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

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With AI use growing across the pensions industry, TPR has released guidance for trustees which encourages them to explore how AI could deliver better member outcomes, while understanding and managing risks.

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.

How is AI being used in the pensions industry?

Most service providers are now using AI in some way. Example uses include:

Scheme administration

- Improving scheme data by identifying gaps
- More efficient searching of records
- Drafting and summarising administration reports

Governance

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

Member engagement

- Drafting 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.

TPR's AI guidance

TPR's new guidance builds on its existing AI plan, and is intended to help trustees understand how their existing duties apply to using AI, and to ensure appropriate governance and oversight are in place.

When considering how AI use impacts their work, trustees should be guided by seven key principles.

1. **Start with the problem, not the technology** – use AI to solve real problems and support better member outcomes, efficiency and value for money.
2. **Human responsibility remains central** – trustees remain accountable, even where work is outsourced, and AI should support, not replace, trustee judgement and meaningful challenge.
3. **Governance is ongoing, not one-off** – keep AI risks and controls under review throughout its lifecycle. Oversight and human involvement should be proportionate to the risks.
4. **Plan for disruption** – understand AI dependencies and include them in business continuity planning, so the scheme can keep operating if AI fails or becomes unavailable.
5. **Good AI starts with good data** – use accurate and appropriate data. Trustees should understand its limitations and protect it through effective data handling and data protection arrangements.
6. **Transparency and explainability underpin trust** – consider what members need to understand where AI affects them and be able to explain AI-informed decisions.
7. **Support fair and accessible outcomes** – address bias, reflect vulnerable and digitally excluded members' needs, and ensure outcomes comply with scheme rules.

What do trustees need to know?

As trustees are responsible for the running of their scheme, they should understand where significant AI is being used. Although they don't need to be experts – they need to understand enough to ask the right questions and challenge its use effectively.

TPR expects every trustee to be able to answer the following questions for each significant use of AI (both internally and from service providers):

- what AI do we use and why?
- what member outcome or internal process does it improve?
- what decisions may it influence?
- what data does it use and how is the data handled?
- who is accountable?
- how is it tested, and can a decision be challenged by the users, or by members?
- how can humans override it?
- what happens to the process if the AI fails or becomes unavailable?

Don't forget about data protection!

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 check whether any automated decisions are being made (as these have additional legal requirements), and should also consider whether a data protection impact assessment is needed, particularly if the intended use of AI is novel or high risk.

How are members using AI?

Members are increasingly using AI tools, such as ChatGPT, to summarise complex scheme information and plan for retirement. TPR expects trustees to provide warnings about the risk of using AI tools and the enhanced risks of fraud, alongside signposting to trusted support and regulated advice.

Trustees should also consider how scheme communications could be interpreted or summarised by AI tools, making sure the key points are easy to identify and interpret correctly.

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).

Sacker & Partners LLP
20 Gresham Street
London EC2V 7JE
T +44 20 7329 6699
E enquiries@sackers.com
www.sackers.com

If you have any questions on any of the above, or would like further information, please speak to your usual Sackers contact.

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