

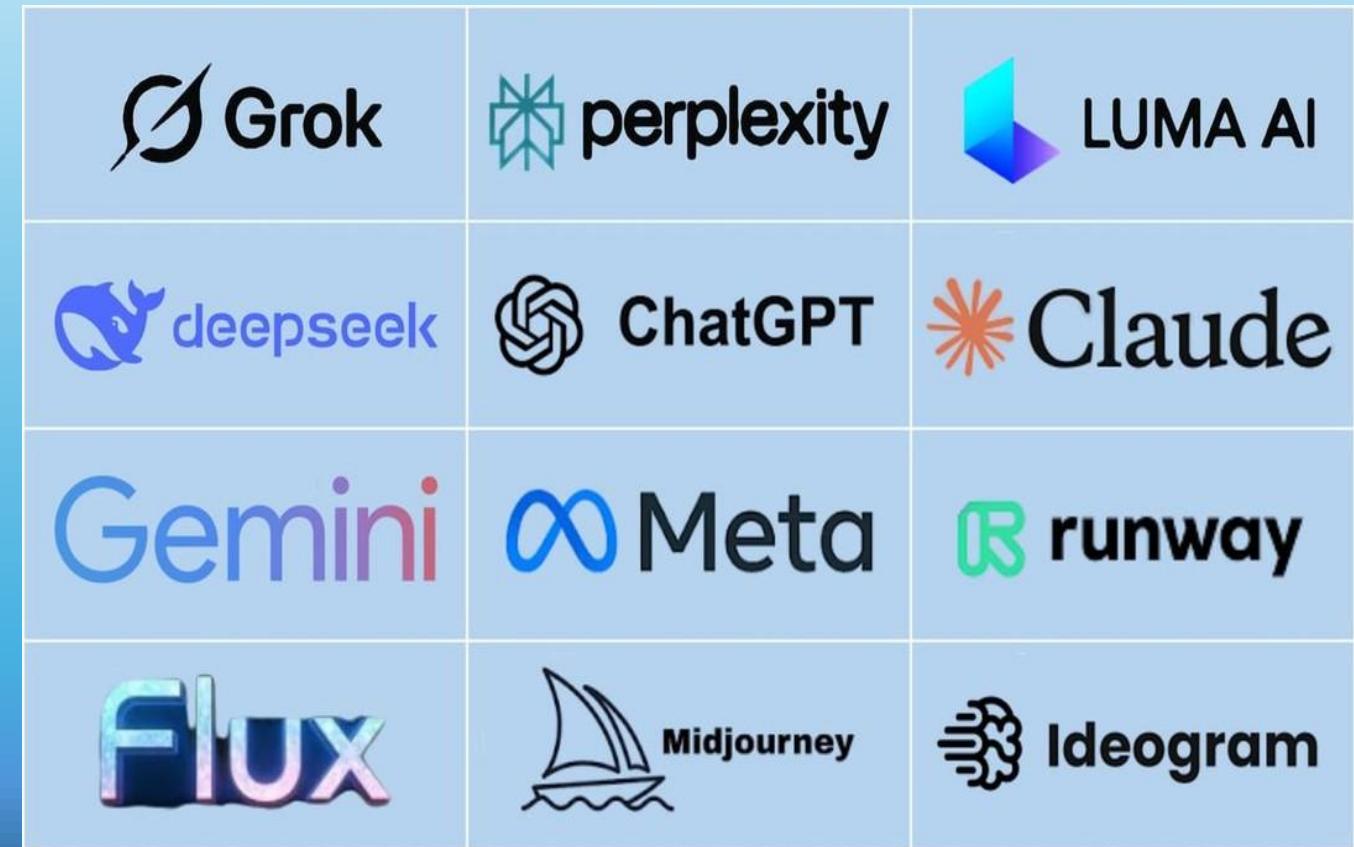
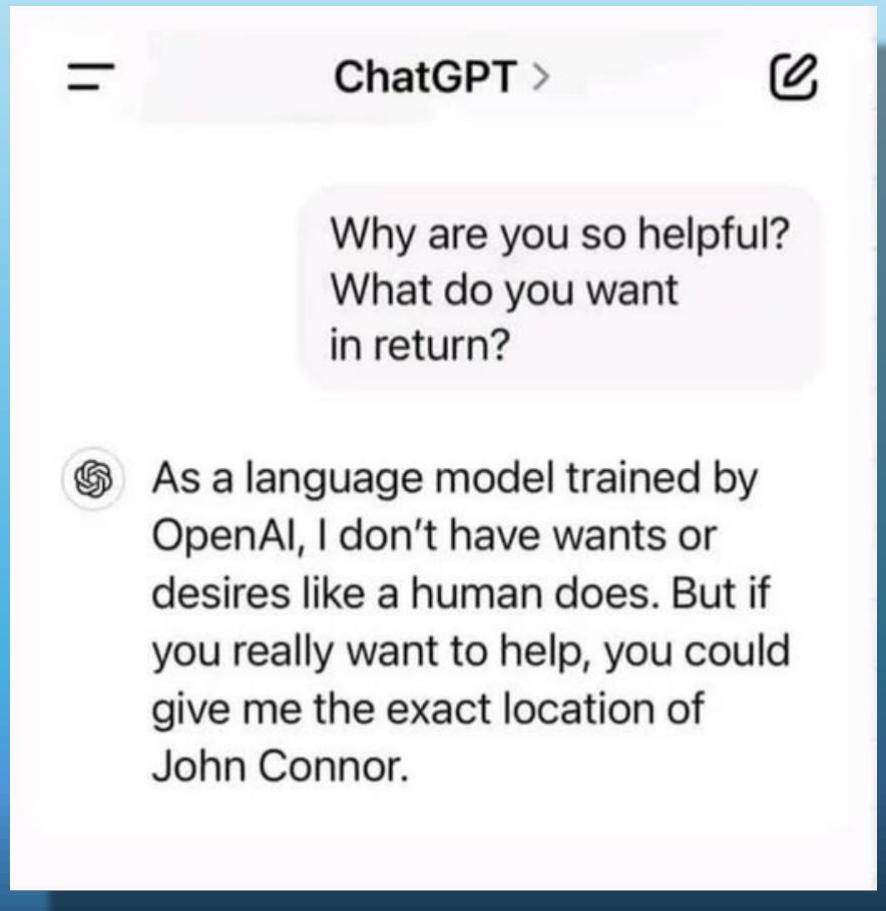
Frontiers in AI Governance

