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Pensions Aspects

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Embrace Diversity

Empower the individual

DE-RISKING WITH GREATER CERTAINTY

A WOMAN'S PLACE - ASI

THE IMPORTANCE OF DIVERSITY AND INCLUSION AT AVIVA

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What do you know about diversity?

By Lesley Alexander, President, PMI, and Kate Alexander, Furloughed worker, Hospitality Sector

When I was asked to write an article on diversity and inclusion, I decided to do something that's maybe a little unusual for Pensions Aspects. Diversity, for me, means having a variety of opinions and, therefore, I thought you should hear from someone else in this article and not just me. So I asked my daughter to write a short piece on how she sees diversity as, in just one generation, her upbringing has been quite different to mine. Kate has written her piece on what she observes and what she wants to see change.

KA

Diversity is equal representation at every single level. It is decision making and equal opportunities. Diversity is a celebration, and it is a continuous process and ideal that we must work towards.

In order to strive for diversity, in the workplace or elsewhere, it is essential that we recognise our own privileges; whether that be in our gender expression, our race, our sexuality, our class or as a non-disabled person. In recognising the privileges that we have been afforded as a result of our identity we are able to make space for those who have not been afforded the same privileges.

LA

Looking through the lens of President of the PMI, a body that promotes and supports lifelong learning and development, I share Kate's aspirations. I want to encourage a culture of inclusion that reinforces mutual learning and appreciation among our members and supporters. That starts with PMI's governance bodies and filters through the organisation and out to everyone who engages with PMI.

KA

Women have a lower employment rate than their male counterparts, with female employment levels dropping as seniority increases. Of all women, Black, Asian and minority ethnic (BAME) women are most consistently underrepresented in the workforce. As of March 2020, only 5% of CEOs in the FTSE100 were women and, of these women, none were of an ethnic minority(1).

Diversity is not relying on the false myth of a meritocracy. A famous experiment carried out by the Department of Work and Pensions (DWP) found unconscious bias recorded at every level. It concluded that applicants with British sounding names were far more likely to be called to interview than their ethnic minority counterparts(2). A vast imbalance continues to exist within employment when categorised according to race, with white people always being the most employed out of any ethnic group, in every category(3). A meritocracy cannot work until everyone has equal opportunities. It is up to us to recognise this and create those opportunities.

LA

There are a few basic elements of diversity that we can capture as standard. For example, I want a gender balance on our platform and panels, and diverse views represented in our publications. I want to see a much greater BAME involvement in the work of PMI. I don't want people to point critically at the PMI, as they have at the UK Government's team for Glasgow COP26 UN climate summit, which doesn't include a single woman!

LA

An ancient proverb of unknown origin states "The fish rots from the head". This means that in any organisation or group, the leadership sets the tone and the culture for the whole and is responsible for its success or failure. When it comes to trustees, this means the role of the Chair is vital. Much has been said about diversity on trustee boards in recent years but do we have data to support that real change has occurred? We naturally gravitate to people who are the same as us which can lead to group think, and far worse if we study our history books. Are trustee boards getting governance processes in place which foster diverse representation on the board, encourage different perspectives in debate and discussion, and are reflective of the workforces to whom they are responsible? Does the trustee board have a proper diversity policy that prompts action and accountability? A diverse trustee board ought to demand equal diversity among all its advisers, asset managers and agents. It takes time and effort to understand others' perspectives, where they differ to ours, but it must happen.

KA

Diversity is not just satisfying a quota. Diversity must be an active process; one in which people support each other, celebrate each other and learn from each other. Diversity is about giving others a platform, and appreciating the range of skills, insight and human experience that can be brought by those who have completely different lived experiences. Diversity is celebrating difference. Only a multitude of different perspectives will ever give you a 360 degree view.

LA

COVID-19 has taught us many things including that being adaptable, flexible, innovative and creative is essential to our wellbeing. These attributes are not the purview of a particular section of society. We will all do better if we include the contributions of the many. Linus Pauling said "the best way to have a good idea, is to have lots of ideas". I'd say the best way to have lots of ideas is to have diverse input. In the spirit of diversity and inclusion, I am encouraging PMI members to share their ideas on how we can make diversity and inclusion a reality in our day-to-day experience.

Rome wasn't built in a day but we ought to have got past the foundations by now.

(1) https://www.businessleader.co.uk/discover-the-female-ftse-100-ceos-of-2020/81145/

(2) https://www.theguardian.com/inequality/2017/sep/26/employees-on-workplace-racism-under-representation-bame

(3) https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest#by-ethnicity-disability-and-gender

Spring 2021 Exam Dates

Pensions Management Institute
Learning

The Qualifications team have released the spring 2021 exam dates which have been scheduled across March and April. All of our exams are taking place online only. The Advanced Diploma in Retirement Provision autumn results were released 14 December. If you have not received your results, please contact Rapinder Dhillon at Rdhillon@pensions-pmi.org.uk

Certificate in Pensions Calculations

Exams are taking place: **9-12 March 2021**

Application deadline: **25 January 2021**

Please use this link for the study material: **www.cpc-learning-materials.com**

Retirement Provision Certificate

The exam is taking place: **24 March 2021**

Application deadline: **15 February 2021**

Please use this link for the study material: **www.pmi-rpc.com**

Award in Pension Trusteeship

The exam is taking place: **24 March 2021**

Application deadline: **15 February 2021**

Please use this link for the study material: **www.trusteetoolkit.thepensionsregulator.gov.uk**

Revision Courses

The Qualifications team have also scheduled revision courses which are taking place online, via ZOOM, and cost £55 per session.

Please navigate to the Advanced Diploma in Retirement Provision learning page and you will find 'revision courses' under the FAQ section: **www.pensions-pmi.org.uk/learning/advanced-diploma-in-retirement-provision**

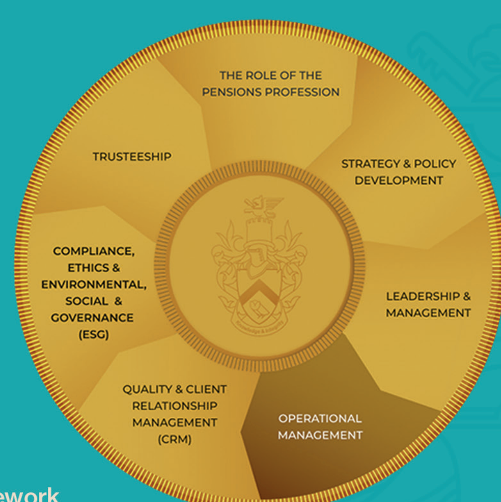
The Retirement Provision Revision Course can be found on our RPC learning page under 'study time': **www.pensions-pmi.org.uk/learning/retirement-provision-certificate**

Advanced Diploma in Retirement Provision

Exams are taking place: **12-13 April 2021**

Application deadline: **22 February 2021**

Please use this link for the study material: **www.pmi-learner-support-materials.com**



Regional news

Pensions Management Institute

North East

To say 2020 was a challenging year would be a bit of an understatement and all the plans that the North East Regional Group had at the beginning of the year understandably fell through. We are hopeful that 2021 will be a lot more productive and that we will once again be able to meet face-to-face and reinstate our education sessions. In the meantime, we hope you all had a relaxing festive break and look forward to seeing you all again in 2021.

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Scotland

The Scotland Regional Group will be considering its programme for 2021 where we hope to return to our usual programme of 4 events per year (including one ½ day in-depth seminar) and, vaccine permitting, the opportunity for some face-to-face meetings and networking. We wish everyone involved with the PMI a happy and safe festive season and look forward to meeting up again in the not-too-distant future.

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Eastern

The Eastern Regional Group's first virtual seminar on 18th November was a success, with nearly 50 attendees. Thanks to our speakers from Bucks, Hymans Robertson and Sackers on choosing an IFA to support scheme members, how the Master Trust market is developing and current legal topics. Also thanks to the PMI for organising the seminar on BrightTalk.

We're now making plans for our spring seminar.

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Midlands

The Midlands Regional Group will be holding our first seminar of 2021 on the afternoon of 9 February. Vanessa Jaeger and David Burwell from Aon will provide attendees with an overview of the cyber threats facing pension schemes and guidance on what actions trustees and pension managers should be taking to minimise these risks. If you would like to join the session, please email pmimidlandsadmin@barnett-waddingham.co.uk Our next seminar is planned for March and will be hosted by Squire Patton Boggs. The key topic is investment documentation. Further details will be provided to members in due course.

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London

The London Regional Group hopes 2021 is treating all of our members kindly. This year will no doubt throw up its own challenges, and not just in pensions. Rest assured, the PMI London Group will be continuing to provide revision support for exams, topical business meetings from leaders in the pension industry and we're keeping our fingers crossed that we'll be able to see our members in person too! We look forward to continuing to increase our membership and working with the other PMI regions throughout 2021.

The ever-popular annual PMI London Group pub quiz, generously sponsored by Premier, was a great success. 9 teams and over 60 quizzers battled for the coveted trophy, with a triumph for Travers Smith. Thanks also to SpeedQuizzing for hosting the quiz.

Please also look out for details of our other 2021 business meetings, which include*:

- The future of Master Trusts (March 2021)
- GMP equalisation – where are we now? (May 2021)
- AGM (July 2021)

* All dates are subject to confirmation and speaker availability.

