



Summary

- According to research conducted by Aon and Leeds University Business School, one in five trustees on pension scheme boards are female, a marked improvement from 2006, where there was only one in 40. But there is still a long way to go to improve diversity.
- Only 8 per cent of trustees are 40 or under, according to TPR chief executive Lesley Titcomb.
- Research has shown that boards have a better chance of making good decisions if the people making the calls have a range of skill sets, experience and backgrounds.

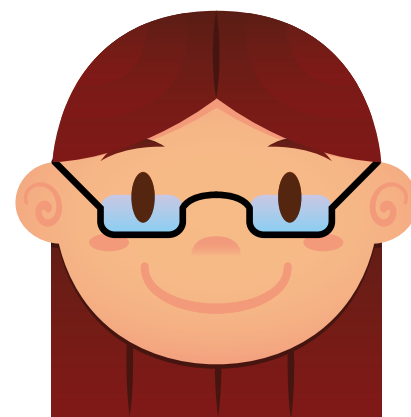
Changing faces

It's well established that diverse boards usually improve company decision making and business performance. Pension funds are waking up to this reality, but there's still a lot of work to be done

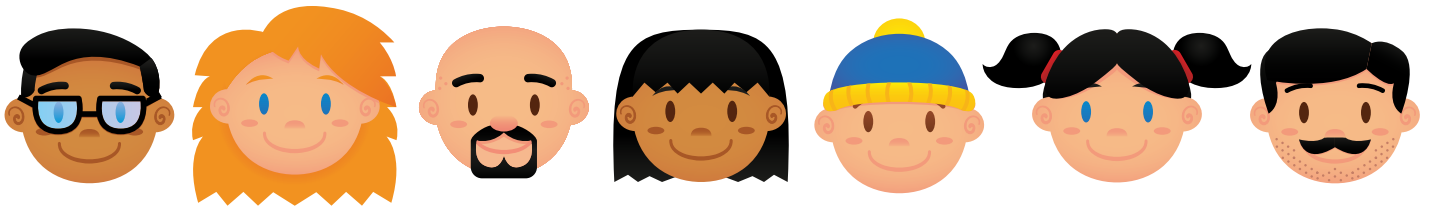
When she first joined the pensions industry some 20 years ago, it was not uncommon for Lynda Whitney to sit down at a trustee meeting and realise that she was the only woman in the room.

Today, the partner at Aon Hewitt hardly ever finds herself in the same situation. "It would be extremely unusual for me to walk into a room and for there to not be another woman there in some capacity," she says.

According to research conducted



by Aon and Leeds University Business School, one in five trustees on pension scheme boards are female, a marked improvement from 2006, where only one in 40 were not dressed in a suit and



tie. However, there is still a way to go to improve diversity when it comes to pension scheme management.

The subject recently dominated the PLSA's investment conference in Edinburgh, where The Pensions

director Rachel Croft says that it has been proven through a substantial amount of research and study [see box out] that boards have a better chance of making good decisions if the people making the calls have a range of skill sets, experience and backgrounds.

"The primary objective of diversity isn't just that it would be nice to have some different faces around the trustee table," she says. "By taking into account a range of different views, you help challenge yourselves and your advisers, and you end up thinking of a full range of outcomes and coming up with what's best for members."

Quiet revolution

There were some voices of resentment at the PLSA conference after speakers such as Titcomb and Lesley Williams, the chair of the PLSA, addressed the issue. This is understandable, says Williams.

"Some people react defensively to the message, because it's a challenge. People can react defensively to any challenge. I don't mean it as a personal criticism. I mean it to jolt people into thinking very hard about it and to be fair I've had quite a lot of positive responses to the jolting."

Away from the rhetoric, Croft says that a lot of trustee boards and their sponsors are quietly getting on with succession planning, which will change the make up of their trustee boards. There's a recognition, she says, that the demographic of those that have often held trustee appointments, to be blunt, is not getting any younger.

"It's not a flood, but a considered process that many are carrying out," she says.

There is a certain marrying of minds taking place to allow for better succession planning as well, says Croft. In a number of organisations now, trusteeship is no longer seen as an unwelcome burden, but as an opportunity to gain board experience. This heightened interest should make the renewal of boards a slightly easier job.

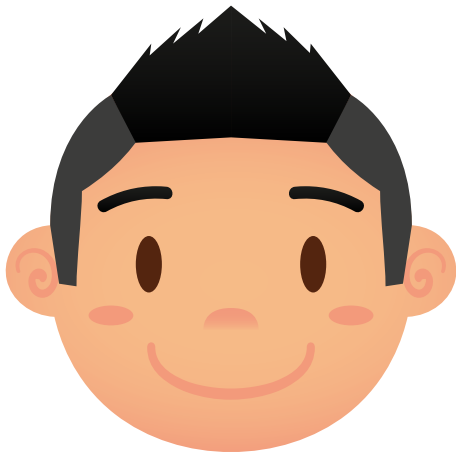
Slow, but careful

Nevertheless, change continues, as with most things in pensions, to move at a snail's pace. If you compare pension schemes with the progress made by those who have embraced the 30% Club's mission, then it's obvious that there is still a way to go. The latter only started its campaign to see a minimum of 30 per cent of women on FTSE 100 boards in 2010. Seven years later, it is tantalisingly close to achieving that goal.

But a slower burn has its advantages, says Whitney. She fears that some trustee boards may be too quick in trying to freshen up their personnel, leading to only a facile change.

