

A sense of belonging

✦ **Maggie Williams explores the growing interest and efforts made to improve diversity, equity and inclusion, both within the industry and when catering to savers**

The past two years have given us stark reminders of society's inequalities, from the murder of George Floyd and the Black Lives Matter movement in the US, to the socio-economic disparities exposed by Covid-19. Five years ago, who would have predicted a high-profile Minister and Shadow Minister for Levelling-Up?

The pensions industry is also showing a growing unwillingness to accept inequality, driven both by public opinion and the changing face of retirement savings. One of the major successes of auto-enrolment has been to make pensions accessible to a wider demographic than ever before. But that has broadened the disparity between traditional white, university-educated, all-male trustee boards or providers, and the membership they need to support.

"If we want younger people to start saving earlier, maybe we need younger people involved in pensions at a higher level, and if we want to reach out to different communities in terms of ethnicity, gender and other characteristics, perhaps we need to be more diverse in those respects too," says Pensions and Lifetime Savings Association policy lead – master trusts, Craig Rimmer.

"Creating more diverse and inclusive working environments means others, who may not historically have been heard, can bring their inherently valuable

perspectives to the table, leading to new discussions and new ideas," adds Travers Smith head of pensions, Daniel Gerring. "There are potential governance and effectiveness gains from diversity, equity and inclusion (DEI), not just within trustee boards but also within employers and everybody who advises and works with trustees."

Given the link between DEI and good governance, it is no surprise that The Pensions Regulator (TPR) and the Financial Conduct Authority have focused attention on DEI. "Diversity among decision makers isn't simply a desirable add on, it's essential to ensure all savers get the retirement they are planning for," explains TPR executive director of policy analysis and advice, David Fairs. "Every person, from every community, ought to have an equal opportunity and be equally valued for what they bring."

"DEI has always been important, but it is now more visible," adds Association of British Insurers (ABI) director of policy, long-term savings and protection, Yvonne Braun. "There is much broader awareness of ESG factors, and having a diverse leadership is part of the 'G'. Regulators are now starting to factor that in."

What difference does DEI make?

WTW director, retirement, Jasmine

✦ **Summary**

- Diversity, equity and inclusion (DEI) is becoming more important for pensions through societal change and new saver demographics.
- Regulation can drive progress, but can't make genuine cultural change.
- Schemes and the wider industry are beginning to respond positively.

John, identifies four areas of pensions where DEI has a vital role: Trustee board governance; member engagement and experience; scheme operations; and investments.

"We believe that diverse trustee boards are better at discharging their legal duties and providing the best possible outcomes for scheme members," John says. "A governing body made up of people who have a greater range of backgrounds, life experiences, expertise and skills will tend to lead to wider discussion and ultimately better



outcomes for members.”

John defines member engagement and experience as “connecting with all members, using examples, language and imagery that speaks to them”. Aon partner, Lynda Whitney, adds that thinking about equity is also crucial to members’ experience. “To help all members get to the same level, you might need to give more support in certain places. For example, if you have members with English as a second language, think about giving extra communications support to that group to lift them up.”

Unfair practices and unconscious biases can languish in scheme benefits design and decision-making processes, affecting equity and governance

standards. Whitney gives the example of trustee discretionary decision-making. “If you are looking at ill-health early retirement, for example, are your trustees equitable in the way they consider someone with mental ill health, compared to a bad back or other physical illness?”

Investment managers’ own DEI credentials, as well as the companies in which they invest, are coming under scrutiny from regulators, consultants and trustees. John points to the Diversity Project’s *Asset Owner Diversity Charter*, which helps investment managers improve in this area. And, with a more diverse membership, ensuring that DC schemes offer options such as Sharia-

compliant funds are crucial to making pensions more inclusive.

Regulatory focus or ground-up change?

Although TPR is committed to exploring DEI in depth [see boxout], at present, trustee boards have no obligation to become more diverse, equitable or inclusive. But they are under continued pressure to comply with a wealth of other legal requirements. Without regulation, will DEI continue to be a ‘nice to have’?

Rimmer says that this is a concern: “We hear from PLSA members that they need more bandwidth to address DEI meaningfully without regulatory intervention,” he says. “We have seen voluntary commitment to being more

diverse and inclusive in other industries and hope we can take that approach in pensions as well. It would be a shame if the impetus to do this had to come from TPR.”

Time may not be the only barrier to

addressing DEI. Gerring argues that it can be a difficult topic for some boards to broach. “Conversations about or involving diversity and inclusion aren’t always comfortable, but in some ways that’s the point.”

✎ Changing pensions

The Pensions Regulator (TPR) released its Equality, Diversity and Inclusion strategy in June 2021, addressing EDI/DEI in its own organisation, as well as setting out a vision for the industry as a whole. It has created a Board Diversity Industry Working Group (IWG) covering four work streams:

- Use of data in bringing DEI to governing boards
- Developing best practice in board composition
- Creating tools to share best practice on trustee recruitment
- Working with employers to broaden the appeal of trusteeship

In addition to TPR’s focus, individuals and organisations across the pensions industry are proactively making a difference to DEI. Here are just a few examples:

10,000 Black Interns

10,000 Black Interns aims to offer 2,000 internships each year for five consecutive years to Black African, Black Caribbean and/or Black British candidates in sectors including financial services.

<https://www.10000blackinterns.com/>

The Diversity Network

The Diversity Project champions a more inclusive culture across the savings and investment professions.

<https://diversityproject.com/>

City of London taskforce

The taskforce aims to improve socio-economic diversity in financial and professional services.

<https://news.cityoflondon.gov.uk/new-taskforce-to-boost-socio-economic-diversity-in-uk-financial-and-professional-services-sectors/>

NextGen

NextGen is focused on creating “a more inclusive, representative and engaging industry [which] will help deliver better outcomes for all”.

www.nextgennow.co.uk

O:pen

O:pen is for professionals working in pensions to promote and celebrate LGBTQ+ diversity and inclusion within the industry.

<https://openpensions.network/>

Women in Finance Charter

A commitment from HM Treasury and businesses in the finance sector to enable more women to progress to senior roles.

<https://www.gov.uk/government/publications/women-in-finance-charter>

Future regulation could force progress, but risks reducing DEI to compliance rather than deep-seated cultural change. “In some ways it is good to have the push that regulation achieves, but DEI can’t just be a tick-box that makes people take action when they don’t believe in it,” cautions Whitney.

John is upbeat about progress without regulation: “We have seen many clients review their own trustee selection processes, improving their recruitment communications, for example. That has led to an increased number of applicants stepping forward.”

The wider pensions and savings industry is also committed to becoming more diverse, says Braun. “The ABI has seen companies use ‘blind recruitment’ processes, think about the language they use in job descriptions and be more transparent about parental leave policies, for example. They are all an invitation to open up jobs to candidates beyond white males.”

Recruiting a more diverse trustee board or workforce can take time, with opportunities for change sometimes few and far between. But, argues Whitney, all trustee boards can become more equitable and inclusive, in the time they have available. “You almost need to apply a DEI lens every time you pick up a project: for example, is a website refresh using accessible technology? Are we using appropriate language? Have we taken different reading ages into account? In practice, DEI is not a one-and-done project.”

The pensions industry may not have the best past record for DEI, but Gerring concludes that there is now real progress. “In my experience, box-ticking happens when there is no real desire to change. And that’s not what I’m seeing in the pensions industry at the moment. There is genuine excitement from most about what we can all achieve.”

✎ **Written by Maggie Williams, a freelance journalist**