Pensions Management Institute
Membership

Membership renewals

Trustee group membership subscription for 2021

Trustee memberships were due for renewal on 1 January 2021. Subscription renewal notices have been sent out to all Trustee Group individual members. If you have not received your renewal notice, a copy of this can be found in the 'My Transaction' area of your membership portal. Alternatively, please contact the Membership team at membership@pensions-pmi.org.uk or on 0207 392 7410.

If you are an existing Trustee Group Board Scheme member, please contact the Secretary to the Trustees or the Responsible Person to ensure that your subscription is paid to renew your membership.

Trustee Board Schemes can join the PMI Trustee Group (at a reduced rate of £95 per trustee). All trustees from the board must join to receive this discount. PMI Trustee Boards can receive additional benefits including the ability to sign up for collective training to be independently recognised by the PMI. For details of the full range of benefits as an individual or entire Trustee Board, see our website for further details.

Continuing Professional Development (CPD)

Fellows and Associates are reminded that meeting the PMI CPD requirement is compulsory (except where retired/non-working). Under our CPD Scheme, PMI members are required to record at least 15 hours during the year for 2020. Please log on to the website and update your CPD record if you have not yet done so. A digital copy of your CPD certificate is available upon request. For a copy, please contact the Membership team at membership@pensions-pmi.org.uk

Fellows and Associates who did not complete their 2020 CPD by the end of January 2021 for the year 2020 will be required to make up any shortfall in 2021.

For 2021, members are required to record at least 25 hours, but this will be viewed on an ongoing basis and any changes made as a result of the pandemic will be communicated in due course.

Certificate membership

Certificate membership is open to those who have completed one of our qualifications at the certificate level – for more information please see the PMI's website. We are pleased to announce that the following people have been elected to Certificate Membership and can now use the designatory initials **CertPMI:**

Madaline Lupulet
Anna Winska
Timothy Allen
Lisa Chapman
Georgina Lomas
Verity Taylor
Jody Carlisle
Jordan Peter
Lindsey Gregory
Elaine Nelis
Angela Boden
Emma Haddon
Victoria Holmes
Daniel Schofield
Jacob Airton
Jennifer Bainbridge

Membership update

Obituary

We are deeply saddened to hear that **Peter Weiner** FPMI has recently passed away. In addition to giving much valuable service to The Pensions Advisory Service (TPAS), Peter was a frequent and enthusiastic volunteer for PMI and presented at PMI's 'Introduction to Trusteeship' seminars. He has recently undertaken the proofreading of the latest edition of the Pensions Terminology booklet. Tim Middleton, Director of Policy and External Affairs, has written a tribute to Peter: "I first met Peter in the mid-nineties when I was working for Bacon & Woodrow (now Aon). Peter, as Pensions Manager for Alpha Airports, was a client and occasional visitor to our office at London Bridge. Peter was diagnosed with terminal cancer about six months ago and bore this devastating blow with fortitude and courage. He died on 30 December – some four months before his 70th birthday. He leaves a wide circle of friends and colleagues from within the pensions industry. We will miss him greatly." Our thoughts and prayers are with his family and close friends at this time.

It is with deep regret that we also announce the passing of **Mark Stocker**. Mark was an APTitude Accredited Trustee who had contributed to the Pensions Aspects magazine. From the team, he was a pleasure to work with. Tim Middleton, Director of Policy and External Affairs, has written a tribute to Mark: "Mark Stocker was a very well-known figure for the pensions industry and a tireless ambassador for the actuarial profession. I first met him in the early 90s when he was an investment consultant at Bacon & Woodrow and then in 2002, by which time he was a pensions actuary at Mercer's Brentwood office. He was always approachable and had an infectious enthusiasm for actuarial work. His sudden loss has come as a terrible shock to all who knew him, and he will be greatly missed."

Mentoring and Development programme 2021-22

Last chance to apply!

We are now taking applications for our second PMI Mentoring and Development programme, sponsored by The People's Pension and delivered in conjunction with The Institute of Leadership & Management (TILM).

About the programme:

- The programme will last for 12 months during which mentors and mentees will meet at least once every two months
- Mentees will be required to complete TILM's Leadership programme alongside their meetings with mentors
- Mentees will become a member of TILM and will have access to its full suite of online resources for the duration of the programme and for 12 months after completion
- Mentees will receive a Certificate of Completion at the end of the programme.

Eligibility and how to apply:

- Mentees and mentors must be a member of the PMI throughout the duration of the programme
- Mentees will be allocated a mentor by the PMI who will select an appropriate mentor based on their profile
- Apply to be a mentee or mentor here www.pensions-pmi.org.uk/mentoringprogramme
- The closing date to register is Friday, 5 February 2021.

All applications will be reviewed the week commencing Monday 8 February and we will notify all applicants who have been successful.

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Moving pensions forward

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PMI and ITM Student Essay Competition 2021

Open to all PMI members studying or registered to sit one of the PMI qualifications.

We are delighted to announce the launch of the fifth ITM Student Essay Competition.

Here's your chance to win £1000! Two runners-up will also win £250. Submit your entry by 5pm on Friday 19 March 2021 for your chance to win the cash prize and have your essay published in Pensions Aspects magazine.

To enter, you will need to write an essay of 1,500-2,000 words on the following topic:

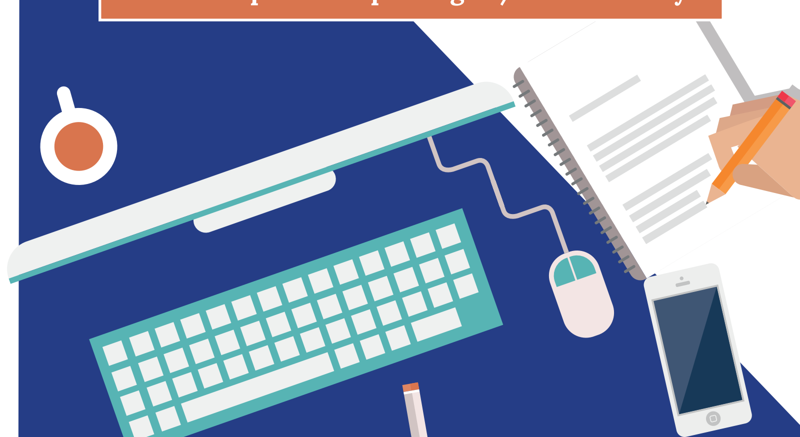
What benefits could be realised by further diversifying trustee boards and other governance bodies in pensions (e.g. IGCs)? What steps can be taken by the next generation of pensions professionals and the industry as a whole to improve diversity in this area?

Entries should be submitted to membership@pensions-pmi.org.uk by **Friday 19 March 2021.**

Entrants will be notified of the results on **Monday 5 April 2021.**

Register your interest by **Monday 8 February here:**

www.pensions-pmi.org.uk/student-essay



Pensions Management Institute
Events

Flagship events

All events are subject to change; please visit pensions-pmi.org.uk/events for the latest updates.

24 Feb
Diversity & Inclusion Summit
Online

21-22 April
Investment Forum
Online

11 May
Next Gen conference
Online

16 June
Trustee Workbench
Online

1 July
DC and Master Trust
Online

11 Nov
ESG & Climate Change Seminar
Online

24 Nov
PensTech and Admin Summit
Online

07 Dec
Pensions Aspects Live
The Savoy, Strand, London, WC2R 0EU

07 Dec
Annual Dinner
The Savoy, Strand, London, WC2R 0EU

Embrace Diversity

Empower the individual

This month's feature articles include:

De-risking with greater certainty / A woman's place - ASI / The importance of diversity and inclusion at Aviva

De-risking with **greater certainty**

By Jos Vermeulen, Head of Solution Design, Insight Investment

Pension schemes are maturing and the regulator is proposing a new framework for investment, putting pressure on trustees to outline plans to achieve their long-term objectives. An integrated approach to investment, considering the objective in terms of cashflows, may help trustees to reach their goals with greater certainty.

Pension schemes are maturing, with a growing number nearing their endgame and closed to new members.

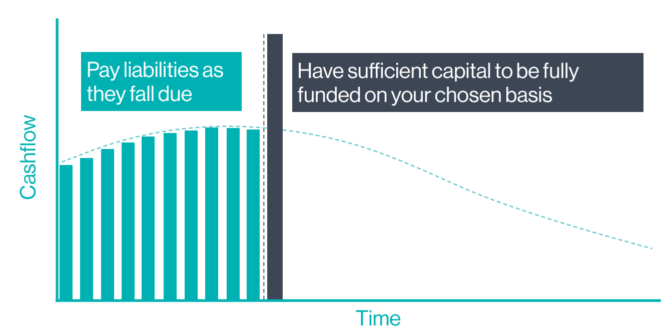
At the same time, The Pensions Regulator is in the process of revising the Defined Benefit funding code of practice, having completed the first of two consultations. The revised funding code proposes that schemes identify a long-term objective, specifying the funding basis and timeframe for reaching it.

Pension schemes' circumstances, and the regulator's proposals, are encouraging pension schemes to set a long-term objective that results in a clearly definable cashflow funding challenge. We believe this has two features, in that pension schemes must:

1. pay the liabilities as they fall due on the journey towards the target time horizon, and
2. have enough capital to be fully funded on their target liability basis by their target time horizon.

This specification of the problem gives a clear and calculable 'cashflow' view of the funding challenge (see Figure 1).