"Even if you say you've got various ethnic minorities, women, and a good age profile – that doesn't necessarily mean that you've got different ways of thinking," she says.

"I was chatting to a colleague of mine who on paper has a diverse team, but actually, they're all maths graduates and they're all from three or four universities.

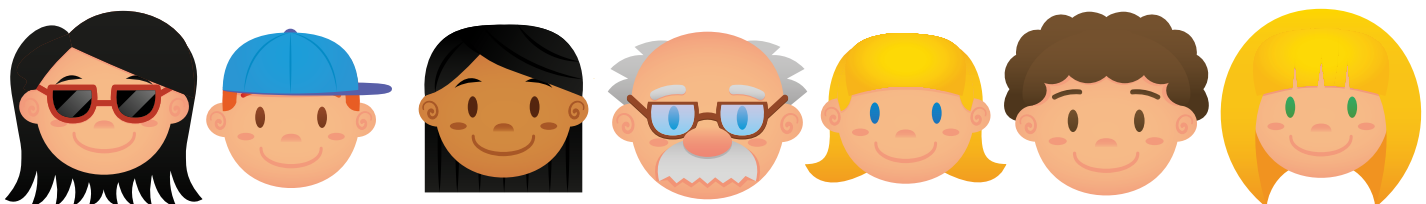


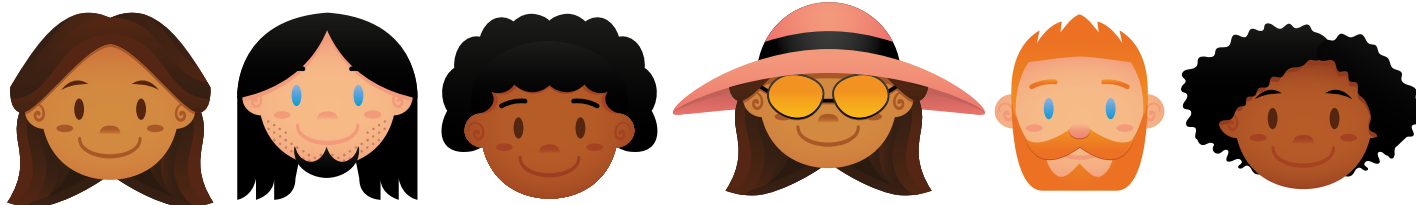
Regulator's chief executive Lesley Titcomb said that trustee boards were "behind the game". She pointed out that as well as the gender imbalance, only 8 per cent of trustees are 40 or under.

This concentrated demographic is a concern, says Dr. Iain Clacher from Leeds University Business School: "When you have the same common experience in terms of education, career path, and qualification among predominantly 55-year-old and older males, then you're not going to get much cognitive diversity.

"You get an environment where group thinking can be present. And that can have serious consequences."

Independent Trustee Services





“Could he have a problem with group think with a group that on paper looks diverse?”

Improving the mix

For Whitney, the best way around this is to put selection ahead of election.



When you're thinking about new trustees, she explains, you have to consider the technical skills you need on a board as well as the type of decision-making skills that you're adding to the mix. Selection allows boards to actively look for the cognitive diversity they need. But it also has a risk attached to it.

“You have to do it actively or you're more likely to end up leaving it to people who will hire people who look like themselves,” she says.

Williams says that the sector should not shy away from positive discrimination.

“If you had five actuaries on a trustee board you wouldn't get another one, you'd positively discriminate to not have another one. And equally, if you didn't have an actuary at all, you'd maybe go

looking for one,” she says.

“That's not seen as positive discrimination, yet looking for a woman when you've got an all-male board, is seen as positive discrimination. We all need to think a little differently”

Wider pensions community

And what about diversity within the wider pensions industry?

“We are still behind other sectors,” says Williams. “It's great that there are some women in high-profile positions, but we mustn't rest on our laurels.”

Although boards are generally getting better, following the 30% Club's aims, there is still much to do, she argues. If you go down a couple of layers of an organisation then the story is not quite the same. Williams believes that more needs to be done to try and encourage better diversity in management roles.

Aon Hewitt is one of those trying to grasp the nettle, says Whitney. It has been encouraging female students to look at financial services as a viable career. The firm held an event earlier this year where 37 undergraduates came into its offices to lift the lid on the consultancy's inner workings.

This is vital, as she explains: “If you look at the proportion of maths and economics graduates that are male, then you have to work that bit harder as there's already a bias there.”

“It's something we keep having to work at.”



Written by Marek Handzel, a freelance journalist

Diverse returns

All this talk of diversity is all well and good, but just what is diversity and why does it matter?

Global Diversity Practice (GDP) has worked with many organisations in over 99 countries to improve their diversity and has helped pension providers such as AXA and Aviva. Fundamentally, it says, diversity is about respect for – and appreciation of – differences in age, gender, ethnicity, religion, disability, sexual orientation, education, and national origin.

With this in mind, GDP believes that diversity in the workplace is about allocating the required resources and training in order to attract the right employees, with the best minds and skills.

“The onset of globalisation has led to a demographic shift, with increased mobility in migrant workers travelling to the four corners of the globe for career progression, and the need for a talented and skilled workforce resulting in diversity becoming a key driver in economic growth across the world,” it says.

Management consultancy firm McKinsey has discovered that diversity helps improve businesses.

After much study, it has concluded that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians.

“More diverse companies, we believe, are better able to win top talent and improve their customer orientation, employee satisfaction, and decision making, and all that leads to a virtuous cycle of increasing returns,” it says.