

# Taking measurements

➤ **Improving DEI within the pensions industry has risen up the agenda in recent years, but how can we tell what efforts are working, what tangible improvements are being made, and what areas need greater improvement?**



## ➤ Summary

- DEI policies have been broadly welcomed by the pensions industry, but lag in progress.
- DEI is a broad church within the industry, encompassing multiple pillars.
- The anti-DEI headwind from the US could impact UK efforts.

If there is one subject that the pensions industry has seemingly come to agree on, it is that of the social power of diversity, equity and inclusion (DEI) policies.

These policies, it seems, are now spreading out across the UK pensions sector, with pushes coming from places

like The Pensions Regulator (TPR) and the Pension Protection Fund (PPF). Both have been at the forefront of pushing in this area. In 2023, TPR launched its first published guidance DEI, with the ongoing work since a continuing thrum.

Likewise, the PPF launched in June a revision of its DEI strategy, which sought to build on the work it had done since 2020 while simultaneously looking ahead to the three-year period beginning from 2025.

Yet despite all the work done in this area, many scheme trustees still lack confidence in embedding DEI principles into their processes. In July, Barnett Waddingham said that the vast majority of trustees – 91 per cent – said they felt

confident in the guidance from TPR around DEI. Despite this, 45 per cent said their DEI strategies had no bearing on their trustee hiring processes – an issue that *Pensions Age* said at the time ran contrary to the same TPR guidance.

Barnett Waddingham also found that beyond hiring, DEI did not play a part in several key governance areas, with 26 per cent stating that it did not play a part in choosing a chair for the board and 29 per cent said it did not play a part in trustee succession planning.

There does seem, from anecdotal evidence at least, to be a picture in which regulators are pushing trustees and the rest of the industry in one direction, and those trustees and the industry are willing to go, but seemingly cautious at the speed of travel.

“The past few years have been really pushed by the regulator,” says Pinsent Mason head of pensions solutions, Christina Bowyer. “I don’t think trustees were desperately alive to it. The regulator put out DEI guidance that suggested that trustees and their sponsors should consider how they get their schemes to comply with DEI themes and requirements.

How can these places be making good decisions if they just have boards of old, grey men making those decisions about people in different environments?”

She adds: “How do you help people make those decisions if they are not alive to the concerns, issues, and things that are important to all of them. It’s difficult to see those things unless you have been in that environment.”

It is perhaps important to define DEI in a wider context than just the three letters that make up its acronym.

According to TPR, writing earlier this year, the industry bears responsibility to look at issues that “may disproportionately impact different groups such as ethnic minorities, women,

people from the LGBTQ+ community, people of all socioeconomic status, people with physical and mental health conditions and disabilities, and those who have caring responsibilities”.

The industry, said TPR, should look to understand the needs of those cohorts and work to remove barriers to prevent them from participating fully in the pensions industry.

### How does DEI fit within the pensions industry?

DEI within the pensions industry is a broad church that largely falls into three columns. These echo the current work being undertaken by Scottish Widows in this area. Here, the company bases its DEI work around inclusive governance and behaviour, inclusive insight and design, and inclusive support and experience.

“There are lots of different angles on it,” says Sackers partner, Eleanor Daplyn. “There’s DEI when it comes to the workforce. That’s a personnel issue, whether it’s law firms, investment managers, or investment consultancies. There’s also diversity within trustee boards and committees. So, there’s that personnel angle. But there’s also the angles of investment, outcomes, and in how you communicate.”

Much focus in recent months has been on how to measure the impact of these schemes. Some would suggest that not enough work has yet been done. TPR’s *Trustee Diversity & Inclusion Survey*, published last year, said that the ‘typical trustee’ was still a white man over the age of 45. The same survey also found that less than a quarter (24 per cent) of trustees were women and fewer than one in 10 (9 per cent) were under the age of 45.

“The biggest measure for me,” says Zedra’s managing director, Manjinder Basi, “is whether your membership and trustee board reflect one another. For that to happen is real, tangible proof that things are changing.”

There are other areas in which improvement is said to be needed, mostly around closing issues such as the gender pensions gap and in how schemes and the industry communicates with its customers.

“One area we need to focus on,” says Daplyn, “is on removing the use of jargon and thinking about the sort of language that we use with our members. The average reading age of adults in the UK is about eight or nine [11, according to material from *Scottish Widows*], but we send out pensions communications that are coached in a lot of financial speak and can be grammatically dense. That’s not helpful.”

### “Much focus in recent months has been on how to measure the impact of these schemes. Some would suggest that not enough work has yet been done”

The issue of communication goes beyond how the industry talks with consumers. It also impacts, says Daplyn, recruitment within the industry.

She adds: “Every three years, a trustee board will go to members and ask if anyone is interested in being a trustee. Those communications are very boring, printed only in black and white. They tended to be couched in terms of what being a good trustee looks like. We’re now seeing more emphasis on describing skills and abilities in more open ways that don’t emphasise that you need to be a certain age or have a certain set of experiences.”

### Where can improvements be made?

Other areas need to be improved upon, particularly in how the industry views DEI. This year, the PPF announced after five years of its own DEI efforts that it is now looking at the issue for the first time

through two new lenses: Social mobility and LGBTQ+ inclusion.

When asked why these factors were only now being considered by the PPF when it comes to DEI, the PPF chief governance, risk, and legal officer, Dana Grey, said that the move had come on suggestions from its employee base.

She added: “For our next strategy, we wanted to look at what more we should do, and we took an employee-led approach. We ran focus groups across our whole organisation and got feedback from people in underrepresented groups. Those surveys were run by external partners, and then we pulled it all together.”

“There is shift to thinking about it more,” says Pensions for Purpose director, Laasya Shekaran, in reference to social mobility. “Socio-economic diversity is so important in trying to reflect the membership base as it is often those members who face inadequacy in their long-term outcomes. They save less, so the compounding effect is lost.”

But if the winds have been blowing in one direction, there is an intimation that things could shift. In the US, the second Trump administration has pushed back strongly on DEI policies. And in the UK, the political parties Reform and the Conservatives have implicitly and explicitly criticised the movement.

“The US doesn’t happen in a vacuum,” says Shekaran, “so we shouldn’t completely dismiss the idea that it could come to the UK.”

It is on the investment side, she adds, where the pushback could be strongest. “We are exposed to it because of some of the US exposure that’s in our portfolios. And there are certain groups that are anti-migrant, anti-DEI, and anti-women. There’s also the rise of certain social media figures. So, yes, there are things that make me feel that it not just in the US, but that it could come here.”

 Written by Pete Carvill, a freelance journalist