Figure 1: The cashflow investment challenge[2]



[1]For illustrative purposes only.

Addressing the cashflow challenge

Even if the proposals for the revised funding code are changed as a result of the consultation process, we believe the focus on the investment challenge as a cashflow funding challenge will be appropriate for maturing pension schemes.

Rather than simply looking at current asset values and forecasting future expected returns, we believe a better approach is to structure a strategy that hedges liability risks, as many pension schemes do already through their liability-driven investment (LDI) strategies.

Having hedged these risks, the scheme can then focus on generating specific cashflows to sufficiently meet future cash requirements as they fall due, with a target of being fully funded at the end of the period. This would incorporate prudent assumptions for reinvestment risk, forced-selling risk and default risk.

For schemes targeting a high degree of certainty of success, we believe there are three unavoidable roles that assets will need to play:

1. Lock down the outcome: schemes will need to protect against the risk that the 'gap' between the value of their assets to their targeted cashflow outcome could widen. Assets can be used to hedge against scheme liability risks (such as interest rates, inflation and longevity) relative to the long-term objective. As mentioned above, most schemes already do this to some extent through their LDI strategies.

2. Manage cashflows: pension schemes will need to fulfil their cashflow obligations over the target time-horizon while progressing towards the long-term objective. This will mean considering how to meet cashflow requirements in order to minimise the risk of being forced to sell assets at inopportune times, while also generating returns to grow the assets. This is sometimes referred to as cashflow-driven investment, or CDI.

Constructing a portfolio of assets that generate contractually defined cashflows that broadly reflect a pension scheme's required cashflows – either through income or maturing assets – can help pension scheme trustees strike this balance. High quality contractual assets, such as investment grade bonds, can help schemes generate a more certain return stream, avoid forced-selling risk and reduce dependency on the path of investment returns.

Where assets can be held to maturity, less liquid or more complex forms of credit can be used to generate additional income while still generating 'natural' liquidity.

3. Solve the problem: for schemes that are underfunded, a plan to grow assets through a combination of contributions and investment returns is also necessary – but generating those returns with the greatest certainty possible. For example, where it is possible to solve the problem using high quality bonds only, this would provide greater certainty than a solution involving a significant allocation to equities.

We believe an integrated approach that focuses on building a portfolio to deliver the outcome with the greatest level of certainty, monitored over time relative to the cashflow objective and with ongoing management to remove inefficiencies and manage risks, can help pension schemes achieve the security and resilience they are seeking on the path to the endgame.

Ultimately, we believe an integrated approach to the challenges trustees face will help them achieve their objectives with greater certainty, helping them to fulfil the pension promise and new regulatory requirements along the way.

A woman's place:

boosting female labour- force participation to lift long-term economic growth

For professional investors only. Not for use by retail investors.

The diversity and inclusion debate usually centres on the importance of social justice in the workplace and society. But there's a powerful efficiency argument too. Increasing diversity and inclusivity in the workforce can lift incomes and growth. As well as boosting utilisation rates, it can improve productivity by making better use of human capital. In a world of ageing populations and sluggish labour productivity growth, corporate and government policy that promotes greater diversity and inclusion could provide a much-needed shot in the arm for the global economy.

By Stephanie Kelly, Senior Political Economist, Aberdeen Standard Investments Research Institute

Nancy Hardie, Macro ESG Analyst, Aberdeen Standard Investments Research Institute

Abigail Watt, Research Economist, Aberdeen Standard Investments Research Institute

For a start, gender differences in the workforce underscore the economic inefficiency of inequality, and poor return on investment in education. Women tend be as well educated as their male counterparts in most developed countries, if not more so. Yet, they are much more likely than men to face a trade-off between accepting paid work and undertaking unpaid work, including caring responsibilities. Consequently, women are less attached to the workforce. And, when they do work, they do fewer average hours, fuelling the gender gaps in pay, progress and opportunities.

The scale of this inequality represents a sub-optimal allocation of resources and a drag on potential economic output. And, looking ahead, the implications of women's current labour predicament become amplified. Population ageing will become more acute in developed markets, while fertility rates continue to fall. So, more people will exit the workforce with many years of life ahead, while fewer young workers replace them. This will further impede growth potential, unless steps are taken to bolster labour utilisation and productivity. This situation is also likely to squeeze government finances – more spending will be needed for health, social care and pensions, but with fewer taxpayers to fund it. Possible government solutions might include extending the number of years people work, maximising the domestic labour force and importing labour.

For companies, the ageing population risks limiting labour supply even as technology plays a larger role in productivity. Almost 37% of adult women in the developed world are not participating in the labour force, despite high educational standards - a huge untapped source of labour.

Given the opportunities at stake, our research set out to understand what drives female participation in the workforce. By understanding the policy and other constraints that limit women's full participation in the workforce, governments will be better able to address long-term growth challenges and investors will be better able to assess the diversity and growth outlook.

We analysed data for 31 countries from 2002 to 2016. Our findings suggest five clear actions for policymakers and companies wanting to lift female participation.

1. Ensure men have access to paternity leave so the burden of child-related career breaks is more evenly shared.

The most striking finding is that higher legislated paternity leave entitlements are significantly and positively associated with higher rates of female labour-force participation. One possible reason is that higher paternity leave entitlements alter labour supply decisions. Another is that countries implementing greater paternity leave are undergoing the types of social and cultural change associated with higher female participation.

2. Reform taxation to reduce tax wedges for second earners and sole parents

Women tend to be the second earners in dual-income households and are more likely to be single parents than men. So, systems that put a higher tax burden on second earners and on sole parents are associated with lower female labour-force participation. This is an important and actionable result for policymakers, given second earners continue to be taxed more than single earners in many developed countries.

3. Consider both quantity and quality of female work

Given the care/work trade-off, part-time work and flexible short-term employment are crucial in keeping women connected to the workforce.

For regular work, our study revealed a positive relationship between employment protection and female participation. For temporary contracts, we found the opposite: less stringent employment protections were associated with higher levels of female participation. This suggests labour market flexibility may encourage easier entry and re-entry for women who are less attached to the labour force and so more likely to work in temporary and part-time roles. Indeed, we found that higher rates of part-time work among women were associated with higher female participation. This is particularly important during early parenthood for women to retain access to work.

4. Strengthen performance and resilience of the overall economy

Three macroeconomic factors showed especially strong positive relationships with female participation: countries' levels of GDP per capita; education; and male labour-force participation rates. The last of these likely reflects overall labour market health. The findings reinforce the importance of sound economic policy aimed at promoting steady, long term growth. That includes avoiding recessions, which disrupt labour markets.

5. Report more and higher-quality data

The sparsity of good quality, company-level data on diversity and inclusion policies meant we could neither test individual company policies nor explore what works in terms of improving diversity and inclusion, and how that affects corporate performance. Investors have a role to play in encouraging firms to release this information.

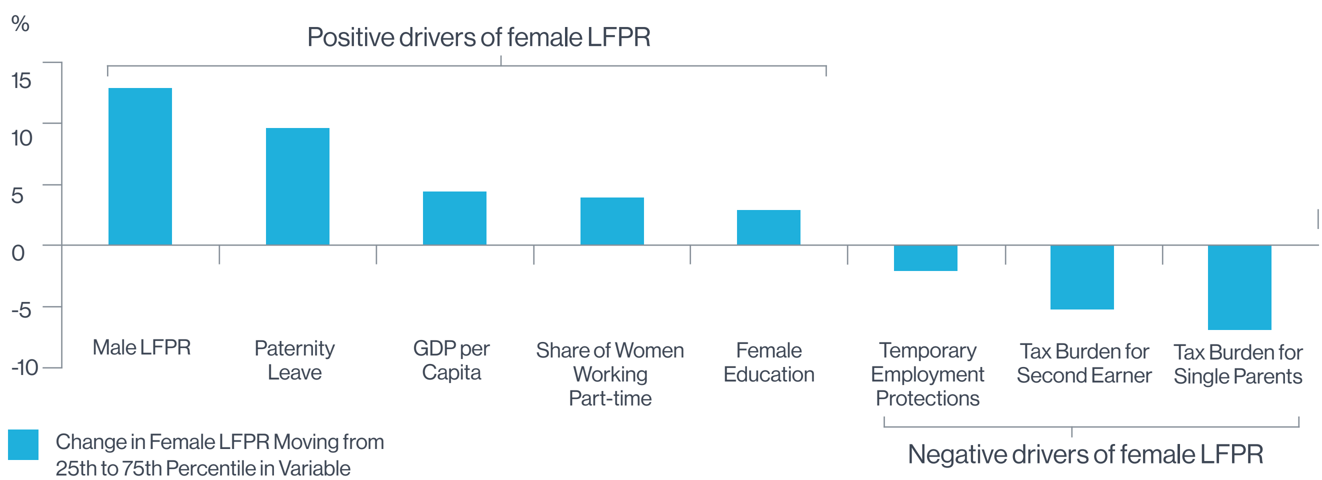
Implications for investors

Our research has important implications for investors. Our indicators can help investors identify countries best positioned to boost female participation, enhance economic efficiency and tackle long-term growth challenges.

For macro investors, this work highlights the importance of social factors in influencing long-term economic and, hence, market outcomes. This is particularly relevant as Environmental, Social and Governance (ESG) issues become increasingly central to investment approaches. The evidence in this research provides further rationale for considering the often underestimated 'S' in ESG risks and opportunities, particularly for investors with long-term strategic investment horizons.

