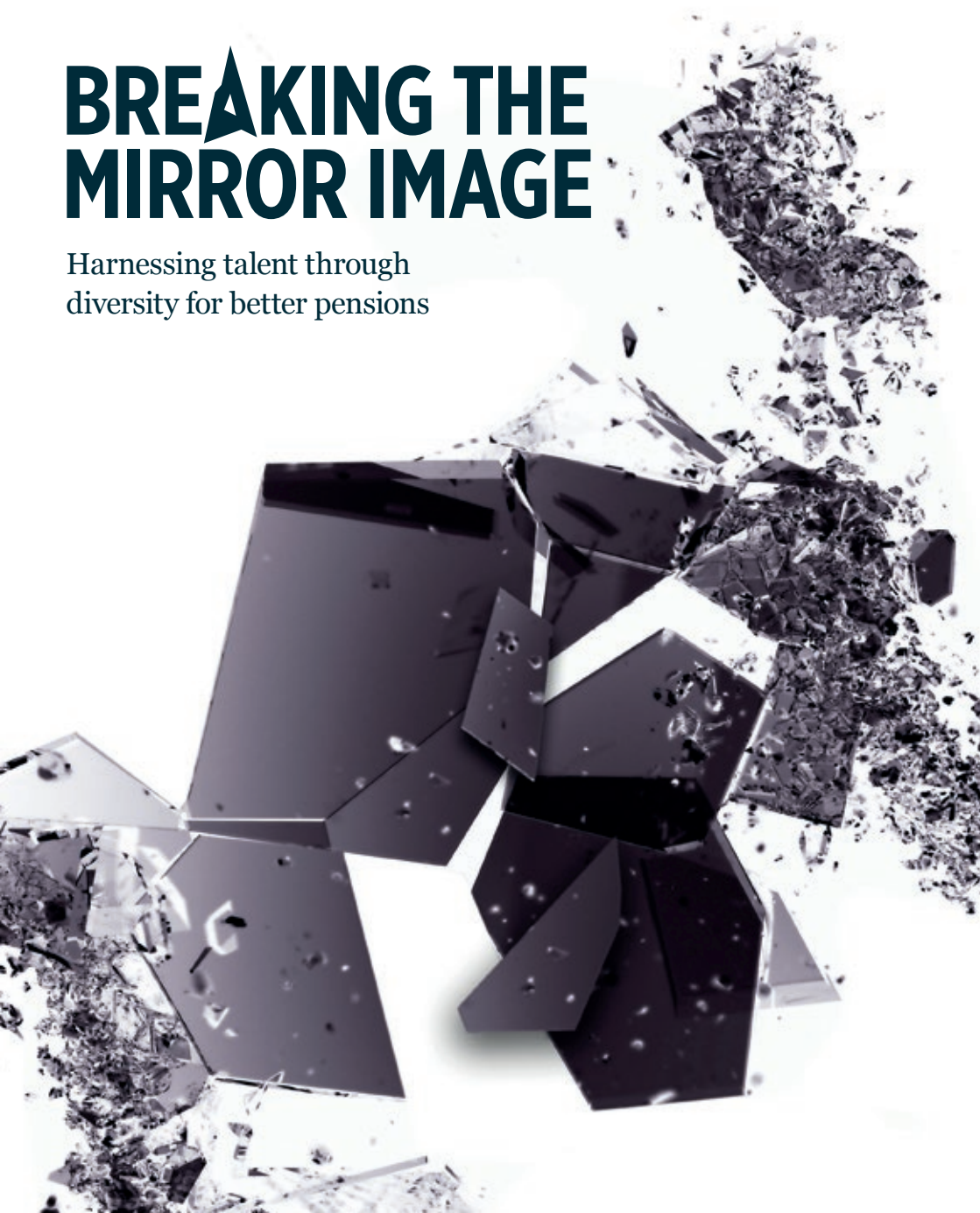
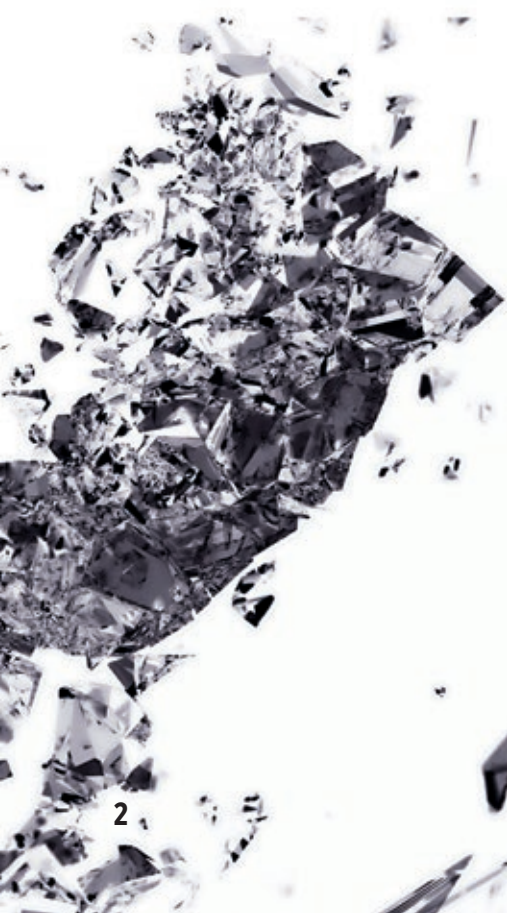


**PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION**

BREAKING THE MIRROR IMAGE

Harnessing talent through
diversity for better pensions





CONTENTS

FOREWORD	5
Richard Harrington MP, Minister for Pensions	
INTRODUCTION	6
Joanne Segars, Chief Executive, Pensions and Lifetime Savings Association	
UNCONSCIOUS BIAS AND THE PAYMENT OF PENSIONS	10
Chris Hitchen, Railways Pension Trustee Company Limited	
GOVERNANCE AND DIVERSITY ON 21ST CENTURY PENSION BOARDS	13
Lesley Titcomb, Chief Executive, The Pensions Regulator	
CHALLENGING THE STATUS QUO, CHALLENGING THE PENSIONS GAP	16
Frances O'Grady, General Secretary, TUC	
MONEY TALKS – THE ECONOMIC AND BUSINESS CASE FOR DIVERSITY	19
Jayne-Anne Gadhia CBE, CEO Virgin Money and HMT Women In Finance Champion	
YOU SAY YOU WANT A REVOLUTION? – WELCOME TO THE DIVERSITY PROJECT	22
Helena Morrissey CBE, Chair Of The Investment Association and The Diversity Project	
MORE THAN COMPELLING, IT'S INDISPUTABLE: THE CASE FOR GENDER DIVERSITY	26
Helen Dean, CEO, NEST	
DOING THE RIGHT THING, NOT TICKING BOXES	30
Gurpreet Bassi, Head of Trustee Secretariat Services, House of Commons	
MOVING THE DIVERSITY DIAL	32
Lesley Williams, Chair, Pensions and Lifetime Savings Association and Group Pensions Director, Whitbread plc	
DIVERSITY AND INCLUSION – BETTER OUTCOMES ALL ROUND	35
Bijal Shah, UK Benefits Manager, Mars	
ON LAUGHING, CRYING, DIVERSITY AND HORMONES	38
Sally Bridgeland, Non-Executive Director and Trustee	
PLAIN TALKING: TACKLING THE GENDER PENSIONS GAP	41
Sarah Pennells, Founder, SavvyWoman.co.uk	

◆◆INITIATIVES
LIKE THIS ONE
TO ENGAGE
MORE WOMEN
IN THE PENSION
INDUSTRY CAN
ONLY BE A
GOOD THING◆◆

FOREWORD

**RICHARD HARRINGTON MP,
MINISTER FOR PENSIONS**



I AM DELIGHTED TO OFFER MY SUPPORT TO THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION'S WORK ON DIVERSITY IN THE PENSIONS INDUSTRY. THIS IS A HUGE IMPORTANT PIECE OF WORK AND LOOKING AT HOW WE CAN WORK TOWARDS BRINGING MORE DIVERSITY INTO THE SECTOR IS A WELCOME PROJECT.

Diversity is something this Government is passionate about and we are committed to building a country that works for everyone. In particular we are determined to see greater gender balance in the financial sector, which is why we established the Women in Finance Charter. Far too few women get to the top of their chosen field. The Charter is a way for companies to demonstrate their commitment to practical goals that will make a real difference to their organisations, and drive meaningful progress across financial services.

Almost 100 firms of all shapes and sizes across the UK financial services sector have already signed up to the Charter. From global banks to small financial technology start-ups, all have pledged their commitment to improve gender diversity. The Women in Finance Charter commits firms to supporting the progression of women into senior roles and setting internal targets for gender diversity in senior management.

Increasing gender diversity isn't just the right thing to do. A balanced workforce is good for business. It is good for customers, for profitability and workplace culture, and is increasingly attractive for investors. Firms with a good gender balance in senior positions and across teams perform better, and therefore attract the best talent.

Prioritising female talent and eliminating the gender pay gap aren't optional. These issues are core to ensuring that we make the most of the UK's talented workforce in a global competitive economy. And of course many within the industry are already taking up the challenge: NEST, Aviva and LV= have signed the Charter and pledged their support.

As Pensions Minister my task is not just to make the sector more diverse but also to make pensions more accessible to a wider range of people. I want more people to enjoy financial security in their retirement, and through automatic enrolment millions more women are now either starting to save or saving more for their retirement. Before automatic enrolment, 65% of women employed full-time in the private sector did not have a workplace pension. As of 2015 this had fallen to 35%. The private sector has seen the largest increases in participation in workplace pensions and in 2014 there was no gender gap in participation, with 63% of both eligible men and women participating. In 2015 female participation in the private sector actually rose slightly higher to 70% compared to 69% for eligible male employees.

But there is more work that needs to be done, and initiatives like this one to engage more women in the pension industry can only be a good thing. I hope that more women and men take part in this important work, and benefit from the many activities and training sessions PLSA will be running throughout 2017.



INTRODUCTION

JOANNE SEGARS, CHIEF EXECUTIVE, PENSIONS AND LIFETIME SAVINGS ASSOCIATION

◆◆ **OUR JOB
NOW IS TO TURN
THE ENERGY,
ENTHUSIASM
AND OPTIMISM
THAT SHINES
THROUGH
CONTRIBUTIONS
INTO ACTION** ◆◆

BREAKING THE MIRROR IMAGE: HARNESSING TALENT THROUGH DIVERSITY FOR BETTER PENSIONS IS A PLSA CAMPAIGN TO SUPPORT, LEAD AND ENCOURAGE A MORE DIVERSE WORKPLACE PENSIONS SECTOR. THIS MONOGRAPH MARKS THE START OF THAT CAMPAIGN.

It brings together a collection of essays from across the pensions and financial services sector. We hear contributors' personal stories, motivations, and hopes as well as their professional needs and desires for a more diverse pensions sector. There are many different stories, but a single focus: delivering better pensions for scheme members and savers.

There are many aspects to diversity – gender, ethnicity, sexual orientation, ability/disability, socio-economic background. We are taking as our starting point gender. But it is only one dimension, and it is just the starting point. Our aim is to make progress across all these dimensions of diversity.

We do not just do this to be politically correct, or because diversity – and gender diversity in particular – is one of the current trendy topics. We do this because it is the right thing to do, especially in the current political environment of division and disharmony. And above all we do it because it goes to the very heart of what the Pensions and Lifetime Savings Association is about: helping everybody achieve a better income in retirement.

There is compelling evidence that more diverse corporate boards lead to better results. For example, the Davies report on *Women on Boards* found that companies with more women on their boards outperformed their rivals with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity. The 2016 report *Why Diversity Matters* from McKinsey found that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians. Companies in the bottom quartile in these dimensions are statistically less likely to achieve above-average returns. If that's right for the companies in which pension funds invest, it must also be right for pension funds themselves.

