

# Diversity – the key to overcoming groupthink



**➤ Outgoing TPR CEO Lesley Titcomb once stated that the pensions industry was “behind the game” when it came to trustee board diversity, but is this still the case? Natalie Tuck investigates**



**M**any in the pensions industry will be familiar with the ‘elevator groupthink’ psychological experiment from the 1960s, where a man copies his peers (who are unbeknown to him, actors) and faces away from the doors whilst riding in the lift. The clip, often played to audiences of pension conferences, illustrates the idea of groupthink.

It’s an issue that particularly impacts pension trustee boards, but could diversity be a potential solution? As part of its guidance on defined contribution schemes, The Pensions Regulator notes that “as far as possible” trustee boards should be diverse and well-balanced.

This includes those typical to the pensions industry, such as employer-appointed, member-nominated and professional trustees. But its guidance also notes factors such as the experience and skills of trustees – for example, education, professional, voluntary – and lists societal demographics, such as race, sex, age, disability and orientation.

However, despite such guidance from the regulator, its outgoing chief executive, Lesley Titcomb, at the Pension Lifetime

Savings Association’s Investment Conference in 2017, said the pensions industry is “behind the game” when it comes to diversity. In a more recent speech at

the Eversheds conference in December 2018, she noted TPR’s continued interest in the composition of trustee boards.

“Diverse boards bring better decision-making and governance. They have a closer connection and better represent the members they are there to serve,” she said. It is apparent that the regulator is convinced of the benefits of trustee diversity, but is the rest of the industry following suit?

The statistics would say no, with research from the University of Leeds revealing that around 81 per cent are male, and have an average age of 54; the majority are aged between 50 and 70. However, Association of Member-Nominated Trustees (AMNT) co-chair, David Weeks, notes that in recent years the view that having a diverse trustee board has spread across the industry. “The question is what you do to increase diversity,” he says.

“The key task now, and we certainly at the AMNT are doing, is to spread the net. I think the biggest gap we have is that we’re so thin on the ground in terms of younger trustees,” he says, adding that a significant trend amongst young people is that they have a much more developed

perception of what investments are being used for, such as valuable societal projects.

Backing up Week’s comments is the view of ShareAction investor engagement manager Anne-Marie Williams, who has previously argued that a lack of younger representatives on trustee boards pushes issues such as climate change into the future. She believes that a lack of age diversity on trustee boards means that there are very few young savers who are really in touch with environmental risks.

Asked whether the problem is that pension schemes aren’t approaching young people to join, or whether young people don’t want to join, Weeks said the picture is a mixed one. However, he notes that most schemes do need to focus more on outreach work in terms of recruiting younger trustees. Weeks explains that recruiting younger trustees for closed defined benefit schemes is “quite difficult”, and there is much more potential for diversity for defined contribution schemes.

As a believer of the importance of diversity in decision making, Weeks notes that all the actors of diversity are important, and it’s not just about bringing on younger trustees, or more women. “If the people on the board are all too much of the same way of thinking then they will be good at addressing some issues but not others,” he explains.

For example, in the case of integrated risk management, he says that if the trustees are all involved in groupthink it is less easy to spot all the risks that there may be, whereas with a diverse trustee board, the risks are much easier identified due to the different perspectives.

**➤ Written by Natalie Tuck**

# Who's listening?

**➤ Pension scheme members are a diverse group of people, with different needs and understanding when it comes to their pensions. So how do schemes communicate to such a varied group of members? Natalie Tuck explores**

If there's one area where the pensions industry ticks all (most) of the boxes when it comes to diversity, it is with pension scheme members. This has always been the case but the government's auto-enrolment policy has brought in a wider set of people, with around 10 million people enrolled that weren't previously members of pension schemes.

"Schemes can have a huge array of member types, all with different financial needs and ambitions and levels of understanding around pension savings," notes Local Pension Partnership (LPP) head of client delivery Taryn Mutter. Her colleague, head of business development, James Wilday, adds that at LPP, pension administration services are provided to LGPS, police and firefighters' pension schemes, with members ranging in age from 16 and above.

This, as LifeSight master trust director, David Bird, notes, makes it all the more crucial that communications are personalised, rather than generic. "Generally, schemes will issue an annual report, an annual benefit statement and, increasingly, some form of online experience," he says.

With these types of communications, Quietroom director of strategy, Rhys Williams explains, at a basic level, tailoring is about addressing someone by their name, instead of 'dear member'. "The next tier up from that is information that is relevant just for you,"



he says. "Within the pensions space it would be, are they in DB or DC, which sections of the scheme are they in, what is their contribution level, what investment choices have they made, have they nominated a beneficiary etc."