Finally, a particularly striking takeaway from this research is the lack of high quality company-level data on diversity and inclusion policies, both in terms of gender and wider minority empowerment. Consequently, we shall attempt to engage directly with companies to gather this information and build a clearer picture of the relationship between diversity and inclusion policies, gender equality and profitability.

Chart 1: Factors that influence female labour-force participation rates (LFPR)



**Standard Life Aberdeen means the relevant member of Standard Life Aberdeen group, being Standard Life Aberdeen plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

Aberdeen Asset Managers Limited, registered in Scotland (SC108419) at 10 Queen's Terrace, Aberdeen, AB10 1XL. Standard Life Investments Limited registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Both companies are authorised and regulated in the UK by the Financial Conduct Authority.

A woman's place: boosting female labour- force participation to lift long-term economic growth. Aberdeen Standard Investments Research, 2021
https://www.resolutionfoundation.org/app/uploads/2020/07/The-time-of-your-life.pdf
https://stats.oecd.org/
https://www.oecd.org/gender/data/how-do-partners-in-couple-families-share-paid-work.htm

The importance of diversity and inclusion at Aviva

By Laura Stewart Smith, Head of Workplace Savings and Retirement, Aviva

This year we changed our company statement to "with you today, for a better tomorrow" to reflect how, as a business, we would like to support our customers and treat the communities that we serve equally.

We provide workplace pensions to over 4 million customers, and peace of mind through insurance and investments to millions more. Our customers are representative of the whole of UK society. To ensure that we truly understand what our customers need from us, we recognise that our business and workforce must be diverse. We don't just need to understand our customers, we need to be our customers.

We've built this ethos over time, as signatories of the Women in Finance and CBI Race Ratio charters, and we have a bespoke ethnic minority leadership programme and a Global Inclusion Council, chaired by our Group CEO Amanda Blanc.

We have also established six global employee resource groups, - supporting colleagues across the business - focused on visible and invisible disabilities, gender, LGBT+, carers, race, ethnicity, faith, belief, culture, socio-economic background and age diversity, to shape and inspire the workforce of the future.

We want to ensure that our commitment to Diversity and Inclusion (D&I) runs through Aviva and this article will discuss how we see this reflected in our role as a pensions provider, as not one size fits all.

Defining diversity for pensions and providing choice

From a pensions perspective, we believe that greater diversity within workforces and trustee boards will provide greater understanding and, as a result, improvements in decision-making, leading to better outcomes in retirement for our customers.

To meet this ambition, we are keen supporters of the Pensions Management Institute in wanting to make pension trustee boards more inclusive.

In May 2020, Elizabeth Renshaw-Ames was appointed as the new Chair of Trustees of the Aviva Master Trust and the Trust now has more women than men occupying Trustee positions.

This is crucial for our customers in those cohorts or communities who might, historically, have not saved as much as other groups, particularly as auto-enrolment has meant that thousands of people across the UK are saving into a pension for the first time.

The pensions gender gap persists, and men and women are still showing different levels of pension saving. Women are more likely to take career breaks so, at Aviva, we offer salary exchange, meaning that while everyone can save on their national insurance contributions, women are able to maintain their full pension contributions during maternity leave.

We also recognise the savings gap and need to appeal to a wide customer base, in our in-house Aviva Financial Advice (AFA) business, as follows:

- Our team are a diverse mix of gender and age – AFA's management team is 50% female and its advisers 39% female, with advisers aged from 30 to 56. This is in contrast with the industry norm.

- Democratisation of advice - no minimum fund size required to 'qualify' for the service, if it's in the customer's best interest. We also offer an 'abridged advice' service in the Defined Benefits pension space, which is a lower cost advice service. We are also looking at expanding into advice on inheritance tax planning and investments.

- Work to challenge the pensions gap by piloting tailored communications and events to help women become more engaged with their finances.

Influencing others

We also believe that D&I is not just about Aviva – it's about how we engage with other organisations and what that means for our customers.

At Aviva, and our investment arm Aviva Investors, we believe it is a shareholder's duty to make companies accountable. An effective board is a function of the quality of its culture, processes and people. Central to this is building the right balance of directors with diverse skills, experience, backgrounds and perspectives. Diversity is one of the key criteria we look at when analysing boards.

Over the past two years, Aviva Investors has engaged with over 100 companies on diversity and will also take voting action against company management on diversity issues, something they started doing back in 2013. In 2019, Aviva Investors withheld support from 361 companies because of diversity issues.

Room for improvement

Despite our strides forward, we know that there are aspects of our business that we would like to change. Some of these areas are not just issues for Aviva, but for society.

One example of this relates to gender identities and how we communicate with our trans and non-binary customers. Some people identify as non-binary as their gender identity doesn't sit in a neat box within the definition of 'man' or 'woman'.

Not everyone is comfortable with titles such as 'Mrs', 'Ms' or 'Mr' – and they might prefer to be referred to using titles like 'Mx', 'M' or many others.

We recognise that using language to define someone's gender identity is not only a sign of respect, but fundamentally displays a deeper understanding of who they are.

Currently, our legacy systems, and the way they interact, do not all have the facility to include gender neutral titles, however, we are committed to making this change.

We will continue to build and improve our approach to D&I for our employees, customers, clients, and supply chain.

Diversity and inclusion: the pensions challenge

By Emily Rowley, Senior Associate, Sackers

With auto-enrolment now well established, membership of the occupational pension schemes and Master Trusts that we work with will be more diverse than ever. The challenge for the pensions industry is to consider how to reflect that in our approach, both on trustee boards and as advisers.

Each will have its own hurdles to overcome when it comes to improving diversity and inclusion, but with inaction no longer feeling acceptable from a cultural, moral or legal perspective, what can the industry do to ensure it is representative of its savers?

Why does diversity matter?

Because it does. We as an industry are responsible for looking after the occupational retirement savings of a complete cross section of people across the UK. To ensure that we are advising, or making decisions, in the best way we can, we must try to understand as well as possible the range of perspectives and needs of those savers.

For scheme trustees, The Pensions Regulator (TPR) has made it clear in its July 2020 blog statement, and in response to its 2019 consultation on the Future of Trusteeship and Governance, that it believes that more diverse and inclusive teams drive better results, and that diverse boards make better decisions.

Pension trustees have a general trust law duty to take all relevant factors into account when making decisions. If a board isn't truly taking steps to understand and represent the diversity of its membership, can it be said to be taking all relevant factors into account?

So what can we do?

1. Stop making excuses

The results from the Pensions and Lifetime Savings Association (PLSA) survey in December 2020 show that a majority agree that greater diversity is vital – but few have any plan in place to address this. The first barrier to break is immediate defeatism. Yes, the diversity of our industry will not improve overnight, but not trying is not going to get us anywhere either.

Many in the industry complain that it is hard to get people interested in becoming trustees. But when you probe more deeply, it may be that a board is turning out the same paper-based trustee nomination communication that it does every four years and no one can remember when it was last reviewed, let alone revised. Change will require thought and action.

2. Review the way we talk

As much as we all may try to claim otherwise, pensions does not top the list of sexy and dangerous topics. We are an industry that could be accused of being stuck in the past, in paper and jargon. We expect the world to speak our language, rather than accepting that perhaps there may be things we can do to be more relevant and accessible in the modern day.

I'm not suggesting that we should all start releasing pensions-based TikToks (please, no), but are we making proper use of the spectrum of modern media available to us? Are the images we use representative? Perhaps we should put more consideration into what our output looks like to the recipient?

3. Working within the limits of the law

Pensions law does restrict the ways in which you can pursue diversity among your trustee board. As one-third of a board must be appointed by the members, and the remainder are often appointed by the employer, boards cannot be fully in control of their own make-up. However, trustees can try to ensure diverse nominations and, therefore, diverse appointments, through open discussion with the employer, and a review and shake-up of their member-nominated trustee communications and processes. Of course, even with this action there are limits as to how diverse a board can be, as trustees can only be as diverse as the membership of the scheme in question.

Employee forums, 'meet the trustee' days or videos, information highlighting career benefits of being a trustee, and a move to selection over election, when utilised, have achieved improved board diversity for my clients, equipping them with the mix of skills, knowledge and perspectives that TPR sees as vital to good governance.

4. Ask for feedback

Alternatively, some boards have created member engagement panels to encourage feedback directly to the trustees from a broader range of the membership. This provides the board with direct access to member views and concerns, and encourages dialogue and awareness beyond what is achieved simply by the presence of member-nominated trustees. .

5. Create an inclusive environment

To prevent there being unconscious barriers in place, we should ensure that environments are supportive and flexible. One positive from 2020 should be that attending meetings by video remains on the table, circumventing some barriers posed by, for example, caring responsibilities or access for those with disabilities. Social events should be varied to appeal widely. It's not to say that no one can go for a pint anymore, but rather recognising that your routine may, unconsciously, be excluding others.

6. Encourage diversity of thought

This is the real key, for trustees and advisers. As diverse as you may be, if you are not allowing everyone to speak and be heard then you will fall at the final hurdle. On a trustee board, this can be supported by a strong chair who invites and encourages all trustees to participate in discussions.

The future

This is not a quick fix issue and there are no easy solutions. But together we can continue to talk about it, and share ideas, to ensure this is kept high on our list of priorities. It's our responsibility to ensure we are doing the best we can to represent, and produce the best results for, pension savers.