Chris Hitchen who heads up the Railways Pension Scheme tells us how cognitive diversity will help us pay pensions. He explains how, as investors, his scheme will promote companies that show leadership in the area and actively harness all the talents available to them – and call-out those that do not. A lesson for all schemes, perhaps?

Cognitive diversity is also a theme taken up by **Lesley Titcomb**, Chief Executive of The Pensions Regulator. She stresses how a diverse trustee board is more likely to raise challenging questions and reach better decisions. It's not just in the boardroom that greater diversity can bring benefits. Member engagement is also likely to be more successful where the trustee board look like the members they serve, Lesley argues. **Frances O'Grady**, the TUC's (first woman) General Secretary, picks up this point, suggesting that lay trustees have an important role to play in bringing diverse perspectives, not just from the gender dimension but from a broader diversity perspective.

Despite the inclusion of lay trustees, we've a long way to go, with the gender composition of pension boards being 83% male, according to the latest PLSA Annual Survey.

Talking about diversity is one thing. Action to promote it is another. So over the course of 2017, the PLSA will run a programme of activities aimed at actively promoting a more diverse sector. We will run leadership courses to support the future women leaders of our industry; talk to trustee chairs about breaking the 'mirror image' of trustee recruitment; build a network of future leaders aiming to build a pipeline of future trustees; and we will survey trust boards to establish a base line of data on all dimensions of diversity.

This work is part of much wider activity that is going on across the financial services sector. **Jayne-Anne Gadhia**, the Government's Women in Finance Champion, describes the sobering findings from the Government's review on women in financial services. Her review set out four clear recommendations and over 90 organisations are signed up to the Charter that commits to implementing them. Jayne-Anne sums it up perfectly – diversity is a no-brainer!

Helena Morrissey is a driving force actively promoting diversity in the financial services sector. She tells us how the Diversity Project, which embraces organisations and firms from across the financial services sector, including the PLSA, is co-ordinating action to attract people from more diverse backgrounds into the financial services industry. Helena sets out some basic and much-needed steps, including telling people what financial services is about. To those of us inside the financial services tent it's obvious. But that's the point, and why we need to break the mirror image.

If we are to make progress, we need to encourage, support and sponsor a more diverse group of people working in our industry, and to help create the next generation of leaders which is more diverse – not just in gender terms – than the current generation. We've waited over 90 years for our first female chair of the PLSA. We don't want to wait another 90 years for the second. **Helen Dean**, CEO of NEST, describes the great strides that her organisation has made in developing its gender diversity network aimed at supporting women and their development at NEST through mentoring and coaching, for example. Helen concludes with a bold statement: the case for gender diversity isn't just compelling, it's indisputable.

Gurpreet Bassi, Head of Trustee and Secretariat Services at the House of Commons, sets out her hopes for the pensions industry – more women on trustee boards and in more powerful positions in the pensions industry. She decries the lack of part-time work opportunities available in the industry that might encourage more women to join and more working mothers to remain in the industry. She's dead right – take a quick look at any of the pensions job sites and it's striking how few opportunities are advertised as being available on a part-time basis. That's one thing that we should be able to fix.

It's not just the availability of suitable job opportunities that matters. It's also the support that women get when they are in work. PLSA Chair **Lesley Williams** talks about the importance of sponsorship throughout her career. She issues a challenge to others of us in the industry to step in and step up to help give other women the same support through sponsorship. Again, that's something we can try to fix.

The need to pass on support from those who have already broken through is made by **Bijal Shah**, UK Benefits Manager at Mars. She gives us an important reminder that it's not just about women who have broken through helping other women (in the case of the gender aspects of diversity). It's about men providing that support and mentoring too. Her hope is for a 'new normal' where everyone works together to achieve greater diversity.

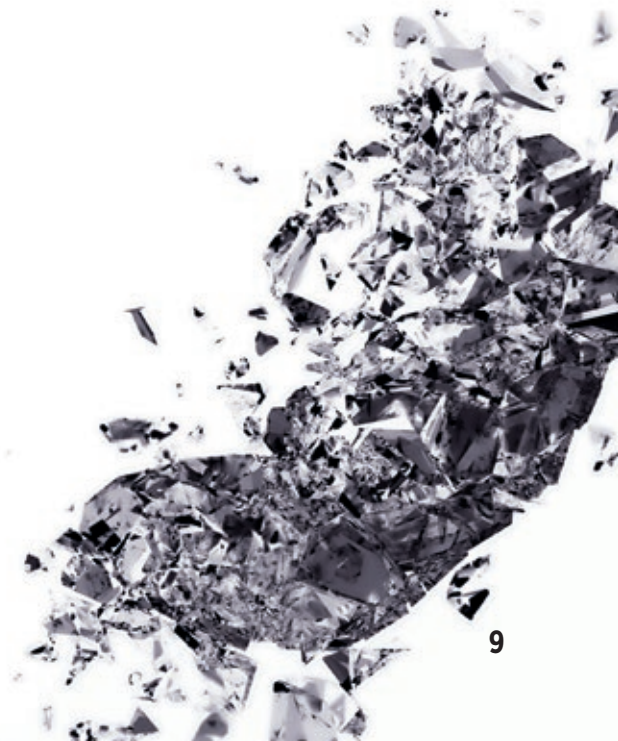
But how to achieve the 'new normal'? **Sally Bridgeland**, trustee and non-executive director, tells us of Sheryl Sandberg's view in *Lean In*, namely that it shouldn't be that women have to behave like men to succeed but, until there are more women at the top who understand this struggle, it's the way that it has to be. Change could take decades, Sally suggests. She reminds us to value difference and not to make assumptions.

Of course, the focus on diversity is not just about serving the industry and those that work in it. Our ultimate focus is the millions of women and men who are saving hard for a secure retirement. To do that well, we need to know what savers want. **Sarah Pennells**, founder of SavvyWoman.co.uk, the money website for women, tells us that women are more put off engaging with pensions and investment by jargon than men. Her contribution is also an important reminder that we still have a long way to go to tackle the gender pensions gap.

