PENSIONS & AI

WHERE ARE WE NOW?

Association of Pension Lawyers Annual Conference 2026

NAOMI L'ESTRANGE (ISIO)

CHRIS EDWARDS-EARL (STEPHENSON HARWOOD)

Pensions and AI

INTRODUCTION

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Introduction

PACE OF CHANGE

APL talk two years ago

+ "Be aware that some trainees and associates are using AI in your firms right now…!" "GASPS!"
+ Hallucinations were commonplace and comical.
+ Large language models little understood and use of AI in firms lightly controlled.

Now

+ 10% chance AI could kill us all within 10 years.
+ Harvey valued at $15.5bn, Legora valued at $10bn, Anthropic $1.5-2tn…
+ Clients using AI without using lawyers at all.
+ Consultancy based services under threat and subject to disruption.

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Introduction

ENTERING NEW ERA





Humans working without AI



Humans using AI as a tool



AI supervised by humans



Fully autonomous AI

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Introduction

MESSAGING



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AGENDA



Introduction

+ How has the world changed in 2 years?
+ Pace of change.
+ Better messaging.
+ What we are covering.
+ What we are not covering.



Clients

+ What are schemes doing?
+ Member support.
+ Consultants in practice.
+ Investment.
+ Guard rails?
+ More time for actual engagement?



Law & Liability

+ Regulatory approach.
+ Data.
+ Risk and liability.
+ SRA
+ Mills Review, FCA & Retail.
+ Communications in Court proceedings.



Closing & questions

+ Can our judgement, governance and safeguards keep pace with the technology?
+ Feedback for TPR?

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AI in Pensions

CLIENTS & AI

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AI is already in the room

Already used by schemes, providers, advisers and members.

SCHEME TEAMS

Drafting, research, summaries and document interrogation

ADMINISTRATORS

Member contact, workflow, data quality, fraud and assurance

TRUSTEES AND ADVISERS

Board papers, trustee preparation and governance support – and shadow AI

MEMBERS

Explaining benefits, drafting challenges and retirement planning

No AI strategy does not mean no AI. It means less visibility and control.

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Start with the problem, not the technology

Useful AI often improves ordinary work.

UNDERSTAND

Find patterns in member contacts

Surface recurring data gaps

EXPLAIN

Turn complexity into plain English

Search approved scheme information

DELIVER

Produce reports and first drafts

Free time for client engagement

PROTECT

Spot unusual patterns

Record, monitor and escalate

The value is in the whole process, not the cleverest prompt.

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The point is better member support

Remove friction without removing the person.

WHAT MEMBERS NEED

Help me understand my pension

Tell me what to do and when

Keep me informed

Let me speak to someone when it matters

WHAT RESPONSIBLE TECHNOLOGY CAN ADD

Approved scheme information

Personalised nudges and checklists

Real-time updates and accessible explanations

A clean hand-off to an administrator or adviser

Speed and scale from AI. Judgement, empathy and accountability from people.

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Doing nothing is not the safe option

Members will use public AI if no safer route exists.

PUBLIC AI

May not have the rules

Cannot see a verified member record

May blur information, guidance and advice

No scheme-controlled audit trail

Members may paste in personal data

SCHEME-CONTROLLED SUPPORT

Restricted to approved information

Clear scope and hard stops

Human escalation

Monitored questions and answers

Defined data controls and testing

Give members a safer alternative.

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Do not ask AI to “have a go” at the calculation

Use AI around a controlled calculation.

1 Understand the request

2 Gather the right data

3 Call the approved calculation

4 Explain the result

5 Escalate or review

Right task • right data • right engine • right interpretation • right review

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AI is changing investment from both sides

It is reshaping what schemes own and how decisions are made.

MARKET CONCENTRATION

AI-linked companies now dominate major indices, increasing concentration and valuation risk

INVESTMENT DECISIONS

AI may support selection and buy decisions, with human oversight still important

BETTER DUE DILIGENCE

Test costs, factor exposure, liquidity, leverage, style drift and key-person risk

SUSTAINABILITY & IMPACT

Assess sustainability data and AI's own energy, water and infrastructure impacts

AI does boring very well: consistency is the opportunity; uncritical confidence is the risk.