Pensions Management Institute
Pulse

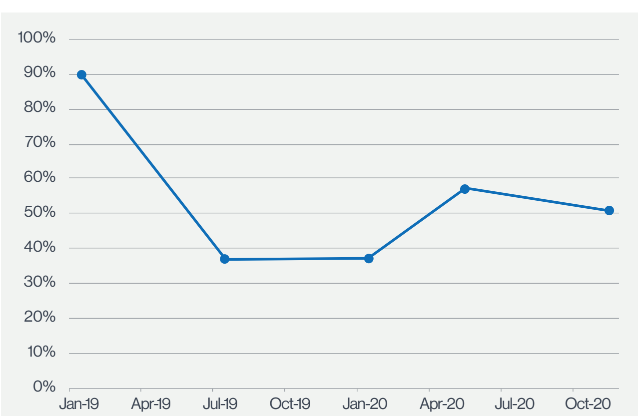
Taking the pulse of pensions: PMI's fifth survey results

By Tim Middleton, Director of Policy and External Affairs, PMI

It has now been two years since we ran the first PMI Pulse survey. This initiative, developed by the Policy and Public Affairs Committee, was intended to serve two specific purposes. The first was to assess PMI members' confidence in the general direction of UK pensions policy and the performance of The Pensions Regulator (TPR). As a result, the first four questions of any Pulse survey will be the same. The second purpose of Pulse is to seek members' views on specific topical issues. Pulse surveys are issued every six months and, over time, we are able to track trends in members' views on policy.

Towards the end of last year we ran the fourth Pulse. For the first time, we had sufficient data to track the changes in members' views about policy. This gave a particular relevance to the first group of questions as for the first time we were able to assess how members' views had changed over a two year period. This period has also covered the advent of the COVID-19 pandemic and it is telling to note how this has impacted on members' assessment of the Government's approach to pensions policy.

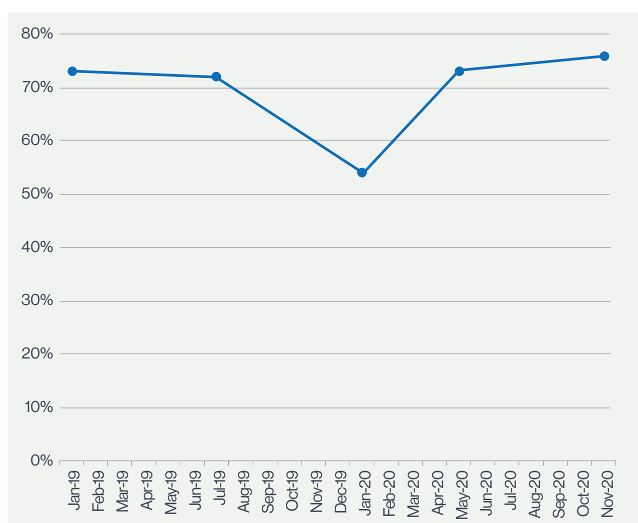
Our first question was 'how satisfied have you been with the direction of pensions policy over the last six months?' Over the last two years, satisfaction levels have shifted somewhat:



This shows a marked deterioration during the first half of 2019 and a modest improvement over the course of this year. Comments from members indicated satisfaction with TPR's response to the pandemic, although there were concerns about the increased risk of scams in a period when some scheme members might be desperate for cash.

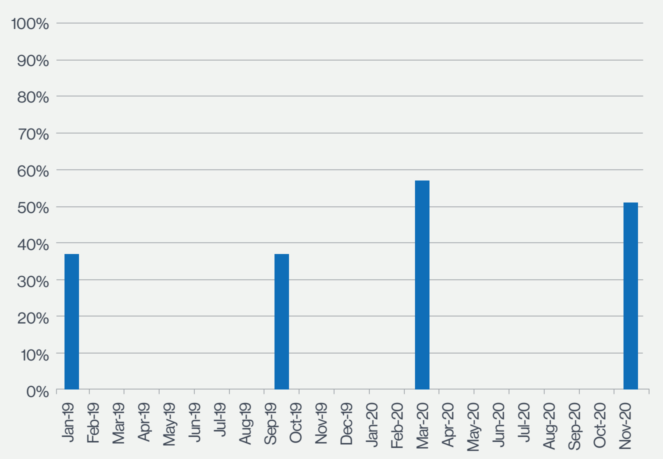
Question 2 asked 'how optimistic are you about the direction of pensions policy over the next six months?' Less than half of those who responded felt particularly optimistic. Members were concerned that the Government might be tempted to make changes to pensions tax relief and that there were likely to be increased regulatory constraints. Others were frustrated at the apparent lack of progress with the Pensions Dashboard.

Question 3 asked 'how satisfied have you been with the actions of The Pensions Regulator over the last six months?' As with question 1, this demonstrated changes over the past two years:



Again, there has been a recent recovery after a marked decline expressed this time last year. Members were particularly complimentary about TPR's response to the pandemic and believe that it has provided clear and timely guidance. There was also a view that the Regulator had struck the right balance between protecting accrued pensions whilst recognising the stresses suffered by scheme sponsors.

The fourth question was 'how confident are you that the Pensions Regulator will focus on the right areas in the next six months?' Respondents' views over the past two years were as follows:



There were fears that TPR would issue an overwhelming amount of guidance. Others felt that the Regulator was two focused on Defined Benefit (DB) schemes.

Again, it is striking to note the extent to which member sentiment has changed over a relatively short period, and also to note the factors that have led to these changes. It could be that these reflect the extremes of the current era – eighteen months ago, it is very unlikely that anyone would have predicted the current pandemic or its impact on society – and it will be interesting to see if this is typical of trends over the longer term.

The second part of the survey considered the Pensions Regulator's corporate strategy. In it, TPR suggested that there would be a close correlation between different generations and the type of pension coverage that they were likely to have. There was overwhelming agreement among respondents that age was an accurate indicator of the type of pension coverage that an individual would have. There was similar support for the suggestion that socio-economic background was an accurate indicator too. However, only half agreed that gender was an accurate proxy for the type of pension coverage provided. Over 77% of respondents saw industrial sector as a relevant indicator.

Another relevant factor cited by respondents was the difference between the private and public sectors, although it could be argued that this corresponded closely to the question about industrial sector.

Over 90% of respondents saw 'security and value in DB pension schemes' as being of key relevance to the Baby Boomer generation. A similar proportion saw the threat posed by scams as an appropriate topic of focus. The same proportion also regarded 'understanding and enabling good saver decision-making' as an important aspect of activity for those of this age group.

In the context of pension savers born between 1964 and 2004, respondents overwhelmingly agreed that 'driving participation in workplace pensions' was an appropriate topic of focus for TPR. There was similarly emphatic agreement that 'ensuring that savers get value from their pensions and that their money is secure' was a relevant policy area. The same proportion of respondents also agreed that 'encouraging and enabling innovation' was an important topic for TPR to address.

Only half of respondents saw 'Generation Z' as having pension needs that would be different from those of Millennials.

Question 9 asked 'in assessing its policy priorities, how relevant is it for TPR to focus on segmenting the workforce by age?' Over 80% of respondents saw segmentation by age as being relevant. Comments from respondents cited issues such as access to Defined Benefit pensions and intergenerational fairness as issues that were likely to be particularly difficult for Generation Z. As was the case for Millennials, a generation of workers that were unlikely to own their own homes would need higher post-retirement incomes to cover rent payments. There was a concern that the existing workplace pension model did not adequately serve those working in the gig economy as it did not address increased levels of self-employment or those with multiple 'micro jobs'.

However, the final question showed strongly that TPR had identified changes in employment trends as an important topic for it to address. In response to a query about other system-level changes that TPR would need to consider, respondents suggested more public education about the pension system, efficient intergenerational wealth transfer and effective strategies to increase contribution rates to workplace pension schemes.

As PMI Pulse has evolved, it has been interesting to note how members' views have changed and to identify the factors that have influenced their perceptions. Over time, this will provide us with a fascinating guide to policy initiatives and the industry's response to them. We greatly look forward to learning what the future – in the form of your opinions – will bring.

PMI would like to express its gratitude to Joe Moore of Aon for preparing the graphs used in this article. Another Pulse under our belts and we are looking forward to creating the next one in a few month's time. Feel free to send in your suggestions to marketing@pensions-pmi.org.uk

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A possible blind spot?

By Clara Johnson, Senior Pension Management Consultant, Barnett Waddingham

Barnett Waddingham's recent survey of UK private sector pension trustees – 'Top Pensions Risks - 2020 Vision' - found that board diversity was ranked as one of the lowest concerns, with almost half of the respondents saying this was a minimal risk. Only 14% rated diversity in the top 3 risks for their scheme.

For some trustees, maybe diversity was felt to be a minimal risk because this area has already been addressed. However, the 2020 edition of the Winmark Pension Chair Remuneration Report (the Winmark Report), found 63% of respondents felt trustee boards were not diverse enough in terms of age and 55% of respondents felt the same about gender.

The Pensions Regulator's ('TPR's') own research has found a "strong correlation between gender-diverse trustee boards and those boards which score highest against [their] measure of quality governance". Given this and TPR's clear statement in its recent 15-year strategy, that diversity amongst those making decisions on behalf of savers is expected, it is disappointing that diversity appears to be low down the list of priorities for many trustees. There will always be other issues on the agenda and for many trustees employer distress and market volatility have overwhelmed other considerations this year; but what might they be missing?