There are a number of common themes that come through all our contributions. The first is that we need to change, and that that change needs to be genuine – more than one of our contributors tells us diversity isn't just about box-ticking. Second, there is a willingness to change. Third, there must be the mechanisms and support in place to facilitate that change.

Together our contributors are powerful voices with powerful messages for the future of our sector and for change. I would like to thank all of them for their contributions and commitment. I am also grateful to the Pensions Minister, Richard Harrington MP, for his support.

Our job now is to turn the energy, enthusiasm and optimism that shines through all these contributions into action. I look forward to working with you to deliver a more diverse – and stronger – industry for the benefit of savers.





UNCONSCIOUS BIAS AND THE PAYMENT OF PENSIONS

CHRIS HITCHEN, RAILWAYS PENSION TRUSTEE COMPANY LIMITED

◆◆ **ORGANISATIONS
NEED COGNITIVE
DIVERSITY...
WE BELIEVE IT
IS VITAL IF WE
ARE TO ACHIEVE
OUR MISSION OF
PAYING PENSIONS
SECURELY,
AFFORDABLY AND
SUSTAINABLY** ◆◆

I AM A SEXIST, RACIST HOMOPHOBE.

IT'S NOT HOW I THINK OF MYSELF, YOU SHOULD UNDERSTAND. IT'S NOT HOW I WANT YOU TO THINK OF ME EITHER. I PRESENT AS A GUARDIAN-READING, BLEEDING-HEART LIBERAL.

But if I'm so comfortable with diversity, why do I choose to live in a village in the heart of England with 600 other white, middle class people? Because it's a nice, safe place for my children to grow up.

Exactly.

But sexist, racist homophobe?

Sure, I love and honour my wife, my mother, my sister; I love and respect my black brother-in-law; I love and nurture my transgender son. Those closest to me transcend categorisation – I see them as individuals, not tropes. Everyone else had better hope I'm paying attention and not succumbing to my unconscious biases.

I didn't know I had them – the unconscious biases – until a few years ago when I read Malcolm Gladwell's *Blink*. In it, he invites the reader to take a test, a word association game. I had to associate good things with words like “black” and “dark”, and bad things with “white” and “light”. It seemed easy until the author jumbled them up and asked me to do it at speed. I couldn't. I had no such trouble when the shades were returned to their normal, loaded associations.

So what? It's just a word game, I thought to myself. But such games can tell us things about ourselves and the world which has shaped us.

There's a clever, funny musical called “Avenue Q”, in which humans, puppets and monsters try to co-exist harmoniously. At one point, a breezy Japanese therapist, improbably named Christmas Eve, cheerily sings “Everyone's a little bit racist”. Actually, she says “lacist”. I thought it was hilarious and oh so true. My kids didn't though. *Not* being sexist, racist homophobes comes naturally to them. They are unconsciously competent at it.

The best I can manage is conscious competence, with a pious hope to avoid lapses into *unconscious incompetence*. I like to think my offspring's proficiency is a positive statement about society's direction of travel: the subliminal influences my children have absorbed through advertising, broadcasting and online content are, in general, less overtly sexually and racially biased than the equivalents from my childhood – Enid Blyton's Famous Five, the sitcom *Are you being served?*, the Kia Ora orange squash advertisement – though I readily admit that progress has been far from uniform. As recent election results have shown, my generation is far from ready to cede control to the Millennials, but, despite improvements in longevity, we will not live forever.

People living forever will be the end for pension schemes and their providers, whether or not it is a good thing for the human race. Being forever retired will remain unaffordable this side of a singularity in Artificial Intelligence – the point at which ever-more-intelligent self-replicating machines develop exponentially beyond our biologically-limited evolutionary mechanism.

Who is to say that the super-intelligent beings thus created will bother to look after us poor humans anyway? The alternative scenario of working forever also obviates the need for any retirement planning, but probably not in a good way.

Unless and until these things come to pass, decent retirement provision is essential. My organisation's mission is to *pay pensions securely, affordably and sustainably*, something we aim to do despite an underwhelming investment outlook and overbearing regulation.

This is why I come to work every day. It is not my job to save the world, nor to make it a fairer place. My personal preferences (the conscious, *Guardian*-reading, liberal ones) have no bearing on it. Unless, that is, making the world fairer or more sustainable will also improve the odds of my members receiving their pensions into the far future. I believe that it will, and here's why.

It is a tough job to make the kind of real investment returns which are needed over the long term to pay decent pensions. To do so, we need every link in the investment chain to do the best job it can (and to be realistic about its own value, which is another story). So asset owners, asset managers and the companies in which they invest all need to run, manage and govern themselves as effectively as they can. It makes no sense for any of them to ignore potential pools of talent through unconscious bias. Removing this unconscious bias takes a conscious effort to change recruitment methods, talent recognition and working practices. For instance, holding meetings at 7.30am may signal hard work and commitment to some, but to others it may signal that this isn't the right working environment for them. They will take their talent elsewhere or, worse, not realise their full potential.

We want the companies in which we invest to provide us with long-term, rising cash flows to pay future pensions. To succeed long-term, companies need to think long-term, to have a strategy which runs beyond this year's dividend and three-year earnings targets. How will the enterprise make money in 10 years, or 20 years? Over such time frames, non-financial factors like societal and environmental change become more relevant than financial plans. To address them successfully, organisations need *cognitive diversity* – different voices and different ways of thinking. This won't guarantee their long-term success, but it should reduce the odds of them becoming the equivalent of the last camera film manufacturer, or steam locomotive builder, a supplier to a vanishing market. Or of losing legitimacy, with consumers unwilling to buy the product because the business practices used to produce it are no longer socially acceptable.

How can organisations achieve this cognitive diversity? It may not be the only way, but the most obvious way is to promote *actual* diversity. So we are publicly supportive of companies who show leadership in this area, both in the boardroom and amongst their executive management. We do so through individual engagement and by joining forces with others through organisations such as the 30% Club. We also call out some companies which seem determinedly uninterested in improving the quality of their own strategic thinking and maximising their use of all the talents available to them. Not to make them feel bad, but to encourage everyone to do a better job.