But where it gets interesting, Williams adds, is when schemes extend beyond the personalisation, in terms of names, and start giving people different messages. Quietroom was involved in the 'Time to Choose' consultation for the British Steel Pension Scheme (BSPS), where members were given the choice to remain in the existing scheme, which would fall into the Pension Protection Fund, join the new BSPS scheme, or transfer out.

"There were over 25 different versions of the option packs sent out to members, and it was based on every little nuance, the choices they have made in the past, their circumstances, whether they'd be better off going down one route or another route," Williams states.

This is something that has also been put into practice by LifeSight, which Bird says has led to far greater online engagement rates (80 per cent among

active members, almost 50 per cent among deferred members), and he adds, far fewer queries coming through the helpline.

Taking tailored communication a step further on from that is targeting a specific message to members that schemes think would benefit from intervention. Williams says that all the schemes Quietroom is working with are working towards this method.

Mutter and Wilday believe that

we are at a "critical juncture in the pensions industry", and tailored communications are an increasingly vital solution. "Built around individual member needs, these will go a long way to promoting awareness and understanding, which ultimately drives engagement and a better financial future for members."

Aside from tailoring the content of communications sent to members, providers can also tailor the way in which they communicate to members. Mutter and Wilday add that "ultimately, it's up to the scheme to ensure that members have the option to receive communications in a way that suits their needs".

This can range from face-to-face sessions, group meetings, post, email, and as some of the master trusts are already doing, creating smartphone applications. Aviva has gone beyond that, creating an Alexa skill, giving people the option to access their pension information through their own Amazon voice-controlled device.

But as Williams notes, the medium used is not the main point; it is rather that schemes should be thinking about the member. "Make it as easy as possible for them to do the things they need to do, because everything that puts friction into the process...people will just get off the bus, because they're looking for reasons not to think about their pension."

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# Room for improvement



➤ **When it comes to diversity within the pensions industry, the phrase ‘male, pale and stale’ is often bandied around, but is that a fair reflection?**

**T**he pensions industry – it’s no Gap advert is it? That was one of the responses as to whether those within the pensions industry believe it to be diverse.

The clothing retailer is famously known for its diverse advertising campaigns that champion diversity and inclusivity. But, according to State Street Global Advisers (SSGA), senior managing director, Nigel Aston, the pensions industry is far from that.

The general consensus from those within the industry is that diversity is improving, but as Pensions for Purpose head, Karen Shackleton, notes: “I still go into meetings where I am the only woman present.”

However, Next Gen (which promotes younger voices within the industry), chair, Michael Watkins, believes that the industry is diverse, and is “full of intelligent people that represent a wide range of demographics and ages”. Instead, he says the problem is that that diversity isn’t evenly distributed where it ultimately matters, “which is on decision making and trustee boards”.

“For all of the diversification that there is in the pensions industry, what impact can be made if those diverse minds aren’t empowered with a voice? Whether it be generational, gender or race, in order to provide positive member outcomes and solutions that are designed to meet the needs of an ever-



changing working population, we have an obligation, as an industry to provide a platform that promotes and encourages diversification of thought,” he says.

Next Gen, which was launched at the Pensions and Lifetime Savings Association’s Annual Conference last year, has already gained close to 300 members. This, Watkins notes, shows how great the appetite is. He adds that a career in the pensions industry is often spoken about in a derogatory way, despite the industry being of great importance to society. Next Gen, he says, wants to change the perception of those that have recently begun a career in the industry.

If the pensions industry, and those within it, has a desire to bring in a wider range of people, and perhaps give those already in the industry a platform, then it must get to work in making that change. Shackleton says that pension funds can play an important role in encouraging diversity.

“One of my LGPS clients asks each

and every asset manager that he meets why they don’t have more women in their investment teams. He has just requested an annual report on the gender pay gap for each of them. I’ve watched managers get quite hot under the collar answering his questions.”

She adds that firms should also reflect on how they advertise jobs, for example, whether they use adjectives that appeal to men or women, and what ethnic minorities would think. This approach has paid off for SSGA; Aston notes that since the launch of its ‘Fearless Girl’ campaign, in which a statue of a Fearless Girl was dropped on Wall Street in New

York to mark International Women’s Day 2017, SSGA has seen a “noticeable uptick in the number of women applying to work for us in all positions”.

There are obviously areas within the industry that have made more progress than others, with the consensus being that asset management is further ahead. However, as Gresham House, head of institutional business, Heather Fleming says, the very technical roles within pensions tend to attract males who dominate roles in this area. “I think work needs to be done to encourage younger women to consider the technical roles and give them confidence that they are suitable for them.”

All in all, the pensions industry appears to be heading in the right direction, but as Watkins notes: “Our industry has some way to go to ensure that we share the cognitive load. The beauty of the challenge is that it never ends.”

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