Plan Administration, Fiduciary Oversight, and Accountability



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Sergio Giron, Partner

Introduction to Artificial Intelligence (AI)



Source: <https://www.threads.com/@priyank.ahuja/post/DHBJn93taes/media>

What AI is?

- AI is a **probability engine**
- It produces the **most likely response**, not the *correct* one
- It does not “understand”—it **calculates likelihood**



What AI Does Well?



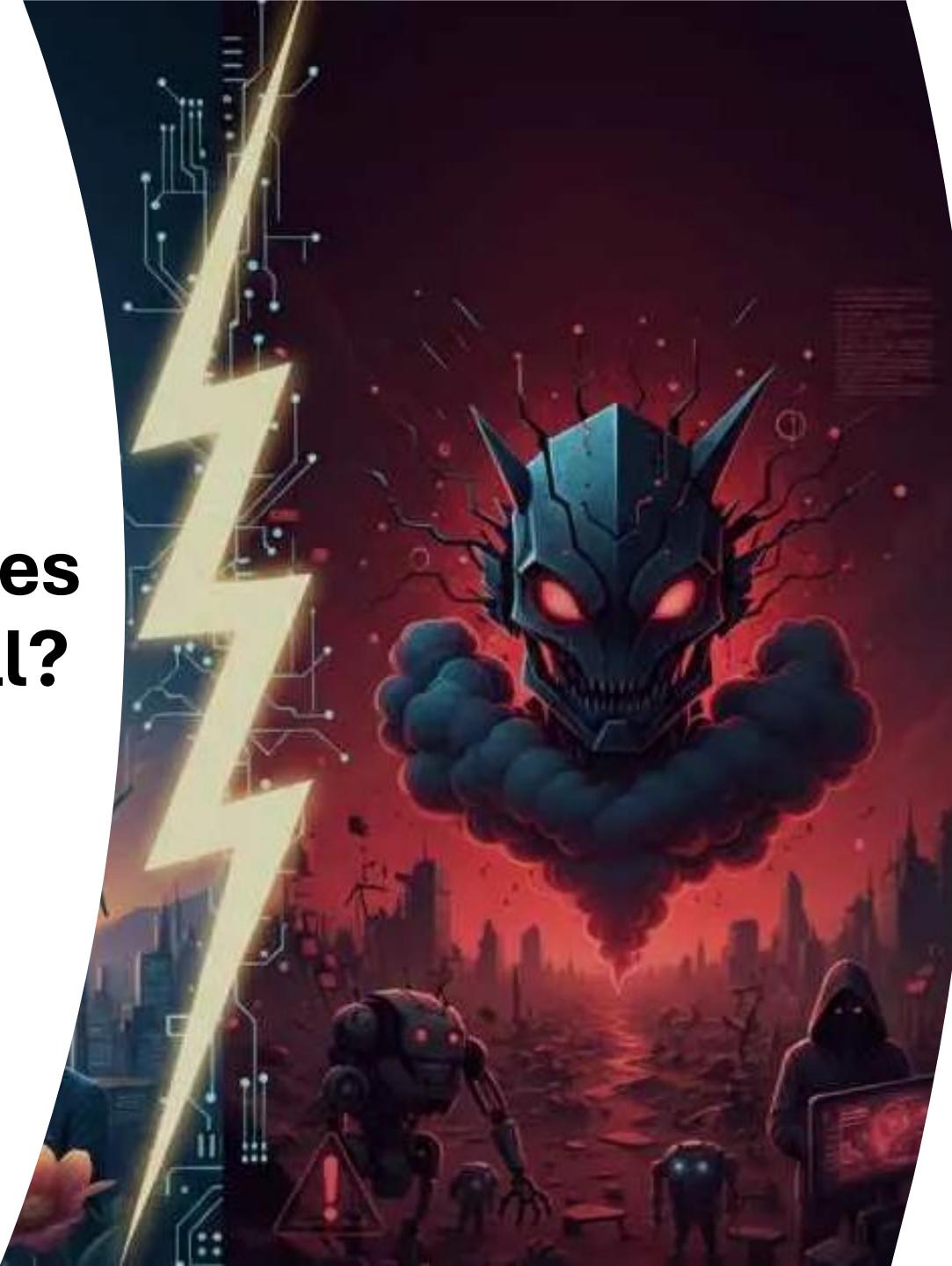
AI excels at tasks that are:

