries of test inputs and expected responses, allowing us to monitor and measure quality over time and ensure that new releases do not introduce regressions or new errors. The AI pension assistant is currently in pilot with a select group of members, and feedback from this cohort will guide the path to a full deployment.

Human expertise remains central, not as a fallback, but as an active part of how the tool evolves. Our underlying assumption is simple: AI will be part of the member journey. The goal is not to replace human expertise, but to use AI to support understanding at scale, while ensuring expert oversight is strongest where the risks are highest. By not providing regulated advice and limiting responses to curated, expert approved content with clear oversight, we are directly addressing many of the risks associated with mainstream AI chatbots in pensions.

Building this capability in house also ensures responsibility sits where it should. Governance, accountability and continuous improvement remain aligned with the Mercer Master Trust's member responsibilities, rather than being shaped by the priorities or limitations of third party tools.

This approach shows that consumer facing AI in pensions can be engaging without cutting corners on trust, and innovative without compromising professional judgement. Ultimately, what we are building is a tool people can rely on. Trust does not happen by accident. It's designed into the architecture from the start.



Opportunity, uncertainty and the need to act

AI is already shaping how members engage with and think about pensions, whether the industry likes it or not. And much of that activity is happening outside regulated environments.

Regulatory reviews, including The Mills Review to determine the long term impact of AI in retail financial services, are important.¹⁰ But they won't slow consumer behaviour. Technology is moving quickly, and members are moving with it.

The question is who controls that influence. In an AI enabled world, relevance depends on accessibility. People gravitate towards tools that are easy to use and available when they need them. Once habits form, they are difficult to reverse.

In this context, inaction carries real risk. Choosing not to engage with AI does not preserve the status quo; it hands control to mainstream

AI chatbots that are not designed to adhere to pension rules, long term outcomes or regulatory safeguards. Over time, that risks eroding trust, increasing poor decision making and widening gaps between those who feel confident using AI and those who do not.

The opportunity lies in moving deliberately but decisively. An evidence led approach that combines technology with strong governance, guardrails and human oversight offers a way forward. It allows schemes to meet members where they are, with information that is accurate, relevant and aligned to good outcomes.

To guide this journey, the Mercer Master Trust has developed five key principles for trustworthy AI in pensions, a clear set of commitments that reflect our values.

Five key principles for trustworthy AI in pensions

1. Trust must come first

We commit to building AI that prioritises accuracy, transparency, and accountability. Trust is the foundation of every interaction, ensuring members receive reliable information aligned with their long-term interests.

2. Meet members where they are

Our AI solutions must be accessible, easy to use, and integrated into the channels members already use. Convenience and clarity enable members to engage confidently with their pensions.

3. Privacy and security are non-negotiable

Protecting member data is paramount. We will uphold the highest standards of data privacy and security to safeguard members from fraud and misuse.

4. Enhance understanding and engagement

AI should simplify complexity, helping members make informed decisions through personalised, clear, and relevant information that respects their unique needs.

5. Human expertise remains central

AI will never replace human judgement. We will always involve qualified professionals, ensuring AI supports, not replaces, expert guidance.

Building trustworthy, consumer facing AI takes time, investment and governance.

But the cost of standing still may be higher.

The decisions the industry makes now will shape not only how members engage with pensions, but whether they continue to trust the system at all.

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Endnotes

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- 2 [AI in Everyday Life: 20 Real-World Examples](#)
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- 23 <https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/ai-plan>