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AI in Pensions

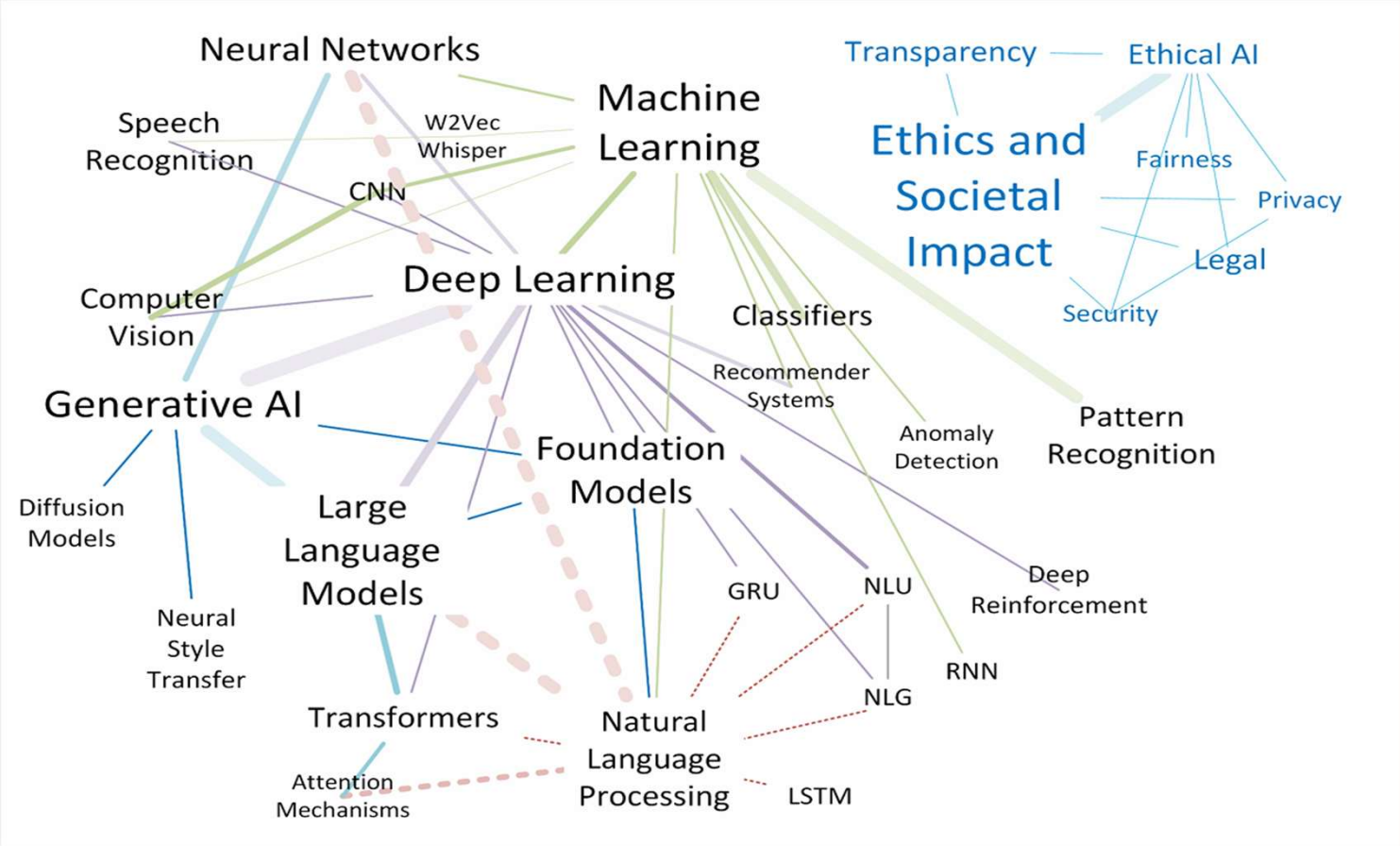
LAW & LIABILITY FOR AI

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+ LAW TACKLING THE COMPLEXITY OF AI