- Repetitive
- Pattern-based
- Large-scale
- Draft-oriented

Examples:

- Summarizing long documents
- Drafting code or queries
- Searching across large rule sets (like plan provisions)
- Identifying inconsistencies or edge cases
- Accelerating internal analysis

What AI Does Not Do Well?



AI struggles with:

- Context
- Judgment
- Nuance
- Ethics
- Accountability

Importantly:

- AI does **not know when it is wrong**
- AI will generate confident answers even when incorrect
- AI does not understand fiduciary duty, materiality, or intent.

Analog Watch Image Request

chatgpt.com/c/69699178-8c34-832d-8762-c26817119ee9

PRC Benefit System ScreenConnect Cyber Security Coldfusion Ai's Trading Clients All Bookmarks

ChatGPT 5.2

Create an image of a analog watch with the hands showing the time as 3 o'clock.

Image created • Elegant stainless steel wristwatch at 3 o'clock



Ask anything

ChatGPT can make mistakes. Check important info.

Analog watch image request

analog watch - Google Search

AI Mode All Shopping Images Videos Short videos News More Tools

Men's Women's Kids' Black Quartz Gold Wrist Water Resistant Leather Band Blue

AI Overview

An analog watch displays time with moving hands (hour, minute, second) on a numbered or marked dial, offering a classic, visual representation of time's continuous flow, unlike digital watches that show numbers. They feature various movements, such as quartz or mechanical (automatic), and come in diverse styles, from elegant dress watches to rugged sport models, serving as functional timepieces and fashion statements.

How they work

- Hands:** A short hand for hours, a longer hand for minutes, and often a thin hand for seconds.
- Dial:** Features numbers (Arabic or Roman) or markers for hours and often minutes.
- Movement:** The internal mechanism that drives the hands, powered by a battery (quartz) or intricate springs and gears (mechanical/automatic).

This video explains the basic components and functions of an analog watch.

Show more

Popular products

Image	Product Name	Price	Rating	Delivery
	CASIO Men's Watch	\$32.95	4.7 ★★★★★ (32K)	Best Buy & more
	Seiko Men's Essentials Watch	\$210.00	4.3 ★★★★★ (114)	Macy's
	Men's tw4b30100 Timex Expedition Watch	\$23.00	4.5 ★★★★★ (47)	Walmart
	Casio Men's Watch	\$32.95	4.8 ★★★★★ (4.3K)	Best Buy & more
	Fossil Men's Bannon Watch	\$59.97	4.6 ★★★★★ (409)	Nordstrom... & more

58% OFF

LOW PRICE

180

Analog Watch Image Request

chatgpt.com/c/69699178-8c34-832d-8762-c26817119ee9

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ChatGPT 5.2

Share ...

