

Effective equity, diversity & inclusion in pension schemes

A guide for trustees
and pensions managers





Are you aware of the **risks, opportunities and actions** your pension scheme needs to consider?

Whether you are a trustee or sponsoring employer, you should ask yourself:

- Do we have a policy on equity, diversity & inclusion (EDI)?
- Are we aware of The Pensions Regulator's (TPR) latest EDI guidance and requirements under the general code of practice?
- Do we have a suitable mix of skill sets and background on our trustee board and amongst our advisers to achieve the best possible outcomes?
- Are succession plans for our trustees and or in-house pension team in place? Will they facilitate the talent within our pension scheme operations and enable our people and our pension scheme to thrive?
- Is the 'social' part of our environmental, social and governance (ESG) investment objectives set? Are we clear how this is being monitored?
- Are our communications to scheme members in line with good practice in terms of language and accessibility?
- Do we really understand the diversity of our scheme membership?
- Are we aware of and managing unconscious bias in trustee decision making?



Want some support?

Vidett has a dedicated team looking at EDI, helping trustees and pension managers take practical steps to implement EDI thinking into everyday pension scheme management.

We have created various tools, supporting documents (e.g. sample trustee EDI policies) and training to support you in starting and continuously improving this important area of governance.

We can help you:

- ✓ bring EDI thinking into your trustee board effectiveness process and carry out independent board effectiveness reviews
- ✓ ensure your member communications are clear and accessible to your membership
- ✓ with succession planning, e.g. member nominated trustee exercises and trustee job description reviews



Why review?

Equity (access for all) and equality (treating everyone fairly) needs to be much more than an aspiration. It needs to be brought into live action.

The key principles are clear from the Equality Act 2010, but the pensions industry only now is seeing some real progress. Trustees and sponsoring employers need to think about this sooner rather than later, or risk being behind the curve of good practice. TPR provided clear guidance to trustees and employers in March 2023, so there is no excuse not to take action.

The general code of practice also sets out overlapping requirements in EDI, you need to consider what's right for your pension scheme now. We firmly believe EDI should be a key part of your effective system of governance. That will depend to some extent on your pension scheme structure and the industry your company sits in – there is no one size fits all.



Why review?

[TPR's Trustee EDI Survey 2023](#), gave us some interesting results about trustees and pension schemes in the UK pensions industry:

5%

are from
an
ethnic
background

40%

of schemes have
already taken
or planned
EDI actions

50%

of DC schemes
have discussed
EDI with
their sponsor

52%

are aware of
TPR guidance
and
EDI action

46%

of schemes
struggle
to attract
diverse talent

51%

is the
pensions savings
gap for women in
DC schemes*

83%

are on schemes with less
than one in five board
members from an ethnic
or cultural minority^

91%

are aged
over
45
years old



*[Legal & General 2023](#)

^[Mallowstreet's EDI Report 2023](#)

Opportunities

Strong, balanced
skill sets on
trustee boards and
supporting staff

Better collective
decision making

A wider talent
pipeline

Better member
engagement/
scheme take up

ESG compliance is
more complete

Cognitive diversity
creates **constructive**
conversations

Risks of inaction

Good talent goes elsewhere/
is not promoted

Ineffective member communications

Debate is not effective or even stifled

Objectives are less likely to reflect the scheme's entire needs (e.g. financial costs vs member experience)

The feeling "my employer doesn't reflect me"

Trustees' objectives less likely to be met

The same way of thinking may not achieve the best outcomes

Non compliance with the general code of practice

TPR action against the Trustees

Damage to reputation

Key areas of action

Ensure your trustee governance is up to date:

- ✓ Add EDI to your risk register and annual business plan for continuous improvement
- ✓ Prepare an EDI policy adhering to TPR's EDI guidance
- ✓ Review your trustee effectiveness at least annually through an independent adviser and consider whether the trustee board has the right mix of skills and perspectives for your scheme
- ✓ Ensure your trustee selection process is accessible for all areas of your workforce and membership and the trustee job description includes a breadth of skills and viewpoints
- ✓ Ask your advisers what their approach is to EDI. Are you getting the best advice from a wide source of views and perspectives?
- ✓ Add some unconscious bias training to your trustee training programme
- ✓ Understand your pension scheme's population

Key areas of action

Funding and investments:

- ✓ Review your statement of investment principles to ensure it's up to date and consider setting targets for the social element of ESG
- ✓ Think about stewardship data - ask your investment adviser how they can evidence social governance matters, including EDI
- ✓ Check your employer covenant and actuarial factors to see if they consider EDI impact

Member communications:

- ✓ Create a clear statement or policy on your scheme's views on EDI and publish this for your stakeholders to see in public documents, e.g. newsletters, report and accounts, scheme website etc
- ✓ Look at the use of language in your communications, check they're written in line with best practice and appropriately reflect the diversity of your scheme membership
- ✓ Make sure your communications are accessible to all – identify if there is more you or your advisers could be doing for those with some form of impairment and implement this

Finding out more

To learn more about this important topic, please contact the EDI team on the contact details below:

The equity, diversity & inclusion team

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🌐 [vidett.com](https://www.vidett.com)

