THE SOCIETY OF PENSION PROFESSIONALS

making pensions work

The Society of Pension Professionals (SPP) response to the Treasury Select Committee Call for Evidence on the use of AI in banking, pensions and other financial services

1. Introduction

1.1. As the representative body for 88 organisations who collectively employ over 15,000 pension professionals, the SPP has limited its response to the use of AI in the pensions industry only, rather than banking or wider financial services.

1.2. In February 2025, the SPP conducted a survey of its members to inform its response to this Call for Evidence – *The SPP 2025 AI Survey*. Responses were received from a representative cross-section of SPP members including pension administrators, actuaries, consultants, investment/covenant advisers, pensions lawyers and professional trustees.

1.3. As indicated by discussions amongst SPP members, the pensions industry is keen to embrace AI and to utilise its potential in a safe and secure way. This is further evidenced by action taken by The Pensions Regulator (TPR). Earlier this month, TPR issued a 5 year data strategy plan which acknowledges that AI presents great opportunities - and risks - for the pensions industry. TPR says that it intends to work with industry to unlock the potential of AI and this is something that most in the industry appear keen to do.

2. Executive summary

2.1. **The *SPP 2025 AI Survey* results indicate widespread adoption of AI within the pensions industry.** 87% of respondents confirmed that AI is being used in their firm.

2.2. **Although AI is widely used by most in the sector, its possibilities are far from fully utilised.** Over three quarters of respondents to the *SPP 2025 AI Survey* (77%) said that it is currently used in only 1%-5% of their services.

2.3. **The main benefits of AI appear to be an increase in speed and a reduction in costs, as indicated by 78% of survey respondents.** The main concern about AI is the risk of hallucination/inaccuracies, raised as a concern by 65% of survey respondents.

2.4. **A number of barriers were identified which may impact widespread adoption of AI across the pensions industry, with the main barrier being organisational nervousness around the use of AI.** Just 3% of respondents cited regulatory restrictions as being a barrier to adoption.

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3. Consultation response

3.1. **How is AI currently used in different sectors of financial services and how is this likely to change over the next ten years?**

3.2. AI is widely used in the pensions sector at present and across all specialist services, but to a limited degree in each. 87% of respondents to the *SPP's 2025 AI Survey* confirmed that AI is being used in their firm.

3.3. Where AI is used, more than three quarters of respondents (77%) said that it is currently used in 1%-5% of their services. The remaining quarter or so (23%) said that it is used in 10-20% of their services.

3.4. In the next 10 years, use of AI in the pensions sector is expected to increase significantly. 41% of the *SPP's 2025 AI Survey* respondents stated that they expect AI to be used in 10-20% of their services, 41% expect it to be used in up to 50% of their services and the remaining 18% expect it to be used in more than 50% of their services.

3.5. **To what extent can AI improve productivity in financial services?**

3.6. AI is seen as key to improving productivity across the pensions industry. It is likely to increase the speed at which data and transactions can be processed, leading to improved responsiveness and cost reductions. 78% of the *SPP's 2025 AI Survey* respondents cited speed and/or costs as the main benefits of rolling out AI more widely. Further anticipated benefits include the additional insight that AI could bring in terms of analysing patterns within large data sets and identifying unusual data (allowing problems to be detected and addressed at an early stage).

3.7. AI has been used in the pensions industry for many years, but uses of generative AI are still at an exploratory stage, especially in terms of how it can be used to aid member understanding and engagement. Many firms are investing in AI but there are barriers to its widespread adoption. More than a third (39%) of respondents to the *SPP's 2025 AI Survey* identified organisational nervousness as the biggest barrier, 16% identified customer concerns, 13% identified the cost of adoption and integration of AI and 3% cited regulatory restrictions. It is also worth noting that nearly a third (29%) of respondents said that there is no significant barrier to the widespread adoption of AI.

3.8. Steps to help reduce organisational nervousness may include policymakers reforming copyright and intellectual property law - delivering a copyright and AI framework that rewards human creativity and incentivises innovation whilst providing the legal certainty about ownership required for long-term growth. The Government has already acknowledged that rights holders are finding it difficult to control the use of their works in training AI models and seek to be remunerated for its use whilst AI developers are similarly finding it difficult to navigate copyright law in the UK, and that this legal uncertainty is undermining investment in and adoption of AI technology[1].

3.9. **What are the benefits and risks to consumers arising from AI?**

3.10. It is likely that consumers will benefit from improved speed and efficiency of service. Their engagement with pension schemes should improve if they receive personalised communications and can interact with AI-enhanced services and be quickly (and accurately) be provided with answers to their questions. AI could be used to prompt member action in some cases. For example, if a defined contribution scheme member asks about their retirement benefits, AI could create a bespoke response exploring whether the member might wish to increase their level of contributions, revisit their investment strategy or change their anticipated retirement date. AI can also be used to improve the member data held by schemes, by identifying where there is incomplete or suspicious data and prompting action.

[1] **Government consultation on Copyright & Artificial Intelligence, 17 December 2024:**
https://www.gov.uk/government/consultations/copyright-and-artificial-intelligence/copyright-and-artificial-intelligence

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3.11. Pension scheme members need more help to make good retirement decisions, but financial advice is often viewed as expensive or unnecessary - and more targeted towards wealthier consumers. The Department for Work and Pensions is currently working with industry and regulators to determine how members can be better supported with regard to decumulation. There are potential roles for AI in guiding defined contribution scheme members through a retirement process to help with their decision making, provided that parameters are clear and financial advice boundaries are not crossed – the FCA's proposed targeted support reforms for pensions[2] may present an opportunity here.

3.12. Many pensions firms are currently using AI for simple tasks, to improve the speed and efficiency of internal processes, subject to human oversight. Where AI is used more widely for consumer interfaces, the risks include AI providing a poor answer that the customer then relies upon when making a financial decision. In the *SPP's 2025 AI Survey*, we asked respondents to identify the biggest risks of using AI and almost two thirds (65%) said that hallucination/inaccuracy was the biggest risk. 10% identified bias, 6% said data protection/cyber security and 19% said that there is no significant risk if AI is managed well. Of course, the 19% who stated there is no significant risk if "managed well" may have had concerns about inaccuracies, bias, and/or data protection if adoption was not "managed well".

4. About The Society of Pension Professionals

4.1. SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.

4.2. The breadth of our members is a unique strength for the SPP and includes actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists, delivering a wide range of services.

4.3. We were founded in 1958, as the Society of Pension Consultants, bringing together professionals to positively influence pension policy, support the development of legislation and provide members with access to technical information and insight into key industry policy debates.

4.4. In 2014, we renamed as The Society of Pension Professionals, broadening the range of professionals engaged in membership.

4.5. SPP is a company limited by guarantee.

5. Further information

5.1. For more information about this consultation response please contact SPP Head of Public Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.

5.2. To find out more about the SPP please visit the SPP web site: https://the-spp.co.uk/

5.3. Connect with us on LinkedIn at: https://www.linkedin.com/company/the-society-of-pension-professionals/

5.4. Follow us on X (Twitter) at: https://twitter.com/thespp1

Friday 14 March 2025

[2] **The SPP response to the FCA consultation on targeted support reforms for pensions, February 2025: https://the-spp.co.uk/wp-content/uploads/SPP-response-to-the-FCA-Guidance-Review-13.2.25.pdf?v=4368**

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