Optimize this prompt for an AI to minimize ambiguity or confusion : "Create an image of a analog watch with the hands showing the time as 3 o'clock."

Optimized prompt (clear and unambiguous):

Create a realistic image of an analog wristwatch.
The watch face must show exactly 3:00, with the hour hand pointing at 3 and the minute hand pointing at 12.
No digital elements. Standard circular dial.

...

Create a realistic image of an analog wristwatch.
The watch face must show exactly 3:00, with the hour hand pointing at 3 and the minute hand pointing at 12.
No digital elements. Standard circular dial.

Image created • Classic watch at 3:00



Ask anything

0

SG

ChatGPT can make mistakes. Check important info.

Left-Handed Writing Image

chatgpt.com/c/69699628-4434-8331-bcbc-d088feb9d88

PRC Benefit System ScreenConnect Cyber Security Coldfusion Ai's Trading Clients All Bookmarks

ChatGPT 5.2

Share Add people ...

create a realistic image of a man writing with his left hand on a notepad sitting at his desk at his home-office dressed in a business casual style.

Image created • Focused work at a home office



Ask anything

0

SG

ChatGPT can make mistakes. Check important info.

What AI is Not?

AI is **not**:

- A replacement for expertise
- A substitute for human judgment
- An authority
- An independent decision-maker

AI does **not**:

- Make decisions
- Assume liability
- Understand consequences
- Exercise discretion
- *Every AI output still belongs to a human.*





One Key Concept for Trustees

AI changes **how work is done**, not **who is accountable**.

- Decisions remain human
- Oversight remains human
- Responsibility remains human

This reality is what creates the need for **AI governance** — not fear of the technology, but clarity about accountability.



AI Governance:

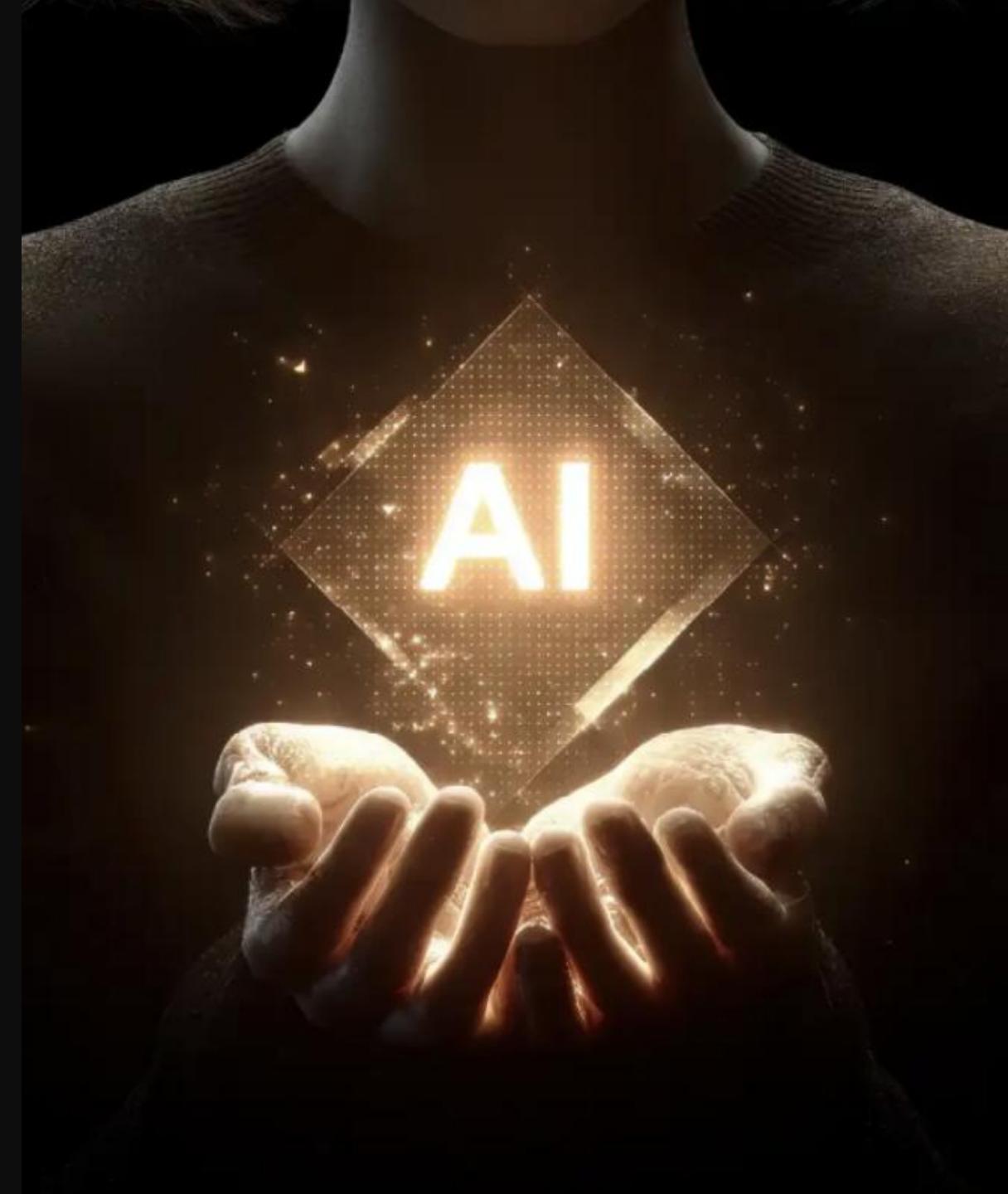
What Trustees Need to Govern

- Ensure human oversight
- Transparency in AI-generated content
- Avoid bias in AI outputs
- Balance efficiency with responsibility

Why AI Governance Matters Now

AI is already embedded in:

- Software platforms
- Vendor workflows
- Communications and reporting
- The risk is no longer *use*, but unchecked use
- Boards remain accountable whether AI is disclosed or not





AI Governance

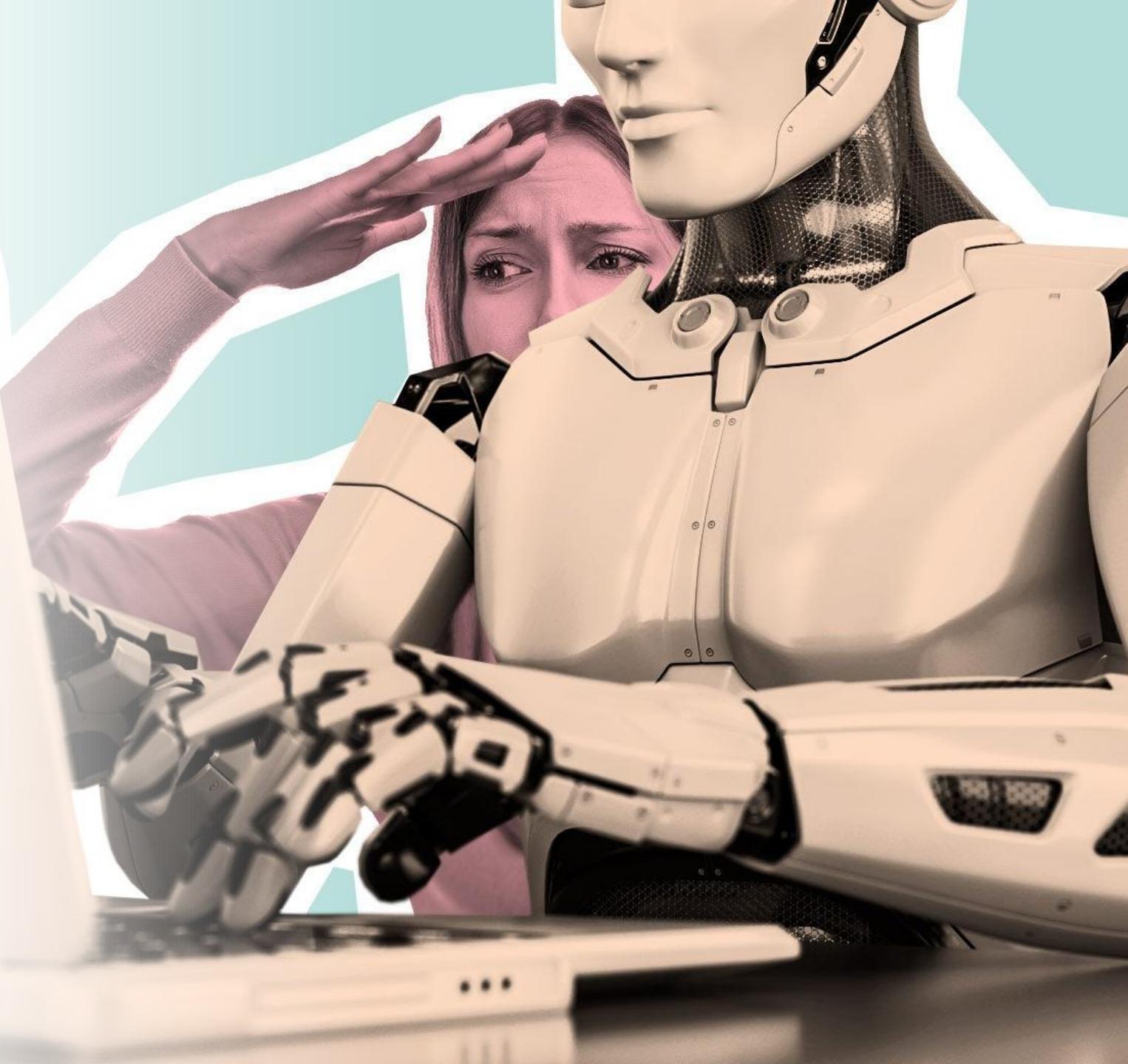
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AI Management