The rising tide can raise all boats. It's not just about box-ticking. It is vital if we are to achieve our mission of paying pensions securely, affordably and sustainably.



GOVERNANCE AND DIVERSITY ON 21ST CENTURY PENSION BOARDS

LESLEY TITCOMB, CHIEF EXECUTIVE, THE PENSIONS REGULATOR

◆◆ **GOOD
GOVERNANCE
MATTERS. ... AND
DIVERSE TRUSTEE
BOARDS CAN
HELP DELIVER
GOOD
GOVERNANCE** ◆◆

DIVERSITY AND GOVERNANCE

Good governance matters. It is the foundation of a well-run pension scheme. And diverse trustee boards can help deliver good governance.

The significant challenges and changes faced by pension boards mean the need for effective governance has never been more important. Good governance means making strategic and timely decisions in pursuing the scheme's objectives and achieving good outcomes for members. And it means effective structures and processes that enable trustees to have appropriate oversight of the scheme.

The most effective boards have a diversity of skills, points of view and expertise, and can draw on a breadth of perspectives. This can be a key benefit of the trustee model, where a collective of individuals collaborate to run the scheme in the best interests of the beneficiaries.

When we refer to diversity on pension scheme boards, we mean it in the broadest possible sense, including:

- ▶ Different types of trustee – for example, employer-appointed, member-nominated, independent, professional or lay;
- ▶ Different knowledge, experience and skills – for example, education, professional background, occupation; and
- ▶ Demographic diversity – for example, race, gender, age, disability, sexual orientation.

Allowing for these various aspects of diversity can lead to a board of trustees with different approaches and ways of thinking. And where there is cognitive diversity among trustees, where there is difference of opinion and approach, we expect constructive debate, better decision-making and good governance to result.

BENEFITS OF DIVERSITY

Our own *Trustee Landscape Qualitative Research*¹ carried out in 2015 highlighted the benefits diversity brings to trustee boards. Trustees told us that diversity of backgrounds and experience can lead to improved overall strength in terms of capability to scrutinise advice and make decisions.

We set out these findings in our *21st Century Trusteeship and Governance*² discussion paper in 2016 and asked trustees and the wider pensions industry for views and ideas. We found strong support for our focus on the board as a whole; a diverse mix of individuals with appropriate skills, knowledge and expertise to effectively govern.

We received many suggestions that appointing a diverse mix of trustees can help deal with challenges like managing conflicts of interest. We were also told that having a diverse board can help schemes engage more effectively with advisers and service providers.

Diversity among trustees can guard against ‘group think’, where efforts to achieve consensus override trustees’ ability to identify and realistically appraise alternative ideas. This can arise where trustees all have the same experience or background leaving them unable, or unwilling, to challenge decisions and advice. Diverse board members who have different backgrounds, experience and demographics are likely to have different ways of thinking and managing risk. This can make them more likely to raise challenging questions and leads to better decision-making by the group.

Boards representative of those they serve can be better placed to understand members’ needs. They can better serve the needs of a diverse membership where they share some of their experiences and understand their world. Schemes can also help promote member engagement where trustee boards look more like the membership.

At TPR and previously at FCA I have been a member of boards and teams which have certainly been diverse in terms of gender and of background and experience. I have seen how someone else’s perspective can challenge me to think again about how I see things, or to understand why a policy or an action could have a consequence that I might not have considered. And this is equally relevant to all boards, whether corporate or trustee.

1. <http://tpr.gov.uk/docs/trustee-landscape-qualitative-research-2016.pdf>

2. <http://tpr.gov.uk/docs/21st-century-trusteeship-governance-discussion-2016.pdf>

IMPROVING DIVERSITY

Achieving diversity along with the requisite knowledge, skills and expertise to run a pension scheme can be challenging. Evaluating the board as a whole through regular assessment of board effectiveness, strengths and weaknesses and whether it has the right mix of trustees can be an opportunity to improve diversity.

Board assessment should also inform succession planning to ensure the future needs of the board can be met effectively. We also expect assessment to inform training and development plans to ensure trustees' knowledge and skills remain relevant to the needs of the scheme and membership.

Using tools like a board matrix that includes diversity alongside knowledge and skills, or otherwise considering the make-up of the board as a whole, will help schemes improve the diversity of their trustee boards. Having a formal diversity policy in place can help focus minds on the issue.

Setting a maximum term of appointment can also help improve diversity on trustee boards. A maximum length of service reduces the risk of burn-out and regularly appointing new trustees can bring new ideas and perspectives to the board. Each new appointment gives an opportunity to consider the board as a whole, the knowledge, skills, background and experience of the individuals making up the collective.

Fundamentally, trustees must have the skills, knowledge and experience required to fulfil the role and work together. Trustees are there to provide effective governance on behalf of the scheme's beneficiaries. They need to be motivated to achieve the scheme's ultimate aims and provide member benefits; there is no benefit to anyone in appointing someone purely to make up a diversity 'quota'.

Schemes need to maximise access to talent from all sources to achieve diversity and good governance from the board. Recruitment using personal networks or word of mouth is unlikely to reach a broad range of capable potential trustees. Schemes need robust processes in place for finding and evaluating potential trustees and diversity can be considered as a factor.

Recruitment and selection processes need to be rigorous, using objective criteria. Processes should also be transparent, to ensure gaps on the board are filled with due regard to diversity along with skills and experience. And when appointing member-nominated trustees, the board and employer should encourage underrepresented parts of the membership to consider the role.

21ST CENTURY DIVERSITY

One of our key priorities is to improve governance of pension schemes so they deliver good member outcomes.

We will be providing further practical guidance and tools to help trustees and encourage self-assessment and board evaluation. Understanding how they are performing will enable trustees to look to improve their scheme governance.

There is no doubt that governance will continue to be important and that trustees will continue to face challenges into the future. We encourage diversity on boards and the benefits broad perspectives can bring to decision-making and strategic management of pension schemes.



