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► **Unlocking the full potential of pension trustee boards:** Aon senior consultant, Andy Nichols, looks at how trustees are unlocking the benefits of diversity, equity and inclusion (DEI) by focusing on representation, promoting fairness and equity within systems and processes and creating an inclusive environment where individual trustees feel valued and empowered to contribute, leading to better decision making and better outcomes for members p36

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## DEI focus: Incorporating diversity, equity and inclusion within trustee boards



Aon senior consultant,  
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# Unlocking the full potential of pension trustee boards

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**M**any pension schemes are strengthening their diversity, equity and inclusion (DEI) policies. Beyond regulatory compliance and what just 'feels like the right thing to do', they are recognising the value of a truly diverse and inclusive approach and are increasing their efforts to foster a culture to improve their effectiveness as a board.

Aon's 2023/24 *Global Pension Risk Survey* revealed that the most common area of DEI that schemes had considered was the composition of its trustee board and conducting a review of it, with 70 per cent of schemes reporting they have already done this or are planning to do so. This is a great place for trustees to start, but to continue to unlock the value of DEI for boards, it is important to consider more broadly how to foster a truly inclusive environment.

To understand the collective diversity of a trustee board involves going beyond the obvious and visible characteristics and gaining deeper insights into the behavioural differences, experiences and key skills of the individual trustees and

then ensuring that the board has a broad mix of skills and perspectives.

There are various techniques available to secure a diverse mix of people on the board and to understand the key skills and experience so that these are utilised to the best effect. This approach will not only maximise the effectiveness of the board but will help prepare it to maintain this success in the future through more informed succession planning.

## Attracting diverse individuals

A key challenge for schemes is to encourage a wide range of individuals to come forward as candidates for member-nominated trustee (MNT) roles. However, creating a rich talent pool of candidates from different backgrounds and with different experiences to take up the role of an MNT is the first fundamental step to improving board diversity. The role of an MNT, in particular, can provide schemes with greater opportunity for accessing a broader population than company nominated trustee (CNT) roles, for example pensioner members.

Our experience at Aon shows that with a shift in approach, trustees can overcome this challenge. Focusing MNT communications on the support available to MNTs, the role advisers play in providing expert advice and the ongoing training and development available can create excitement about the role and broaden out the candidates who then express interest in becoming an MNT.

It is also crucial to emphasise the real value of diverse backgrounds and experience when it comes to board membership. Not coming from the same background or having experienced the same life as others on the board should not discourage members from wanting to join. Instead, schemes should ensure that this is viewed as an opportunity to bring a fresh perspective to decision making and new energy to the board.

A similar approach may be taken for CNTs by working with the employer so that they understand the composition of the board and understand how new CNTs can complement the collective skills and experience of the board.

## Using skills to the best effect

While attracting a range of different people to the role of trustee is important, there is much more to be done than simply filling board positions. Rather than focusing solely on who is on the board, schemes should look beyond this and consider what each trustee offers and ensure that everyone's potential is fully realised.

When looking at the full board, skills and diversity assessments will both help identify a trustee's strengths and weaknesses and potential skills gaps collectively. Acknowledgment of key skills and experience should be used to focus on getting the best from each board member.

People work in different ways, and these assessments help ensure you do not have too many similar or conflicting behaviours on the board. For example, having too many quiet individuals who

are reluctant to speak initially, or an excess of 'devil's advocates' can slow down the board's progress.

Assessing trustees' skills allows boards to align roles with key expertise, creating a more cohesive, efficient and effective board. Individual trustees may be more comfortable working in areas where they feel competent and confident, allowing their strengths to be fully utilised and valued or they may be looking for opportunities to stretch outside their comfort zone and seek new experiences and build new skills. Understanding this, helps to keep trustees engaged and motivated while reducing the risk of frustration and disengagement.

### Ongoing training

Training is essential throughout a trustee's journey. Whether a new trustee is learning the role or an experienced trustee is updating their knowledge to meet regulatory standards, ongoing training should be provided.

Once skill gaps are identified, training can be tailored to enhance specific areas. For example, trustees with limited financial expertise might receive specialised training in pension scheme funding or actuarial analysis, while others could benefit from training in governance best practices, legal obligations or stakeholder communication. This targeted approach ensures that trustees are well-equipped to contribute effectively across all areas of decision-making.