Source: Artificial Intelligence Playbook for the UK Government

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Law and liability

INITIAL STANCE - LEAVE IT TO REGULATORS

- February 2024: The Government published its response to the March 2023 AI Regulation White Paper
- Reaffirmed the UK's non-statutory, sector-led and pro-innovation approach to AI.
- Regulators are expected to lead the way, applying:



Safety



Security



Fairness



Transparency



Explainability

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Law and liability

UK AI ACT IS COMING...

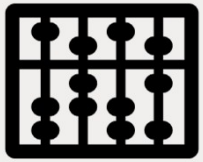


- September 2026 – UK Parliament's JCHR published report
- Risks to human rights:
  - Protection from discrimination
  - Right to a fair trial
  - Protection of property
- Recommendations
  - Risk based regime, like the EU AI Act
  - Ban on AI uses incompatible with human rights
  - Liability "across the supply chain"
  - Freestanding AI regulator?

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Law and liability

PENSIONS REGULATOR (CONTINUED)



+ Bring AI out of the IT department and into the boardroom.

+ Trustees don't need to be experts - but they need to have some understanding to govern and monitor risks correctly.

+ Trustees saying "I don't know what AI is" is not good enough.

+ Focus on good data.

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Law and liability

DATA AND THE ICO

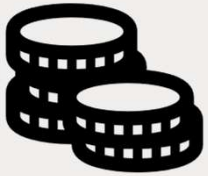


- General Data Protection Regulation (GDPR), Data Protection Act 2018 and the Privacy and Electronic Communications Regulations
- These are well established by now and schemes are accustomed to applying them.
- The ICO's AI and Data Protection Toolkit, emphasises the importance of these but makes a few changes:
  - Whenever schemes use AI automated prompts, they must follow GDPR principles.
  - Be clear on where the human involvement lies in the process.
  - Data Protection Impact Assessments and Transfer Risk Assessments are to be conducted.
- Data (Use and Access) Act 2025 brought in a more permissive framework for decisions based on automated processing, allowing reliance on a wider range of lawful bases subject to right to contest, receiving notice etc. But restrictions on special category data for decisions remain.
- Members and data – refusing to consent?

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The Law

FCA - MILLS REVIEW ON RETAIL FINANCIAL SERVICES



Major AI-driven shifts likely to impact retail financial services:

+ Transformation of firm operations, evolution of consumer journeys, reshaping of competition
+ Recommendations
  - **Review and adapt the regulatory perimeter to address large language models influencing financial decisions.**
  - **Monitor the transition to autonomous models and clarify regulatory frameworks, especially around accountability.**
  - **Strengthen system-wide coordination and oversight, including incident response for AI-related events.**
  - **Develop AI-enabled supervisory tools for more proactive oversight.**
  - **Expand the FCA's AI Lab to assess emerging AI models and systems.**
  - **Lead the development of trusted frameworks for AI agent participation in finance.**
  - Develop a public-interest, AI-enabled financial capability service for consumers

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WHAT DO "REASONABLE STEPS" LOOK LIKE IN RETAIL FINANCIAL SERVICES?



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UKJT - LIABILITY FOR AI HARMS



UK Jurisdiction Taskforce (UKJT)'s Legal Statement on Liability for AI Harms (July 2026):

- Existing law is capable of addressing harms caused by AI, without the need for an AI liability regime.
- "Are you negligent for using AI?"
- "Are you negligent for NOT using AI?"
- Key question is "was it appropriate in the circumstances and was reasonable skill and care exercised?"
- Negligence vs efficiency
- Is the market the judge or the Court?

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The law

UKJT - LIABILITY FOR AI HARMS



UK Jurisdiction Taskforce (UKJT)'s Legal Statement on Liability for AI Harms (July 2026):

There will be no 'one size fits all' approach to this but some principles are clear.