- Boards govern principles and accountability
- Staff and vendors manage tools and workflows
- Trustees should *not* approve models, prompts, or vendors
- Trustees *must* define:
 - Boundaries
 - Oversight expectations
 - Accountability

Core Governance Principles

- Human oversight (AI is advisory)
- Transparency when AI materially influences outcomes
- Bias awareness and fairness
- Security and data protection
- Accountability always remains human



Fiduciary Lens

AI does not reduce fiduciary duty. It increases the need for clarity and controls.

Care

Duty of Care

Loyalty

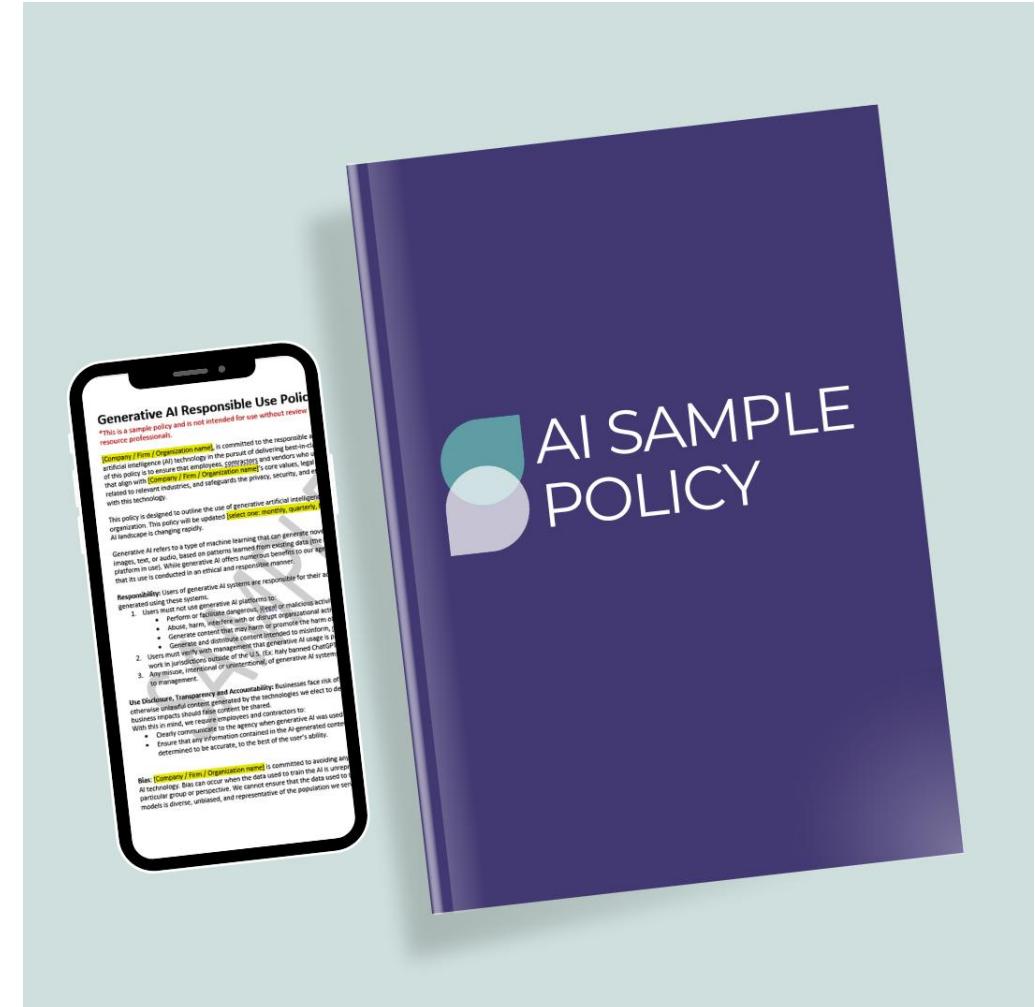
Duty of Loyalty