### Support in role

As boards improve their collective range of skills and experience, it is important to consider the ongoing support offered to trustees. This will be key in ensuring that all trustees have equal opportunity



to contribute and add value to the board and will ensure that trustees remain engaged and are able to bring their best and authentic selves to the role.

The existence of any barriers for trustees should be considered and addressed. For example, access to technology, support for those working in a board environment for the first time and the ability to attend meetings in person. By breaking down any barriers, schemes open the door to a wider range of experience and skillsets.

A robust trustee induction programme and ongoing mentoring relationships will also provide valuable support to new trustees.

### Succession planning

Succession planning is also vital – assessments can help identify current skill gaps and allow schemes to consider these gaps when recruiting new members for the future, ensuring the board remains diverse, well-rounded and effective.

Considering the length of tenure of individual trustees may also provide opportunities for reviewing the diversity of the board. For example, the best composition may include a third of experienced trustees with deep knowledge of the scheme, a third of trustees with two to three years of experience who are established in the

role of trustee, and a third of new trustees. This strikes the balance of having the appropriate experience and expertise but with the fresh perspectives and energy of new trustees, while supporting stable succession planning and providing regular opportunities for reviewing collective skills and experience.

### Implementing changes

Embedding changes to the board to unlock the benefits of DEI will take time

and may begin as an aspiration.

But, as new trustees are recruited to the board using the approaches set out above, the composition of the board will become more diverse, improving the range of skills and experience available on the board.

It is important that schemes do not treat DEI as a separate topic but ensure it is integrated into daily operations and decision-making, creating a more inclusive culture where it becomes a natural part of how they function.

There are a range of options available to schemes to improve board diversity. Schemes do not need to implement them all – they can pick and choose the appropriate techniques based on their circumstances, but all with the aim of driving forward change to fully benefit from DEI in the future.

**You can download a copy of Aon's Global Pension Risk Survey 2023/24 at [www.aon.com/gprs2023](http://www.aon.com/gprs2023).**



Written by Aon senior consultant, Andy Nichols

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# Inclusion in practice

**▣ Aon senior consultant, Andy Nichols, speaks to *Pensions Age* about implementing processes to encourage broader representation on trustee boards**

**W**hat success have you seen with the efforts to increase the number, and diversity, of candidates putting themselves forward for member-nominated trustee (MNT) roles?

We've seen quite a bit of success in this area. The way we've approached it is to look closely at the way we communicate. We revisited all the communications that we send to members of pension schemes when it comes to MNT roles. Then, within that, we focus on support and training rather than experience.

The idea is to make the roles more appealing to more people. So, we moved to using more language that is typically regarded as more 'feminine'. This is, for instance, by using framers like 'communication' and 'relationship' instead of using words that might be regarded as more typically 'masculine' such as 'leadership' and 'responsibility'. In the past, that 'masculine' language might have put members off from considering becoming a trustee.

Interestingly, research has shown that using feminine language encourages women but doesn't put off men from applying to be trustees – it's all encompassing.

We also recognise the value that different backgrounds and experience bring to the roles, and we've emphasised that in our communications.

One way this is done is through a video aimed at explaining the MNT role and showing the diversity of candidates who can then step forward to become trustees. Really excitingly, in all the

cases where we've used this DEI-focused communication style, we've seen a four-fold increase in the number of applicants that we had.

The increase in applicants also means there's more choice when it comes to selection, which helps to create a more diverse trustee population.

**How can trustee boards ensure equity for all potential candidates? What have you seen working well in practice?**

It can often depend on the type of organisation that the potential MNT is involved with. Some candidates might need a bit more encouragement and support to put themselves forward.

For instance, take shopfloor workers. They might bring a different perspective to the trustee board, but they might also need a bit more support creating a profile for elections or when preparing for interviews. Therefore, giving them a bit more support just helps to even things out where you've got, for example, other candidates who come from a 'head office' background.

It's possible that those in the head office might have been exposed to more opportunities and experiences that could be beneficial for them during elections. So, providing more support to those with retail backgrounds helps to deliver that equity.