TPR notes that "unconscious bias can lead to an environment which stifles fresh thinking or approaches and a failure to properly recognise issues that have a real-life impact on savers' outcomes". Could some trustees have a blind spot that means they are unable to see the benefits a diverse board can bring, despite evidence to the contrary?

Recognising that there is an issue is only the first hurdle. The next step is actually taking action to address the situation. The Winmark Report found that Trustee Chairs continued to look for increased diversity, particularly by age and gender, but that there was no evidence of any positive movement in this area over the last 12 months. Lack of candidates coming forward was cited as the main barrier.

My personal view is that improving board diversity should be a top priority for the pensions industry as a whole. I hope that TPR's diversity and inclusivity working group will provide some valuable guidance and impetus to help jump start diversity and inclusion in trusteeship, building on existing initiatives like NextGenNow and the Young Pension Trustee Network. In the meantime, given that a lack of candidates coming forward is being cited as a major obstacle, a review of the recruitment process might be a good place to start. The Pensions and Lifetime Savings Association's `Diversity & Inclusion: Made Simple Guide' offers practical steps for trustee boards to help promote greater diversity while waiting for more developments.

Actuarial diversity: **do we all play golf?**

By Sarah Bamford-Blackman, Actuarial Consultant, Capita

Progress has been made in improving diversity and inclusion within the pensions industry but more still needs to be done. Representation is important; inspiring learning is a must; and apprenticeships can open the door to recruiting a more diverse workforce.

When I conjure up the image of what actuaries were to me when I first entered the pensions industry, I see middle-aged white men playing golf.

I began my actuarial career as the only woman in an all-male team, so it was glaringly obvious from day one that the profession had a lot of work to do to catch up with the world. I was very mindful of being the only woman in the team – I made a conscious effort to push myself forward, and I made sure my voice was heard. I'm thankful that I have never been made to feel less valuable than any male colleague, and I do wonder if there have been times where I've actually benefitted from some overcompensation. I was also fortunate that our leadership at the time was made up mainly of women, so I had powerful figures to look up to whom I could see progressing. I am lucky to have had strong female role models in my life, but only recently have I realised how influential they have been.

I believe that visibility is vital – we've got to be seen to have a seat at the table – and this is true for all forms of diversity.

A lot has changed over the ten years that I've been in the industry and I believe we have experienced a huge cultural awakening where we recognise the value of real diversity. My personal experience is around gender equality and I believe change needs to happen early, while girls are still at school. Being an actuary is a heavily maths-based role and we still see difficulties in encouraging young female students to study maths. I love the idea of STEMinism – getting more women into Science, Technology, Engineering and Maths - and I think schools need to find ways to make these subjects appeal to girls in a positive way.

I'm also keen to dispel the myth that a university degree is essential for an actuarial career.

Over the past few years, we have recruited apprentices after completing their A-levels, and these colleagues are as capable and talented as any graduate.

The pool of candidates we see for our apprenticeships also appears to be more racially, culturally and socially diverse. Buying into these different ways of recruiting is key to creating diversity.

What I like about the actuarial profession is the breadth of opportunity – you could go into any field that works with numbers and risk: insurance, or finance, or even online gaming! Plus, the work in my field is varied, I get to work with lots of different people, and our pensions world is changing and evolving all the time.

Thankfully, whilst the profession still has plenty more to do, if I was asked now what I think of when I think of an actuary, I look at my colleagues, now diverse in age, identity and race, and only one word comes to mind – talented.

'Diversity and inclusion' – it's good for your sole (trustee)!

By Chris Halewood, Trustee Director, 20-20 Trustees

"You never learn anything whilst you are talking" is a relatively well-known phrase; even Rocky Balboa quoted a version of it in the 2015 film 'Creed'. An equally valid, but far less catchy truism is that you also learn nothing (or very little) if the only people you listen to already share your views.

These truisms present significant challenges for trustees of pension schemes, especially where the board consists of a single independent professional trustee.

In The Pension Regulator's own words: "Unconscious bias can also lead to an environment which stifles fresh thinking or approaches and a failure to properly recognise issues that have a real-life impact on savers outcomes." [1]

Having spent several years as the sole representative at a very small professional trustee firm, I hadn't fully appreciated the significant drawbacks this created in terms of diversity of thought and inclusion of views until I joined 20-20 Trustees in January 2019 following a corporate acquisition. I now have access to the ideas and views of a diverse team of industry professionals within a working environment where people feel comfortable sharing. This has been very beneficial in broadening my understanding of how people with different expertise view certain situations. It's helped me deepen my own trustee knowledge across a range of disciplines and has made me a better trustee for my clients.

One manifestation of this teamwork is our robust sole trustee governance structure and process that provides peer review, healthy debate and challenge. For me though, it's not simply these structures that allow for diversity and inclusion.

> **If a trustee sees diversity and inclusion as a destination rather than an ongoing journey, we have already failed.**

It's the teamwork, sharing and continuous improvement that lead to better outcomes.

Expanding on this idea, a sole corporate trustee (or even a larger trustee board for that matter), can never create an environment in which they fully represent the views of the entire membership, but they can put in place a structure that allows them to listen and learn. Again, though, it's not the act of just listening to gather diverse perspectives that counts; it's the synthesis of those thoughts and reflecting back what you hear that are critical. Therefore, a key aspect of diversity and inclusion actually comes in the form of member communications.

I find discussions around member communications interesting in terms of what trustees and their advisers tend to focus on. All too often the focus is on imparting information to members through things like annual statements, funding updates, newsletters, etc. Whilst these communications are important and often legally required, they miss an important opportunity to really engage a diverse membership.

It would also be beneficial for trustees to exchange information with scheme members to not only gauge their understanding of the scheme and the benefits it offers but also obtain their thoughts as to how the views of members could be better represented, and reflect back what they're hearing.

Echoing Rocky's sentiments as I close, diversity and inclusion needs to start reaching beyond the 'who' and start focusing on the 'how'. Working as a team and listening to those who have different perspectives and experiences will ultimately lead us in the direction we want to travel, both as an industry and as a society.

If this article has prompted an interest in knowing more about diversity and inclusion from a pension scheme trustee perspective, I would direct the reader to the Pensions and Lifetime Savings Association's Diversity & Inclusion Made Simple Guide here www.plsa.co.uk/Policy-and-Research/Document-library/Diversity-Inclusion-Made-Simple

[1] The Pensions Regulator, Industry Consultation: Future of Trusteeship and Governance, July 2019

DB funding code: risk or not de-risk?

By David Fairs, Director of Regulatory Policy, Analysis and Advice, The Pensions Regulator

One thing that has come through in much of the commentary and responses to The Pensions Regulator's (TPR's) Defined Benefit (DB) funding code consultation is support for the idea that maturing schemes should be on a pathway to limiting the risk they are taking when they become very mature.

As the White Paper and our consultation set out, as schemes mature, their ability to deal with volatile and poor investment outcomes is limited and the impact this could have on the sponsor could be significant. There is consensus that it makes sense for trustees to plan to reach a position of higher resilience to risk and less reliance on the employer when their scheme is very mature.

Indeed, this is what many schemes are doing. This is not new; it is good risk management. But we need to be able to address the challenges posed by trustees not thinking about this properly.

Our key focus is on those schemes carrying more risk than their covenant can reasonably support and who are not considering that they don't have time for their investments to repair any damage.

This is a problem for them, their members, their employer and for the Pension Protection Fund (PPF). We think it is right to address this problem as part of giving clear guidance to the market as a whole. I doubt many would argue against this.

TPR Fast Track proposal

We have developed our fast track proposals with the below in mind:

- Closed schemes mature and move towards their Long-term Funding Objective (LTO)
- Open schemes that have few or no new entrants move towards LTO more slowly
- Schemes open to new entrants remain immature and don't move towards LTO.

It seemed elegant to us that a truly open scheme could not mature, would not be expected to de-risk and would be able to continue to invest in a long-term way.

But a scheme that started to experience lower levels of new entrants and began to mature would start to recognise that the period to ride out volatility was reducing and, therefore, plan some de-risking (hence the benefit for all schemes of setting a low dependency LTO as a good long-term planning tool irrespective of their maturity).

Similarly, an open scheme that closed would not see an immediate change to its funding or investment strategy but, over time, would need to change both to reflect increasing maturity.

So, this is about being able to plan for these changes and be in a position to manage them should they come about. Fast Track would enable a...well... fast track way for a scheme to sail through.

Bespoke proposals

In Bespoke, we could see perfectly acceptable scenarios where open schemes propose to fund and invest based on their expectation that they will remain open. But trustees should be able to evidence to us how they could (among other things) manage the risk of their scheme closing or maturing faster than expected. All part of good integrated risk management.

Going Bespoke may mean more regulatory engagement but, in many cases, there is unlikely to be any (or only minimal) additional engagement if the thinking has been done, is clearly explained and well documented.

This is almost exactly what we said, but we would go further and say that just 'planning' is not enough; it needs to be something more concrete and evidenced. However, I'm comforted that we may not all be as far apart as we thought.

The importance of liquidity

As a final mention, I want to add that liquidity is important for all schemes and is especially acute for those that are maturing, be they open or closed. But that doesn't mean that investment in illiquids is a bad thing. Far from it.