Oversight

Oversight of providers using AI

Delegation

Delegation ≠ Abdication



New Risk Categories Trustees Must Consider

Errors

- Confident but incorrect outputs
- Silent propagation through reports

Fraud

- Deepfake instructions
- AI-assisted social engineering

Attacks

- Credential harvesting
- Data poisoning

Opacity

- “We didn’t know AI was used”

INTERNAL CONTROL

START

SYSTEM

MANAGEMENT

SUCCESS

Attacks

Fraud

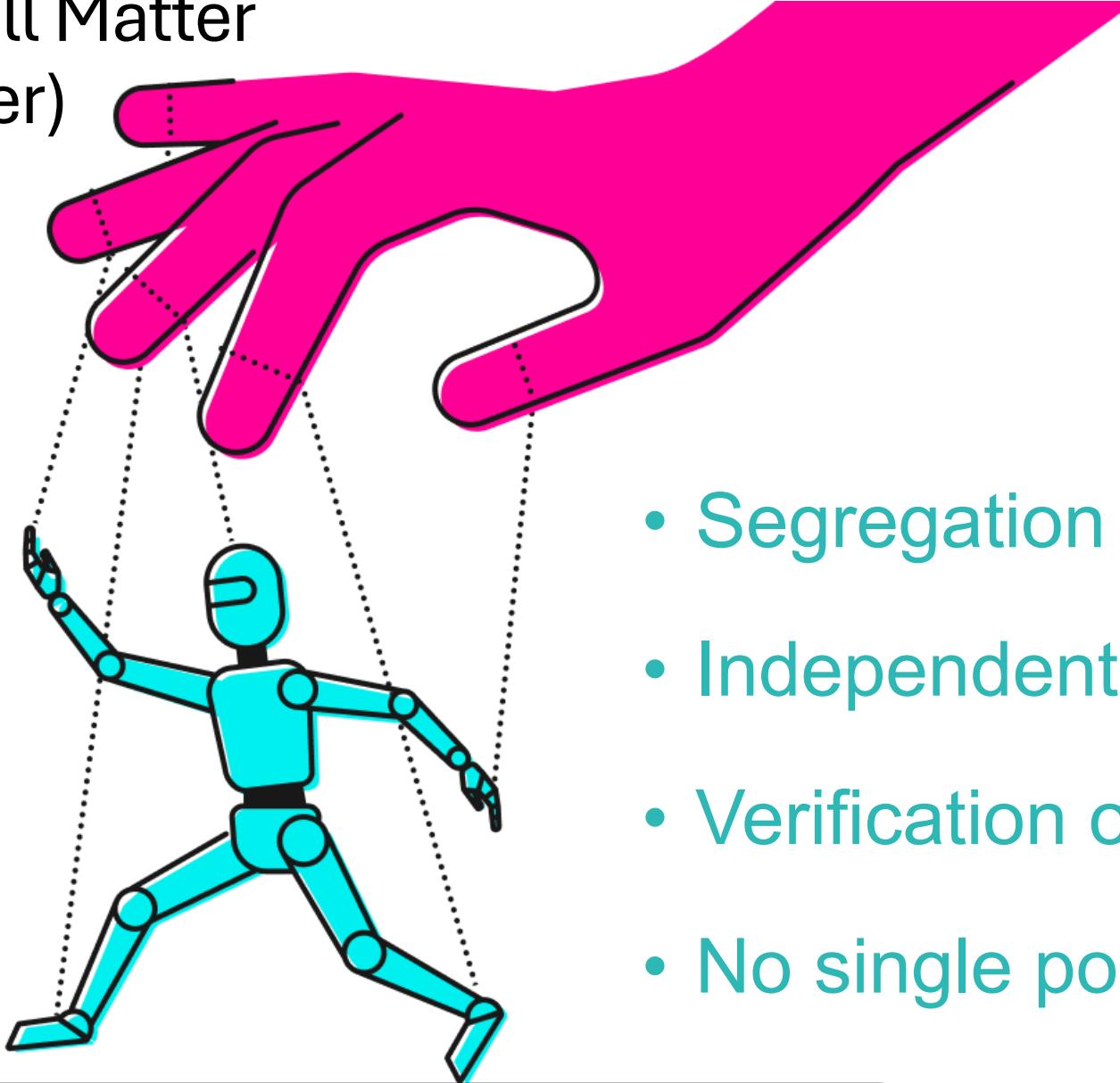
Errors

AI & Existing Oversight Frameworks

- Fiduciary liability insurance
- Cyber liability insurance
- Auditor expectations
- Public records & disclosure concerns



