



### Summary

- There is still much to do to make the pensions industry “more diverse and inclusive”.
- Although various individual diversity, equity and inclusion (DEI) projects are welcome, developing common ground across the pensions landscape is vital.
- Progress could remain slow and patience will be needed.

## ▣ The pensions industry has taken large steps towards making itself more diverse and inclusive. But progress has been slow. Marek Handzel asks if this is set to change any time soon

It was at the tail end of last year when The Pensions Regulator (TPR) executive director of regulatory policy, analysis and advice, David Fairs, stated that there was “a huge amount to do” to make the pensions industry “more diverse and inclusive”.

His assessment, published on a TPR blog, seemed a little harsh, or even negative, given the various efforts made by the financial services sector in general to adopt diversity, equity and inclusion (DEI) policies. But the facts speak for themselves. Research conducted in 2016, cited in the PLSA’s *2020 Diversity &*

# A slow burner

*Inclusion Made Simple* guide, showed that 83 per cent of scheme trustees were male, 2.5 per cent of scheme trustees were under 30 and 5 per cent of trustee boards had more than 50 per cent female trustees, while 50 per cent of chairs of trustee boards were over 60 years old.

Some six years on, as many professional trustees and consultants will attest, not much has changed. In a January 2021 report on pension trustee decision making, the Institute and Faculty of Actuaries (IFoA) highlighted that there remained a major gender imbalance and lack of age and ethnic diversity in the composition of pension boards across the UK.

As LCP partner, Jill Ampleford, points out, the need to have more DEI is not about gesture politics. Poorly represented trustee boards are subject to ‘blind spots.’ These result from trustees not being in tune with the circumstances or values of the members they represent, thereby exposing them to the danger of being led by unconscious or implicit biases in their communications and decisions. And in his blog post, Fairs asserted that creating an environment

where trustee chairs would have a hard time building consensus would lead to better governance “even though it won’t feel as straightforward as when everyone just nods decisions through”.

Citing the evident changes that have increased senior level buy-in to DEI, both in business and people strategy, Ampleford believes that good progress is being made. However, she acknowledges that there is still work to do to improve diverse representation across the industry, particularly in more senior positions. “We are continuing to focus our efforts on this going forward,” she says.

### Industry initiatives

In recognition of a need to accelerate DEI practice, The Pensions Policy Institute (PPI) announced that it had signed a Memorandum of Understanding with NextGen Pensions, the DEI special interest group, in April.

The PPI’s move added to efforts by TPR and the PLSA to improve DEI. In the former case, the watchdog outlined four workstreams that its diversity working group was examining in its aim to improve diversity on trustee boards back in December, at the time TPR published Fairs’ blog. The workstreams — covering best practice, data, tools and engagement — will help TPR to share its findings with other organisations in a quest to create more diverse trustee boards.

Last August, a number of schemes also took a large step in testing the commitment of their investment managers to the cause. The Asset Owner Diversity Working Group, representing £125 billion in AUM through schemes such as Nest, RPMI Railpen and the West Midlands Pension Fund, announced the launch of a new Diversity Charter for fund managers. Signatories to the charter will be required to commit to taking account of diversity and inclusion (D&I) records from fund managers when choosing new partners, with diversity questions to form part of the overall

assessment scores for each bidder.

This bid to extend DEI responsibilities is important, says Aon partner, Lynda Whitney. “TPR has focused on diversity within the trustee board whereas I would argue it goes much wider than that. You can also apply diversity, equity and inclusion principles in everything from member communication, to discretionary decision making, to investment strategy.”

Although various individual DEI projects are welcome, Ampleford cautions that developing common ground, as well as best practice, are the overriding priorities. “This is a very nuanced area that can be difficult to get right,” she warns. “This can only be done by us working together across the industry, engaging with our clients and collaborating with our regulators. It’s encouraging to see TPR running its Diversity & Inclusion Industry Working Group with representatives across the pensions industry, government and other regulators.

“But it’s important to realise that this is a fast-moving area and that visible improvements can take time. It’s vital that we keep working together towards a common goal and sharing best practice so that we do create meaningful change.”

### Practical steps

For Nest diversity and inclusion lead, chief financial officer, Richard Lockwood, there is plenty more that can be done to expand the pool of talent working within pensions. He argues in favour of inclusive recruitment practices, which can be carried out in all manner of ways. To improve its DEI, Nest has joined both the Diversity Project (the investment industry’s DEI lobby group) and the 30% Club (the campaign aimed at boosting the number of women on business board seats), while also participating in the 10,000 Black Interns initiative, which seeks to offer living-wage paid internships to young Black talent. And as well as looking inwards, the pension fund is also mindful of the impact it can have

outside its own four walls.

“As shareholders we challenge companies to embrace diversity and inclusion as we recognise it can improve company performance and reputation as well as enhancing socio-economic conditions for many people,” says Lockwood.

XPS Pensions senior consultant, Charlotte Jones, says that the group is using similar methods to drive DEI. These involve using blind CVs, avoiding degree classifications and having diverse interview panels during the recruitment process. “Attracting more ethnic minorities into the sector is a priority for us, so we work with recruitment companies that have a more diverse candidate database and advertise via a range of channels,” she notes.

In the specific case of trustee boards, Aon partner, Lynda Whitney, suggests that improving engagement with a membership pool can be done with some basic tweaks in messaging. “Just because I am a woman doesn’t mean I represent all women,” she says. “To get more diversity on trustee boards, some simple actions can help. Say you are seeking diverse viewpoints; use language to describe the role that is less stereotypically one gender; and focus on the willingness to learn – rather than the existing knowledge a trustee is bringing.”

It’s a message that translates across the entire pensions landscape.

### Patience

Nevertheless, no matter how many initiatives or procedures to improve DEI are put in place by organisations, the truth is that the industry needs patience.

As PPF chief people officer, Katherine Easter, reveals, the PPF remains frustrated at the lack of diversity it sees from applicants to its roles – as do many financial services companies. For the PPF, this gap is most notable in investment, risk and IT.

“Despite all the positive work being done to address this imbalance, it’s an issue that will take many years to

overcome,” says Easter.

“This means, at the PPF, that we’re trying to think longer term and doing what we can to fill this gap at an earlier stage. We’re also investing in our own talent, and providing them with specialist training, coaching and opportunities so they can professionally develop into these roles.”

Lockwood adds that culture change cannot be something that falls solely onto the shoulders of HR departments either. “It’s important organisations act and put in place new policies – bringing about sustained change is not something that happens overnight. But it requires a commitment from all staff to increase opportunities for people from different backgrounds and create an environment where they can succeed.”

Leaders, in particular, have a crucial role to play in fostering a culture where people want to work and feel that they belong, says Jones. By bringing their voices to the fore, and focusing on developing an inclusive culture and fair processes, top executives can develop a level playing field, where everyone has equal opportunities, while feeling comfortable and supported at the same time. “By focusing on inclusive culture, fair processes, equality of opportunity and our role in society we have a huge opportunity to raise the aspirations and successes of many talented individuals,” she adds.

“It’s no surprise to many that the pensions space, like the wider financial services industry, has historically suffered from a lack of diversity,” concludes Ampleford.

“However, in recent years, the DEI efforts of many pensions firms have seriously ramped up. And whilst these efforts can take time to show progress, I think we’re already seeing a more accessible and welcoming industry where people of all backgrounds have the opportunity to succeed!”

Written by Marek Handzel