CHALLENGING THE STATUS QUO, CHALLENGING THE PENSIONS GAP

FRANCES O'GRADY, GENERAL SECRETARY, TUC

◆◆ **AT EVERY LEVEL OF THE PENSIONS INDUSTRY THE MOST APPROPRIATE PEOPLE SHOULD FILL ROLES TO PRODUCE THE BEST POSSIBLE RESULTS FOR SCHEME MEMBERS** ◆◆

THE TRADES UNION CONGRESS (TUC) IS THE VOICE OF BRITAIN AT WORK. WE REPRESENT NEARLY 6 MILLION WORKING PEOPLE IN 52 UNIONS ACROSS THE ECONOMY. WE CAMPAIGN FOR MORE AND BETTER JOBS AND A BETTER WORKING LIFE FOR EVERYONE.

We are also the leading representative consumer voice on pension policy issues. And in pensions, as in so many areas of our economic life, women, the disabled and those from ethnic minorities are faring worse than other workers.

Consider the situation:

- ▶ The gender pensions gap is nearly twice the size of the gender pay gap. For a range of reasons, women are saving, on average, 40% less into their pension pots than men.
- ▶ Some 3 million women workers are excluded from automatic enrolment into workplace pensions due to the £10,000 earnings trigger; and
- ▶ Those who are disabled or from ethnic minorities also have poorer pensions outcomes than other workers.

It is impossible to separate outcomes for women in the pensions system from questions of diversity. By bringing in those from a variety of backgrounds into decision-making roles, diversity encourages original thinking and can help to challenge acceptance of the status quo. Lack of diversity encourages more of the same.

Yet in spite of the clear gender inequalities that exist in the pensions sector, some progress has been made in recent years. We have a female chief executive of The Pensions Regulator, for example. And, for a brief period, we had a female Pensions Minister. But as in so many sectors, women are usually in a small minority in any room – if they are there at all.

The result is that we keep on repeating, failing to deal with or exacerbating the mistakes of the past.

When pensions freedom was discussed, why was so little thought given to the consequences for a partner left with no savings to fall back on?

Why was the earnings trigger for automatic enrolment increased so sharply in its early years, given the disproportionate effect on women and others in low-paid work?

What consideration was given to the inequalities in workplace pensions when the Government accelerated state pension age equalisation in 2011?

Why has so little been done to ensure that carers, who are overwhelmingly female, have the opportunity to build savings for their old age?

Why does it remain so difficult for self-employed women, who are disproportionately likely to be from ethnic minorities, to save for retirement?

Of course, it is impossible to tackle pensions inequality without tackling wider issues at play in the world of work. Unions, and collective bargaining, have a key role to play. Unions are by far the largest membership organisations representing people at work in Britain, and today over half of our membership is made up of women.

One element of inequality is the persistent gender pay gap. The gender pay gap begins as soon as women start their careers – an 18-year-old woman working full-time earns on average £1,395 a year less than her male peers. The gender pay gap is at its widest when a woman hits 50. She will earn £85,040 less over the course of this decade than a full-time man. TUC research has highlighted the impact that motherhood and other caring responsibilities have on women's lifetime earnings.

Linked to this is the way that women are often pushed into low quality, low paid part-time jobs, with accompanying low quality, or non-existent pension provision. Part-time work doesn't have to be that way, and yet we're seeing a growing correlation between part-time work and low pay which exacerbates the gender pay and pensions gap.

And when women with children return to work, often the childcare fees (which are extraordinarily high by European standards) come out of their wages. This is a pensions issue because many women feel that child-related expenses leave them insufficient money to put aside for retirement.

This is why you cannot take politics out of pensions. But you can do more to ensure the acceleration of the slow shift towards diversity in the pensions sector gathers momentum.

The TUC is a strong supporter of maintaining a worker presence in workplace pensions. We believe that the trust model is a major strength of the UK occupational pensions system. It ensures that those overseeing members' savings have a duty to act in those members' interests. Potential conflicts of interest are brought into the open by the appointment of member and employer trustees.

The position of lay trustees makes it more likely that people from a variety of backgrounds and perspectives play a role in the management of a scheme. Indeed, we believe that member outcomes could be vastly improved if a trust model was extended to all workplace pensions.

However, the TUC believes improvements to the existing system can be made and we have long campaigned for greater member representation on trust boards.

Indeed the successful management of diverse interests in a transparent manner in workplace pensions acts should embolden us to seek further reform at corporate level. There has been growing awareness of the benefits of diversity on company boards. The Association of Chartered Certified Accountants (ACCA) describes how diversity in the boardroom can lead to more effective decision-making:

"A multiple-perspective analysis of problems can change the boardroom dynamics and is more likely to be of higher quality than decisions made under a 'groupthink' environment."

The TUC supports measures to promote gender and ethnic diversity on company boards.

We are also strong advocates of worker representation on company boards. It is notable that those countries with strong workers' participation rights perform better on a wide range of factors including employment rates for women, educational participation among young people and educational achievement among older workers. What is more, these countries achieve both stronger economic success and a more equitable economic settlement. Diversity at the top of organisations is a means of ensuring that outcomes for those in the workforce improve.

We want members of pension schemes to be given the best possible opportunity of a decent income in retirement. This means that at every level of the pensions industry the most appropriate people should fill roles to produce the best possible results for scheme members. But in too many industries, including financial services, outdated working practices are denying the industry the skills of groups such as female workers, older workers or those from ethnic minorities and wider socio-economic backgrounds the opportunity to play a full role.

The aim of pensions should be to ensure that all workers have the opportunity to build sufficient savings for a decent income in retirement. We are a long way from achieving this. But accelerating moves towards greater diversity among decision-makers in government and along the pensions chain is an essential element in identifying the challenges we face and finding the means to resolve them.