+ Failure to conduct proper due diligence on an AI system before using it for client work is likely to be a breach of duty
+ If you use AI you should be able to explain to a client how it will work and what the risks are.
+ Important to be transparent with clients about the use of AI. Whilst it is 'just another tool', clients are used to computers and review platforms, they are not used to the variety of ways that you could be using AI.
+ Putting confidential or privileged information into an AI system (which is not secure) is likely to be a breach of duty and could lose the confidentiality/privilege.
+ Satisfy yourself to the testing of the AI.
+ Oversight arrangements should be applied, and revisited as the technology changes.

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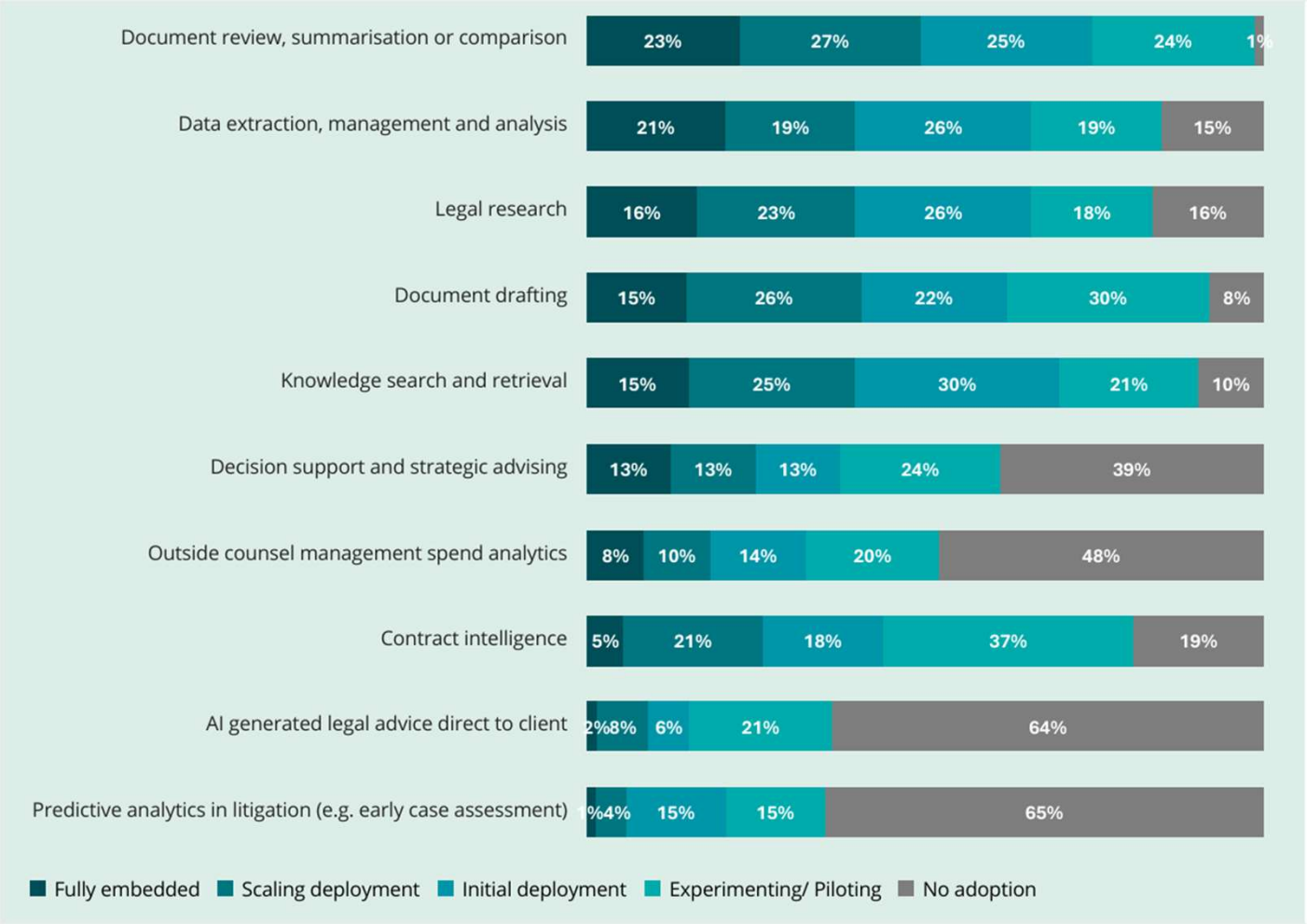
SOLICITORS REGULATION AUTHORITY