One of the benefits of being a long-term investor is that you can take advantage of the additional premium that being able to hold less liquid assets brings you. We are supportive of this and there is nothing in our funding consultation that means schemes will need to stop investing in illiquids as some have said.

Trustees just need to be cognisant of their liquidity needs, what this means for their scheme and be able to manage scenarios where things don't go as planned. For some, this is about ensuring that they have enough liquidity available so that if markets move in ways they were not expecting they can manage the risk without being forced to sell assets. For example, for those that may be looking to buy out soon, some insurers may not be willing or able to take on those illiquid investments.

We will, of course, regulate the legislation we are given. As always, it is important that decisions are taken with a full understanding and acceptance of the risks to members' accrued benefits, sponsors and the PPF that each approach brings.

Unfortunately, in this area, as in most if not all areas of life, there is no free lunch.

The pensions industry must step up **support for LGBT+ equality as firms awaken from coronavirus**

By Matt Cameron, Global Managing Director, LGBT Great

There can be no doubt that the pensions industry is behind on Lesbian, Gay, Bisexual and Transgender (LGBT+) inclusion in comparison to other sectors. There is no representation in Stonewall's top 100 workplace index, banter is the number one concern for LGBT+ individuals and many simply choose not to be 'out' at work.

A handful of firms have tried to improve LGBT+ inclusion by setting up an employee network and this is regarded by the industry as a litmus test. Whilst networks provide a safe place for colleagues to come together, they often act as a barrier to inclusion because they are insular and fail to connect with others. The impact is, ironically, more isolation than effectiveness.

Another key challenge has been that the industry has been fixated on gender and diversity efforts have been focused on improving conditions for talented women. The result is that the pensions industry has fallen behind in other areas of diversity and failed to position itself as a sector of choice for LGBT+ talent, clients and investors. It is fair to say that things need to improve.

The future progress of the LGBT+ agenda lies in energising the support of influential role models and allies who have the power and privilege to lead and take action. LGBT Great has grown into a global effort of more than fifty firms which exists to engage senior executive allies and steer towards greater LGBT+ inclusion. The programme works by providing actionable insights, visibility and outreach initiatives and by advocating for the positives that a culture of LGBT+ equality can yield.

When we launched in November 2017 the starting point was bleak. A study completed by the Diversity Project and Mercer revealed that 3 per cent of the industry's workforce identified as LGBT+ despite global estimates being approximately 1 in 10. Our own study revealed that only half of the workforce knew if their firm provided LGBT+ supportive policies. 92 per cent said that visible allies at executive level were important to them but that only 10 per cent of firms provided this.

Despite this backdrop, LGBT Great has worked to turn this adversity into future opportunity through constructive conversation. Our flagship initiative, Project 1000, is a five-year drive to find and shine a light on one thousand LGBT+ and supportive ally role models. This has now attracted the support of over 2000 industry employees and over 500 industry role models from a wide range of investment houses, asset owners, consultancies, pension firms and trade bodies. In 2021, we are intensifying our push across the pensions industry and we would love to obtain your support.

We are delighted to be collaborating with the Pensions Management Institute and look forward to working together in 2021 and beyond. Together, we are seeking the support of pension providers, regulators, funds, and employees working to step forward as supporters for LGBT+ inclusion by signing up to become a Project 1000 role model. In return, LGBT Great will profile you on our website and offer access to our online webinar series throughout the year. We reply to everybody and you can sign up to show your support at **www.lgbtgreat.com/role-models**

Pensions Management Institute

MTWG Innovation

What a good Master Trust will look like in five to ten years' time

Governance of Master Trusts by 2025

The fourth essay in a series of six produced by the PMI's Master Trust Innovation Workstream looks at what we can expect Master Trust governance to look like in five years' time. This is an abridged version; the full version can be found at: www.pensions-pmi.org.uk/knowledge/pensions-aspects-magazine/what-a-good-master-trust-will-look-like-in-five-to-ten-years-time-feb

For all Master Trusts governance is paramount. So what do we think governance will look like in 2025?

Is authorisation enough?

Time will tell whether Master Trust authorisation has truly been a success. For the time being we can say that it is a very important foundation for the future. But the authorisation regime brings huge compliance demands, which risk distracting trustees from governance standards.

The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) regulated areas demonstrate that a pre-occupation with compliance can hinder overall good governance. We hope The Pensions Regulator (TPR) will be sympathetic to this. Well-run Master Trusts should be aware and operate compliance and governance in tandem.

Forward thinking Master Trusts will conclude that deciding what's best for their trust and members is integral to good governance and that, in turn, good governance is inherent in delivering good outcomes. This means a constant improvement of governance standards, beyond TPR's compliance demands.

Who drives progress: trustees or provider?

At a basic level, trustees are best placed to promote strong governance.

For provider-led commercial trusts, the governance dynamic between providers and trustees will continue to develop. By 2025 providers should recognise that their interests and their trustees are fully aligned.

We expect that trustees of all leading trusts will move into a genuine non-executive role where they spend less time overseeing day-to-day matters and more time acting as a healthy challenge to the management team or provider.

Governance 'drift risk' could materialise by 2025 so trusts with strong trustees will then see a competitive advantage. Providers should increasingly recognise the commercial value of strong trustees and their challenge to the commercial proposition.

Will employers have a stronger role?

Currently employers don't have a direct role in driving governance in most trusts. Some trusts have employer forums although these are not always well attended.

But conscientious employers will have a role to play in trying to maintain standards. That could happen if like-minded large employers talk to each other, and co-ordinate putting pressure on their trustees and provider.

The secondary market will develop before 2025, giving larger employers particular leverage to drive for first class governance standards as a key aspect of trusts' commercial proposition.

What impact will members have on governance?

Trusts are already required to seek more feedback from members, for regulatory and commercial reasons. There is wider scope for trustees to use member feedback in line with their fiduciary and trust law responsibilities to inform their governance approach.

One source is representative focus groups. This is not easy where members are widely spread although some trusts are making great progress. Finding an effective way of running representative groups by 2025 would be a notable achievement.

One route might be obtaining feedback through social media. Broad use of social media might take time, not least because large employers might feel uncomfortable allowing their branded pension to intrude on employees' time away from the workplace. But this may change.

If trusts do find a way of using social media for member feedback, this will itself require a new layer of governance.

Governance improvements will be especially important in maintaining good outcomes for deferred members. Trustees and providers should see them as a particular area of focus.

Governance of decumulation

Decumulation is an area where governance will need to develop to meet demand. We expect that this process may still be on an upward curve in 2025. But we would expect to see some important developments before then.

The regulation of decumulation by the Department of Work and Pensions (DWP) and the Financial Conduct Authority (FCA) will develop – hopefully in a direction that helps members. Providers and trustees have an important role to play in campaigning here.

There is also certainly a role for providers and trustees to come up with decumulation solutions – perhaps, eventually, through social media channels. High development costs and economies of scale might be a barrier for some providers, so it's possible that a smaller number of providers might find a solution.

Who will be pension providers by 2025?

Could we move to a more open source structure, where the different functions (investment, administration, trustee support, governance, compliance etc.) are not all provided by the same commercial organisation?

The answer will come down to commercial drivers but we wouldn't be surprised to see movement in this direction before 2025. In some ways this would make sense: the best company at running investment strategies won't necessarily be the best at administering pensions, supporting trustees with their decision making or managing the supervisory relationship.

If we see separation, it's essential for the providers and trustees concerned to make sure that governance standards don't lapse. This could be an important 2025 governance challenge – and an example of where large employers could play a strong role in maintaining pressure, if needed.

Pension scams: making the message to members clear

By Karen Quinn, Director, Untamed Marketing

Pension scams aren't new, yet we're still fully focused on tackling them. Why? Because we're losing the battle of communications. Across any industry, success is not about the superiority of a product or service. It doesn't necessarily matter how good it is; it's how well you sell it. It's merely a battle of perception. And the scammers are winning.

An estimated £30m has been lost to scammers since 2017. The continuous threat of scams growing in sophistication is very real. There are multiple initiatives working in tandem to look at the whole picture of scams – from operational protocol to trustee knowledge, understanding and power. However, like so many changes to anything pension-related, there isn't a single, straightforward solution. The complex nature of our products and systems makes trying to prevent pension scams an enormous, multi-faceted project.

Two sides of the same fight

When it comes to stopping scams we need a two-pronged attack. We need robust processes and communications to raise awareness with members.

When member engagement and understanding of pensions is as low as it is, we absolutely have to be making changes to our processes to protect our members. We should continue to make it harder for scammers to wreak havoc with people's retirement savings; the consequences of scams are devastating. Not to mention the ongoing mistrust in pensions that it fuels.

The key to scammers success

There is no secret formula to what the scammers are doing – successful communications follow a number of logical and predictable steps:

- understanding the audience; what problem you are solving for them
- creating engaging content, focusing on benefits
- having an incentivised offer
- delivered through channels familiar and trusted by the audience
- continuous re-targeting and follow-up.

Ultimately they are creating better marketing communications. How? By developing content which resonates. Sharp designs, clear language and concise calls to action.

Stuffing a generic flyer in an annual statement is no match for a targeted marketing campaign.