Focusing on skills rather than prior experience is really key in this – it avoids anyone having an advantage. Anonymising profiles during the election process can help as well. That means not including the applicants' name, or gender – anything like that.

The goal is to provide an equal footing for all candidates.

**Do you have any practical examples of how trustee boards have used skills and diversity assessments to support their board effectiveness?**

Lately, we've been doing a number of surveys that look at skills and diversity. I really like that we use these assessments to identify the best make-up for working groups or subcommittees. It's really important to get the right balance of skills and behaviours, as well as experience. This is because that's going to help trustees to make better decisions, and fundamentally to make those key projects and management more effective.

For these groups, we might use these assessments to find someone who likes to get close to the details. We might have a 'devil's advocate' there as well – someone who will challenge and ask questions, as well as somebody who likes to step back and take a look at the bigger picture.

When you bring those people together, it helps to provide a more robust approach to the project, building on those skills and approaches that they each have.

**How should trustees engage with sponsors to support DEI?**

Sponsors have got a massive role to play in driving DEI approaches forward. The way I see it happening is for the trustees and sponsor to have an ongoing dialogue – then, when it comes to sponsor-nominated candidates, they can identify potential people for those roles early on.



It's also important during that trustee/sponsor conversation to look at the trustee business plan. What are they looking to achieve over the next year, or three years? What skills would be most appropriate for candidates coming in – and what's going to benefit the board as a whole?

That sponsor perspective can be really useful. We have found that the sponsors quite often are further ahead than trustee boards in the DEI space.

It therefore might be helpful for trustees and sponsors to develop some views on their diversity objectives, so trustees can use those as a starting point to inform their own views and take things forwards.

**When pension schemes have established a diverse trustee board, how can they ensure they use this diversity of thoughts, skills and experience to get the best out of their board?**

We assess the situation by carrying out an effectiveness review – that's in terms of the board and its make-up, and how it operates.

Inclusion within a board is generally driven by the chair. We have created a behavioural checklist for the chair to help with that.

The aim is to have an environment where trustees have got 'psychological safety' – they can feel comfortable asking what might seem to be a silly question, or even to disagree with the rest of the group.

When new trustees come in, it's also important to support them and make sure they've got the right induction to help them into the realm of trusteeship. This can be by providing buddies or

mentors ahead of them meeting with the advisers, other trustees or the chair.

This can also help them to get up to speed with what they need to know, and, in turn, become more comfortable in asking questions during trustee board meetings.

Also, what we are seeing in some cases are 'trained pools' of people that are interested in becoming a trustee – they might have had trustee training in advance so they become used to getting the sort of information they are likely to receive.

**What future trends and developments are you noticing that will help drive DEI integration within the pensions industry forward?**

I think we are seeing a lot in this space and a lot more awareness of the benefits of DEI. Traditionally it has been in terms of using MNT hires to increase diversity on the board. But I think it's fairly standard these days to think about DEI as a core part, instead of a separate issue. That's a massive step forward from where we've been in the past.

One area that I'm really interested in seeing developed further and examined more is neurodiversity.

What's important is recognising the differences in how everybody needs to be treated or how they need to receive information. That way they can contribute to the best of their ability. This is generally just about being more considerate and respectful of each other.

Creating that environment to support neurodivergent people is going to improve diversity of thought and better represent the membership.

There's now plenty of research that shows the value of neurodiversity on boards, driven by the fact that people thinking differently can drive innovation and change, resulting in better outcomes.

There are other ways as well, rather than just discussions, of exploring preferences for trustees, using our 'Reflection' tool, which uses neurotechnology. The tool asks you a series of questions. The idea is that they get to the bottom of a person's feelings, rather than just what they are saying at face value. It establishes how confident people are with answers and that can help to get to the heart of DEI on the board.

I expect to see it being integrated into trustee board decisions and the way that they operate. DEI doesn't work as a separate strand – and boards already have very heavy workloads. There are always new things coming up, so embedding it into everything they do will help break DEI down into manageable chunks.

The challenge I give my trustee boards is simply to ask, 'is there a DEI consideration here?' Doing that makes it become second nature, which, in turn, makes DEI something that is done. Then we'll see how things move over the next five years or, as that mindset becomes the standard.

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