

Implementing DE&I

Sharon Bellingham explains how using diversity, equity, and inclusion can unlock opportunities and improve retirement outcomes

Diversity, equity, and inclusion (DE&I) is essential for creating fair and sustainable pension systems. But when it comes to implementing DE&I strategies, there is little in the way of accessible support available for trustees to help bridge the gap between theory and practice.

Beyond trustee board diversity

Much of the focus on DE&I in pensions has been on trustee board diversity. The Pensions Regulator has highlighted that “trustee boards that are not diverse risk knowledge gaps, entrenched ideas, biased thinking, and poor decision-making, which puts savers at a disadvantage”.

While this is true, and a diverse board will lead to better decision-making, the successful implementation of DE&I must extend beyond the trustee board.

Embedding DE&I is pivotal in addressing the diverse needs of pension scheme members. With more people than ever before saving into workplace pensions, all with differing needs, it is crucial to support diverse populations, particularly when we consider factors such as:

- An estimated 15-20% of the UK population is neurodivergent.
- 49% of working-age adults in England have numeracy levels equivalent to those expected of primary school children.
- The average reading age of adults in the UK is age 9.
- 23% of working-age adults are disabled.

Regulatory initiatives

Although regulators may be

implementing slightly different initiatives, it’s clear that they are heading in the same direction and focusing on;

- Driving robust decision-making.
- Unlocking and encouraging diverse talent in the industry.
- Improving how pension firms, trustee boards, and governance committees support diverse member needs.

The outcome of The Pensions Regulator’s *2023 Trustee Survey* highlighted the diversity challenges across the industry; however, it provides a baseline to measure improvements as we move forward.

The FCA Consumer Duty (the Duty) is a hugely positive initiative that raises the bar for considering and supporting member needs. It does, however, highlight disparities across workplace pensions, with occupational schemes not regulated by the FCA not meeting the requirements of the Duty. This disparity is particularly notable when it comes to how customers with a vulnerability are supported.

Vulnerability can be permanent or temporary, but it is certain that everyone will experience vulnerability at some point in their lives. The principles of the Duty should be considered by trustees, with a view to integrating elements of best practice which can support member needs.

Pension adequacy

Pension adequacy is a huge and complex challenge, and it is important to remove as many barriers and as much friction as possible.

A positive step towards fairer access will be to deliver on the auto-enrolment

commitments already made to lower the minimum age and lower earnings limit.

Our research shows inequitable access to pension benefits for marginalised groups. Different societal groups, such as women (especially divorced women), those with physical disabilities, and ethnic minority groups, are falling behind in saving for their future.

Then there’s the persistent pension gender gap between men and women.

The challenge is clear, and there is a level of mistrust and disengagement with pensions that needs to be addressed to give more people a better chance of a comfortable retirement.

Use of AI

AI can play a transformational role given the relative ease that it can analyse data to spot differences across various groups – like gender, ethnicity, or income level. This will allow pension providers and trustee boards to create and shape products and support services that meet member needs, especially those who are often underrepresented.

AI tools can also be leveraged to make pensions more personal through tailored financial guidance and communication, making it easier for people from diverse backgrounds to truly engage with, and understand, their options. Given the wide pension engagement gap for demographics such as younger women, this could be a real game changer.

There’s also a role for AI to play across our industry more generally, for example by removing bias in hiring and promotion processes. This opportunity will help trustee boards build more



diverse and representative teams, which will go some way to addressing some of the challenges which are still present.

Where to begin

It is well recognised that trustees' agendas are already groaning under the weight of busy scheme schedules; many boards are time poor, with limited resources that are continuously under pressure.

When embedding the Scottish Widows Master Trust holistic DE&I framework, the focus and activity has been driven by three pillars:

- Inclusive governance and behaviours – DE&I aims, beliefs, principles, and behavioural expectations are clearly established and embedded across the governance framework, with DE&I becoming a standing agenda item for every meeting, with progress continually measured and the approach refined when necessary.
- Inclusive insight and design – having a clear understanding of members through research and insight, which is used to inform decisions and actions. It's important for us to really understand who our members are so we can ensure our actions are meaningful and support their diverse needs.

- Inclusive support and experiences – support services and experiences are designed to reflect the diverse backgrounds, changing needs, and vulnerabilities of members.

To create a strategy that works for your scheme here are 10 key things to consider:

- **UNDERSTAND THE BASICS**
Consider and agree what DE&I means to your trustee board, with your members in mind.
- **UNDERSTAND YOUR MEMBERSHIP**
Develop a deep understanding of your members through surveys and other insight.
- **SET CLEAR GOALS**
Identify specific goals related to DE&I. These should be measurable and achievable.
- **INTEGRATE DE&I INTO EVERYTHING YOU DO**
Embed DE&I principles and involve your stakeholders.
- **TAKE INSPIRATION FROM YOUR ESG POLICY**
Investment and stewardship strategies can have a massive impact on member engagement, wider diversity efforts and the world we'll retire in.

- **LEVERAGE YOUR PARENT COMPANY**
Make the most of wider resources, insight and training.
- **SUPPORT YOUR CHAIR**
The role of the Chair is pivotal, but they need to be supported. Think about nominating a DE&I lead to help drive action.
- **MEASURE PROGRESS**
Regularly monitor and review the effectiveness of your DE&I initiatives.
- **STAY RELEVANT**
Things change. Keep abreast of regulatory guidance and best practices related to DE&I.
- **CONTINUE TO LEARN**
Commit for the long haul. We're still at the beginning of our journey and it's important to listen, learn and understand what we can all do better.

Leaving no one behind

What was once a footnote in company policy can now drive change in the pensions industry. Regulatory guidance and a growing awareness of its transformative power have put DE&I higher on everyone's agenda.

In pensions, DE&I is as much about social responsibility as it is about fairness. It's incumbent on all of us to ensure that no one gets left behind. DE&I is broader than trustee board diversity and integrating DE&I into everyday practices will help improve member outcomes.

Savers expect and deserve to be part of a well-run pension scheme that supports their best interests, regardless of their differing needs and personal circumstances. Until we all act, the risk is DE&I remains just a concept.

<https://www.scottishwidows.co.uk/global/mastertrust/dei.html>



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