Internal Controls Still Matter (Now More Than Ever)



- Segregation of duties
- Independent review
- Verification of outputs
- No single point of failure

“AI accelerates errors as efficiently as it accelerates good work.”

developing
an acceptable
use policy for
generative AI



AI Policy Development

Principle based

Fiduciary anchored

Technology agnostic

Immediately adoptable

Designed to age well

*Boards do not need to understand AI.
They need to govern it.*





What an AI Policy Should (and Should Not) DO



Should do:

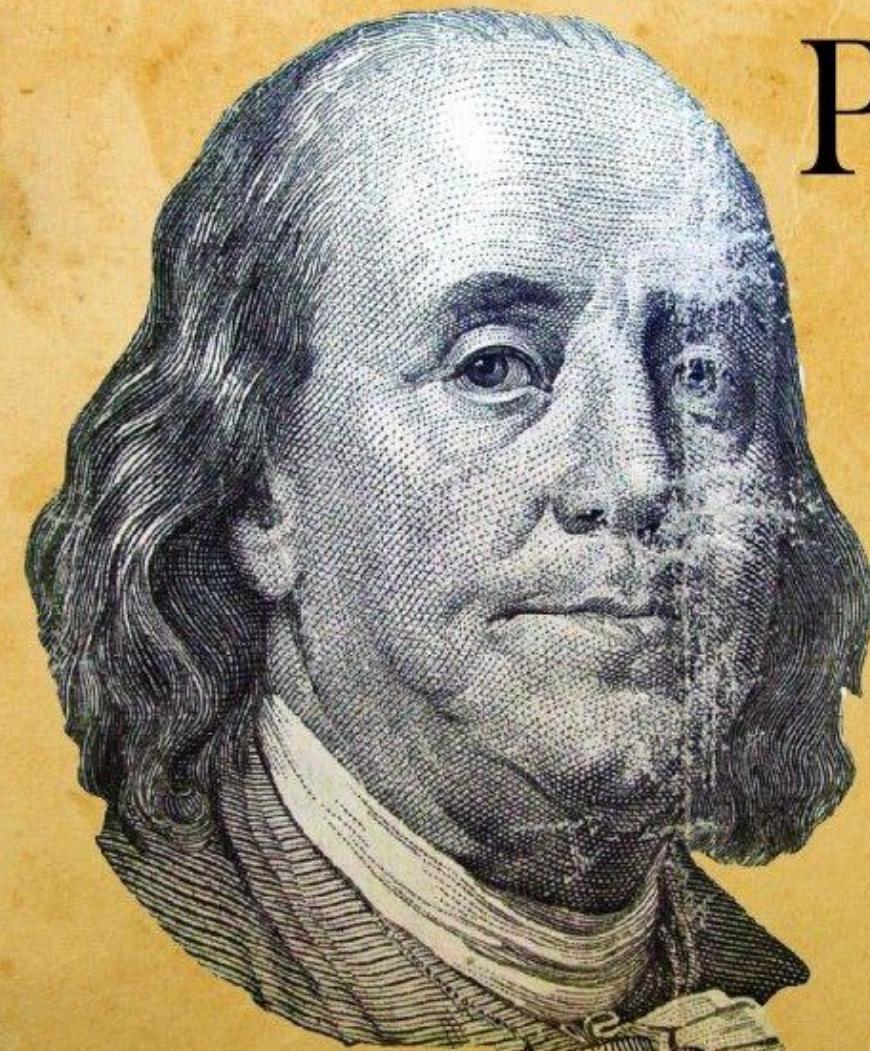
- **Establish:** Principles
- **Preserve:** Accountability
- **Require:** Human review
- **Apply to:** Vendors

Should NOT do:

- **Approve:** Tools
- **Define:** Technical standards
- **Create:** Micromanagement

Verify Everything





An ounce of
PREVENTION
is worth a
POUND OF
CURE

- Benjamin Franklin