MONEY TALKS – THE ECONOMIC AND BUSINESS CASE FOR DIVERSITY

JAYNE-ANNE GADHIA CBE, CEO VIRGIN MONEY AND HMT WOMEN IN FINANCE CHAMPION

◆◆ **FOR ME IT'S A NO-BRAINER! I BELIEVE IT IS SELF-EVIDENT THAT MORE DIVERSE LEADERSHIP TEAMS PRODUCE SUPERIOR RESULTS** ◆◆

WHEN THE GOVERNMENT FIRST ASKED ME TO LEAD A REVIEW ON WOMEN IN FINANCIAL SERVICES, AND HOW TO GET MORE WOMEN INTO SENIOR LEADERSHIP ROLES, I WAS DELIGHTED TO ACCEPT.

But at that stage I do not think I realised the scale of the challenge. Perhaps that is because as a female CEO of a retail bank I did not feel that I had encountered barriers or prejudice in my career.

We commissioned some research to give a more detailed picture of what was happening on the ground – and the results shocked me. The analysis showed that across UK financial services:

- ▶ the average gender balance at executive committee level was just 14%; while
- ▶ a quarter of firms in our sample had no women on their executive committee.

Furthermore we found that where women did sit on executive committees, these tended to be in corporate and support functions – such as HR, communications, legal and compliance, marketing and strategy.

The statistics provide a clear illustration that large parts of the UK financial services sector continue to be dominated at their most senior levels by men – and the conclusion to draw is that the industry is clearly failing to utilise the talents of women to the full.

As we all know, ‘money talks’ in the financial services sector. That’s why I felt we had to make the economic and business case for greater (gender) diversity in our sector. The only way that hard-headed senior executives would act is if they genuinely felt it affected the bottom line.

Harnessing the talents of women to the full improves business performance and can make a huge contribution to raising long-term productivity growth in the UK – which remains stubbornly low when compared to other leading economies.

It is no accident that diversity issues have risen up the political agenda – politicians are beginning to see the important contribution greater gender balance and diversity more broadly can play in raising productivity and living standards.

As a business person – for me it’s a no-brainer! I believe it is self-evident that more diverse leadership teams produce superior results – it is about harnessing the talents of everyone.

It makes sense – greater diversity whether in terms of gender or other characteristics – brings different perspective to the table and avoids ‘group-think’.

Greater diversity of thought results in better decision-making and improved corporate governance and risk management.

To quote just a few examples – a recent report by Credit Suisse³ shows that companies with more women in top management positions achieve average returns of almost 15%. Those with fewer women average below 10%.

Another recent report by McKinsey⁴ estimated that “Bridging the gender gap in the United Kingdom could increase GDP by billions of pounds over the next decade and add 840,000 female employees to the workforce”.

So for me – while there is clearly a moral imperative to take diversity and equality seriously, allowing everyone regardless of gender or origin to flourish – there is also a strong business and economic imperative.

My review – which lasted over nine months and involved me and my team meeting hundreds of women and men who work in financial services and running roundtables across the length and breadth of the UK to listen to the views of those who work in the sector – made four important, but simple, recommendations:

1. Firms should have one member of the senior executive team who is responsible and accountable for gender diversity and inclusion;
2. Firms should set internal targets for gender diversity in senior management;

3. The GS Gender 3000: the reward for change, Credit Suisse Research Institute, September 2016

4. How advancing women’s equality can add \$12 trillion to global growth, McKinsey Global Institute, September 2015

3. Firms should publish progress annually against these targets in reports on their website; and
4. Firms should have an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity.

Greater reporting requirements are essential because ‘what gets published gets done’. I firmly believe that transparency and greater scrutiny – from investors, employees, the media and customers – will act as a force for change.

But we also need to get the tone from the top right – that means holding senior executives accountable for progress in this area.

And crucially we also proposed incentivising senior executives to take the issue seriously – by linking some proportion of variable pay to progress on gender balance.

I believe that our proposals will make a significant difference over time, but they do not represent a magic bullet – I don’t think there is one.

Ninety-three firms have now signed the Charter and committed to implementing the recommendations in our final Report. That, I think, is a pretty good start.

These firms collectively employ over 500,000 people in the UK. They span the UK financial services sector – signatories include global investment banks, asset managers, retail banks and pensions firms.

And signatories range from large companies with 75,000 employees and firms operating in over 40 countries to small UK-based credit unions with just a handful of staff.

Going out and about and talking to firms in our sector every day I can sense the winds of change. I believe that the argument that greater diversity is good for business is clearly breaking through.

But of course there is far more to do.

That’s why I agreed to accept a new role as the Government’s Women in Finance Champion and I am looking forward to working with Government, regulators and likeminded firms to make even more progress in 2017.

So let me end by saying that for me, this is about creating a genuine meritocracy. One where talented people working in UK financial services – regardless of their gender, ethnicity, religion, social background or sexuality – can have confidence they will succeed if they are good enough.

We are still a long way from that goal but I am optimistic that we are finally moving in the right direction.

READ THE REPORT:

Empowering productivity: harnessing the power of women in financial services. March 2016
www.uk.virginmoney.com

FIND OUT ABOUT THE CHARTER AT www.gov.uk



YOU SAY YOU WANT A REVOLUTION? – WELCOME TO THE DIVERSITY PROJECT

HELENA MORRISSEY CBE, CHAIR OF THE INVESTMENT ASSOCIATION AND THE DIVERSITY PROJECT

◆◆ **WE KNOW THAT THERE ARE MANY CHALLENGES, COMPLEXITIES AND UNCERTAINTIES IN SOCIETY AND BUSINESS TODAY... GROUPTHINK HAS BEEN A FACTOR IN THE VERY CREATION OF THESE CHALLENGES** ◆◆

IF YOU'RE READING THIS AT WORK, TAKE A LOOK AROUND YOU NOW. IF YOU WORK IN FUND MANAGEMENT OR PENSIONS YOU ARE PROBABLY SURROUNDED BY MAINLY WHITE, MIDDLE-CLASS (AND MIDDLE-AGED) HETEROSEXUAL MEN WHO WERE EDUCATED AT RUSSELL GROUP UNIVERSITIES, AND PERHAPS PRIVATE SCHOOL. THEY MAY BE INDIVIDUALLY BRILLIANT BUT A HOMOGEOUS GROUP, HARDLY REFLECTIVE OF SOCIETY – YOUR ULTIMATE CLIENT BASE – AND UNLIKELY TO BRING VARIED PERSPECTIVES TO BEAR ON THE KEY DECISIONS THAT WILL DRIVE YOUR FIRM'S INVESTMENT OR BUSINESS RESULTS.

