

# AI in pensions – do you know how your scheme is using AI?

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AI offers the pensions industry huge opportunities for greater efficiency and enhancing member experience. However, at the same time, it brings a range of potential risks which trustees need to understand, monitor and manage.

## What is AI?



There's no universally accepted definition of AI, but typically it involves systems that are designed to perform tasks requiring human intelligence, such as decision-making, language understanding and pattern recognition.

There is no specific law regulating AI in the UK. Trustees should consider AI in the context of their existing obligations and responsibilities.

## TPR's AI plan



TPR has published its [AI plan](#), setting out its initial expectations for how trustees should govern the use of AI. This will be followed up by guidance later this year, after engagement with the pensions industry on AI use in pension schemes and their supply chains.

TPR expects trustees to:

- ✓ establish clear governance for AI use
- ✓ carry out rigorous testing
- ✓ identify and evaluate risks
- ✓ have a clear data strategy
- ✓ seek professional advice.

As well as TPR's AI plan, trustees can also refer to PASA's [industry guidance](#), and we are expecting the ICO to publish its AI workplan in the coming months.

## How is AI being used in the pensions industry?

Most service providers are now using AI in some way. Where AI is being used, it must always be subject to **appropriate human oversight**, and with **suitable security measures** in place. Example uses include:



### Scheme administration

- Improving scheme data by identifying gaps or discrepancies
- More efficient internal storage/searching of scheme records
- Drafting and summarising administration reports



### Governance

- Preparing draft meeting minutes
- Storing and organising scheme documents
- Fraud detection



### Member engagement

- Drafting and simplifying member communications
- Chatbots
- Automated nudges for members

We are seeing other applications too, eg in active investment management, audit and tracing services, and expect these to continue to develop as sophistication and understanding of AI products increase.

## What should trustees be doing now?



### Trustee training

- Arrange training on AI, including on trust law requirements and wider trustee obligations.
- Keep up to date with developments.



### Service providers

- Engage with current service providers to understand whether, where and how AI is used (or is planned to be used), including any processing of personal data.
- Work with providers to identify, assess and manage potential AI risks.
- Check providers have appropriate controls, safeguards and security measures in place.



### Governance

- Develop an AI governance framework, including key principles and accountability.
- Carry out testing, assurance and ongoing monitoring, and review risks regularly.
- Consider whether to adopt an AI policy.



### Trustee protection

- Understand existing trustee protections (eg in scheme rules or through insurance).
- Check contractual terms with providers and update to ensure appropriate safeguards are in place (in terms of AI, data protection and liability).

## Don't forget about data!



Trustees are already working on improving their scheme data in preparation for dashboards. Trustees should build on this work to make sure that any data improvement plan also covers data that is used for AI input.

Where AI is processing personal data, trustees should check that data protection legislation is being complied with, including appropriate security measures and updating relevant policies and procedures.

Trustees should also consider whether a data protection impact assessment is needed, particularly if the intended use is novel or high risk.

## How are members using AI?



It is not just schemes using AI – members are increasingly using it too. For example, using AI tools, such as ChatGPT, to summarise complex scheme information and generate guidance.

With the potential for AI to be used in scams and fraud, or to misinterpret scheme information, TPR expects trustees to remind members (eg in newsletters or on the scheme website) how to access reliable scheme information and warn them about AI's shortcomings and its potential to facilitate scams and fraud.

Trustees should also consider whether to take account of members' use of AI in communications or on the scheme website, setting out information in a way that makes the key points easy for AI tools to pick up and interpret correctly.