October 2026

+ Solicitors must stay informed about evolving terminology and understand its implications for making decisions.
+ Solicitors remain accountable for compliance when using AI. The SRA does not approve specific technologies and liability cannot be transferred to AI systems.
+ AI used in the practice of law engages professional regulatory obligations more than AI used solely for business operations. Different uses of AI call for different risk assessments.
+ Solicitors may be found negligent for inappropriate or insufficient use of AI, though there is currently no positive duty to use AI in legal services.
+ Solicitors must protect client confidentiality and data, ensure transparency with clients about AI use, and be cautious about inputting confidential information into AI systems, as improper handling may breach confidentiality.
+ Ongoing oversight, competence, and supervision are essential and reliance on AI should not replace the development of core legal skills or professional judgement.

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+ AI IN PRACTICE



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+ AI IN PRACTICE

IBM Training Manual from 1979

A COMPUTER

CAN NEVER BE HELD ACCOUNTABLE

THEREFORE A COMPUTER MUST NEVER

MAKE A MANAGEMENT DECISION



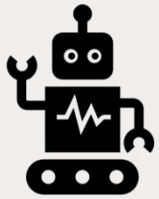
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The law

CORRECT AND INCORRECT USE



+ **AI applied incorrectly**
  - *Cork v Smith* [2026] EWHC 1199 (Ch) – Mislead the court by relying on a non-existent rule from the Insolvency Rules. Junior lawyer not properly supervised in the use of the tool.
  - *M v F (Fact Finding Hearing) [2026] EWFC 22* – AI used to produce a witness statement. Breach of PD 32 and 57AC.
  - *R v FGD* [2026] EWCA Crim 918 – witness used AI to prepare for cross-examination – unlawful witness coaching
+ **AI applied correctly**
  - Technology Assisted Review – already encouraged under PD 57AD – growing use of GenAI for summaries and entire reviews
  - E-Disclosure and retrieval.
  - Summarising materials and preparing conclusions for clients - efficiencies that are hard to ignore.
+ **What about AI acting on your behalf?**

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The law

CIVIL JUSTICE COUNCIL - AI IN COURT SUBMISSIONS



+ **Use of AI for preparing Court documents**
  - Practice Direction for AI is needed.
  - Witness statements to include a declaration that AI has not "generate or influenced its substantive content".
  - Similar declaration for expert reports.
  - Not necessary where signed by legal representatives not give the statement as a witness of fact.
  - No need for parties to apply for permission to use AI in submissions.
  - No reforms currently needed where AI are used in disclosure exercises – current rules are fine.

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The Law

MEMBER TRUST



+ Member consent exercises, Representative Beneficiary communications etc.
+ Tested on
  - Harvey & Legora
  - Co-Pilot
  - Claude
  - ChatGPT
+ Distrustful of communications
  - Something must have gone wrong, immediately asked for more information
  - Advised that claims existed
  - Proactively drafted claims back

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CONCLUSIONS

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AI in pensions: where are we now?

Beyond experimentation. Not yet at maturity.

ALREADY IN THE SYSTEM	Used by schemes, providers, advisers and members, and shaping markets.
FROM ASSISTANCE TO AUTONOMY	Systems acting with greater autonomy increase the need for ownership, regulation, controls and human intervention.
EXISTING DUTIES STILL APPLY	Trustees and providers remain accountable for outcomes, compliance and data use.
THE PRACTICAL CHALLENGE	Capture the benefits while retaining control, evidence and building trust.

Can our judgement, governance, regulation, and safeguards keep pace with the technology?

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