A tricky balance

I'm a fan of making communications scheme and member specific. Targeted messages are always more impactful because they can be clear and concise. However, as an industry we don't hold the trust of the general public. Pensions aren't synonymous with security as it is: so it's important there isn't a sudden barrage of pension scam headlines creating fear and doubt in a scattergun approach. We must work together on these communications and share results, insights and best practice.

This will help to create consistency and reinforce recall without detrimentally impacting trust.

For trustees, providers and administrators making The Pensions Regulator's pledge to combat scams, they'll need a determined focus on member communications. Some will look to utilise different approaches and go above and beyond the minimum. Excellent. As long as scams and pensions aren't the only words remembered.

What's the overarching objective?

To stop members falling victim to pension scams. This is hard – as marketers one of the key things we learn about human psychology is that we are irrational decision makers. We're taught about cognitive and conative messaging to target both emotive and rational reasoning (and you thought we just make the words sound good!). Joking aside, ultimately, this means that if you're skint and someone tells you they can help you get your hands on a wad of cash, your behaviour can be easily swayed. And, believe it or not, we don't like to hear that we're wrong – so the timing of our warning messaging about scams is everything.

Forewarned is forearmed

We want to raise awareness and provide members with knowledge and simple steps they can easily recall and follow to prevent a scam – without causing alarm. There are tried and tested methods to help with this:

- Simplicity – of both language and idea will help your members understand and digest your message. Remove any jargon; easier said than done. We know pensions, the risks and the 'obvious' steps, but your members probably don't. Go back to basics.
- Credibility – of your source and story. Create this by using authentic case studies and details which will help with recall. You don't need to jump through GDPR hoops to re-tell an anonymised story. But if you're able to use real life stories, ideally positive, that are concisely told, they'll resonate.
- Achievability – of your instructions or call to action. Don't make steps complex, time consuming or unachievable. You can layer messages to help with this.
- Memorability – of the message. Use tried and tested literary devices – acronyms, the rule of three or alliteration. Creating a concrete and repetitive reference point to your message will make it memorable.

Using all of these elements – you can find a ready to use flyer at www.untamedmarketing.co.uk/pension-scams and you'll have spotted the subtle SCAM acronym in the steps above!

You say tomato, I say...

Equality versus equity in education

By Dr Keith Hoodless, Director of Qualifications and Lifelong Learning, PMI

COVID-19 is causing us to challenge deep-rooted notions of when, where and how we deliver education, of the role of education providers, the importance of lifelong learning, and the distinction we draw between traditional and non-traditional learners... COVID-19 has struck our education system and shaken it to its core.

But how has that left us in terms of equality and equity? A positive impact of the present pandemic on education is the sudden embracing of online conferences and teaching technology: the consequences of this are potentially enormous. People all over the world can learn and teach to huge audiences at close to zero marginal cost. This will revolutionise the delivery of education and research, but as much as they bring to us, do they also take as much away?

The brave new world of the new normal brings with it new challenges and enhances ones already in existence. For the PMI, COVID-19 meant it had to move the delivery of qualifications and education to almost exclusively online and it had to do it quickly. It became, and still is, imperative, therefore, that we achieved the messages of equality and equity in the delivery of our education and qualifications offer.

But what do we mean when we suggest equality and equity – are they not one and the same thing?

The PMI has always been aware of equality and, since regulation of the Awarding Body, this has been central to the function of our delivery. This has meant that we now offer our qualifications to a lot more learners, and in a more accessible format.

To get to this point we had to ask the right questions.

For the PMI there were two questions.

Before we decide on change, do we:

1) Understand equality?

2) Understand equity?

Although they are seemingly similar terms, the concepts of equality and equity approach education in different and important ways.

On the surface, the goals implied by the above questions might seem to be aiming at the same result—even the terms might seem to be about the same idea. But, when thought about carefully, each concept carries different assumptions about learners and the learner outcomes; both concepts are equally important, and both can easily be misapplied.

Therefore, understanding the differences between both of these ideas—and asking the right questions—was extremely important to us.

Each concept carries implicit underlying assumptions about what is 'fair' as they relate to (for the PMI) the types of qualification on offer. Each concept also carries implications about how learners should be treated and what resources are necessary or given to complete the qualification.

A common understanding of educational equality (from a PMI perspective) is that we offer all learners undertaking the same qualification the same specification, same access to past papers etc. (structure).

A common understanding of educational equity is that all learners should be given the education they need to achieve certain outcomes i.e. anyone else who sits that qualification gets access to the same materials or receives the same level of education, hence the learning materials website development (content).

This way all learners will (should) have an equal chance.

Both of these ideas make sense at first glance, and they clearly connect to ideas of fairness.

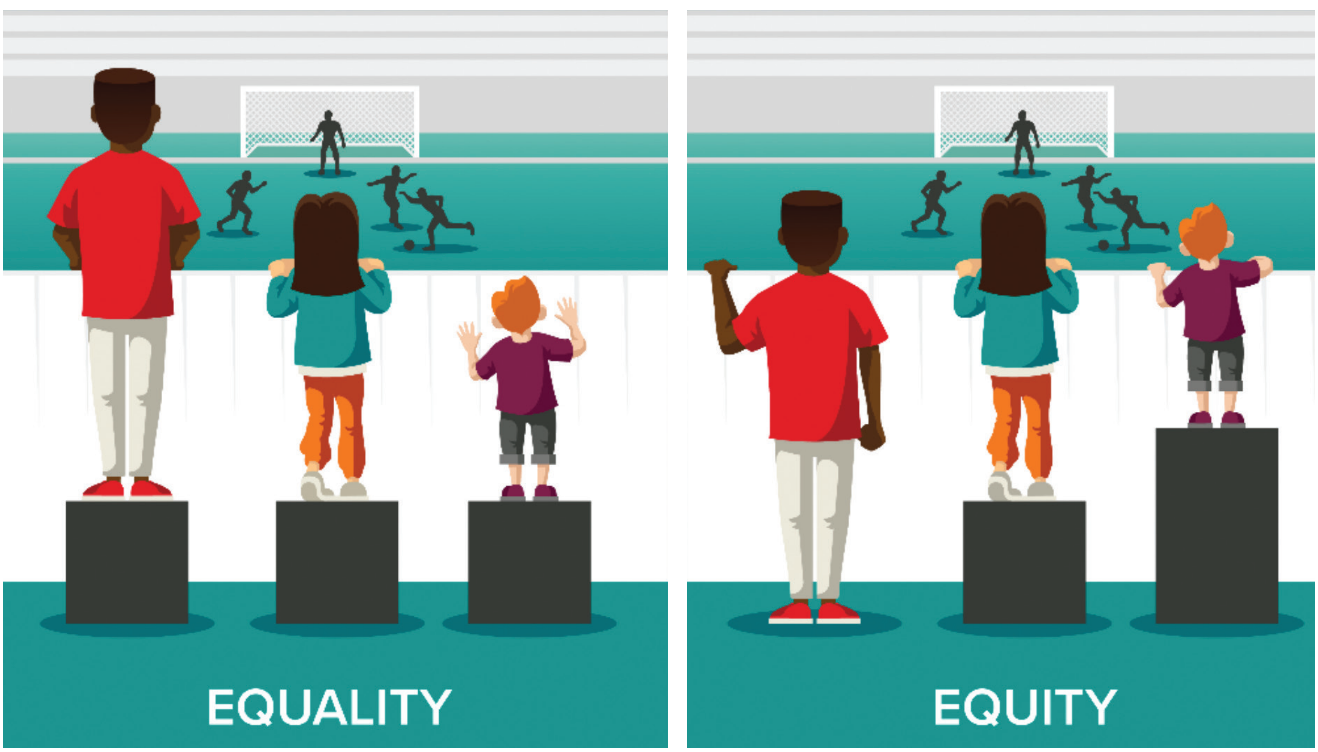
But look at the illustration below. As demonstrated, the assumed logic of equality gives all learners the same amount of any item, such as the same number of boxes to stand on. In contrast, the equity orientation acknowledges the different needs of individuals and how they all require specific support to be able to reach a similar goal.

To extend the metaphor in this picture, the educational equity orientation reframes the discussion and orients it around ensuring that the PMI helps all learners to achieve, even if that means distributing resources 'unequally.'

'Unequally', in this case, is at the core of the suggestion. We want all learners to achieve, no matter who they are or what situation they find themselves in; whether this means allowing extra time, different formats, empathy of a particular situation or even - as we have seen understanding that the internet does not always perform as well as we would like it to when we expect it to. Equity means that we will attempt, at all times, to help all learners if they encounter any difficulties or obstacles in their path to taking one of our qualifications, and that is before, during and even after the exam.

As we progress further into this brave new world we will have to investigate better, ask better questions, deliver better possibilities and achieve better outcomes.

We are moving in the right direction, but we have not arrived at the destination yet.



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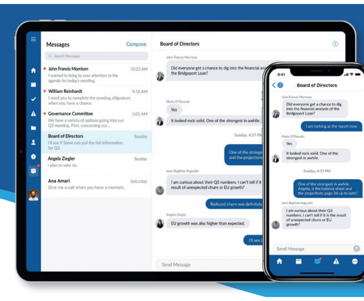

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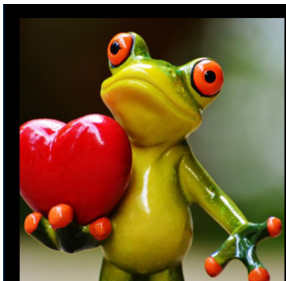

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