The reality is that while there's been considerable effort and some progress over the past few years across much of the UK business community to improve diversity of talent, this has – to date – largely bypassed the investment and savings industry. Tilney Bestinvest reports that only 7% of fund managers managing UK retail funds are women, and while there's little data

beyond gender, it's obvious that we are also lacking in ethnic, socio-economic or any other dimensions of diversity. If you're not really convinced this matters, you may be persuaded by firms reporting that it's now become a struggle to attract the best white, male, middle-class talent – top graduates expect prospective employers to have a diverse workforce. The world has moved on – and fund management is lagging behind.

For many people and organisations in our sector, there's no need to make the case for greater diversity. The real challenge is what to do about it. This is where the Diversity Project is aiming to help. A results-driven, concerted effort to achieve a more inclusive, more diverse investment, pensions and savings industry. The aim is high: to achieve enough change in five years so that when you look around your business then (and not just in the physical office, but including those colleagues using technology to work remotely), you see a clear broad diversity of talent. We are going to set specific numeric targets once we have established an accurate baseline – and hold ourselves to account to reach them.

It's a big task but I am hopeful. The experience of founding and leading the 30% Club showed me the power of collective, concerted and urgent action: over five years, we saw a doubling of the representation of women on UK listed company boards. Even more significantly, the mindset shifted over that relatively short timeframe to the point where having gender balance at senior levels became perceived as a business issue rather than a special interest issue. The Diversity Project is aiming for progress beyond gender and the boardroom – our goals are across *all* diversity dimensions and at *all* organisational levels, but we will replicate some of the 30% Club's success factors, including a collaborative and voluntary approach characterised by a sense of urgency.

The project 'officially' launched just last November – but there's real momentum. Around 40 organisations are already involved, including the PLSA, the Investment Association, the CFA Society of the UK, the Institute of Actuaries and individual firms spanning the range from wealth managers to fund selectors, from asset owners to pension fund consultants and fund managers. Together we can develop a powerful, joined-up approach.

We know that to really change both behaviours and numbers, we need a top-to-toe reform of each stage of the career life cycle and in every part of our industry. We also, rather basically, need to explain more clearly what it is we actually do, so that more people from a wider range of backgrounds want to join us. A first step is ensuring that the industry is perceived positively – not as the result of a PR exercise but because we can clearly demonstrate we are providing a value-for-money service to customers.

Such progress can only be achieved by breaking down the challenge into its component parts – and then checking that the whole 'adds up' to deliver the vision. So we are looking to address education and training, recruitment and promotion, management and leadership. And we need to measure not just the obvious diversity of 'identity' (male/female, black/white, straight/gay, disabled/able-bodied) but the harder-to-define aspects such as cognitive and experiential diversity that ultimately create better thinking and returns.

How are we actually going to do this? Much effort is needed on the part of many. A Steering Committee, made up of 30 committed 'doers' from supportive organisations is driving the

overall Diversity Project programme. We have 12 separate work streams underway to develop the needed intensity of effort at each step of the career journey and in each sub-sector. The initiatives include broadening graduate recruitment to 'non-traditional' universities, focusing on diversity dimensions beyond gender and making specific efforts to address the negative feedback on culture that is often reported by mid-career women. We are also devoting considerable time and resources to developing metrics to measure progress, and collating efforts made by individual firms that do work – encouragingly, this is an area where the prize of a bigger, better, more diverse pool of talent for the whole industry is motivating firms to share.

An Advisory Council, comprising mainly CEOs and Chairs, provides a sounding board to the Steering Committee as well as leadership within their own firms. Involvement right at the top of firms is key: consistent HR policies are necessary (the Steering Committee has an HR work stream too) – but ultimately isn't sufficient. Creating an inclusive environment is down to everyone in a business, and those who perhaps need some encouragement are much more likely to be responsive if the CEO makes their expectations clear.

The Diversity Project is *listening* to what firms and individuals feel they need help with rather than prescribing off-the-shelf 'solutions'. We are partnering with groups like Investment2020, which has done so much to create diverse apprenticeships within our industry, and there is mutual support between HM Treasury's Women in Finance Charter and the Diversity Project.

Asset owners and pension fund trustees are important elements of the solution. The PLSA's 2017 Investment Conference will have a specific focus on diversity and both the PLSA's Chair, Lesley Williams, and Chief Executive, Joanne Segars, are actively involved in the Diversity Project, driving a connected, tailored effort within the pensions community. This includes practical steps to help broaden the talent pool for trustee boards and to develop the role that asset owners can play through escalating this issue with their fund managers.

While I'm optimistic that this growing intensity and breadth of effort will yield results, there's little room for complacency. We know that there are many challenges, complexities and uncertainties in society and business today. One concern at the outset of the Diversity Project is that other seemingly more pressing and indisputably large issues – a shifting geo-political landscape, technological change, a distrust of big business – will take higher priority. But it would be a mistake if diversity fell off our industry's agenda even before we have made any real progress.

I believe that groupthink has been a factor in the very creation of these challenges. There has been too narrow a range of views, too little receptivity to those with a differing opinion. Groupthink has again prevailed – and proved costly, as investors have struggled to call not just political developments but market reactions. The environment is indeed complex and uncertain – and if we are to navigate our way through, we need to welcome more diversity of thought and experience into our discussions and decision-making processes. Inviting real challenge to conventional wisdom – which can be uncomfortable – will help us find new ideas as well as achieving a greater empathy with our customers. Diversity is a necessity, not a luxury.

Transformation will not happen overnight. We need everyone to play their part and in particular to come forward with ideas and observations about how to achieve a breakthrough. One way you can get involved is to explore the Diversity Project's website and consider whether you might become an individual Ambassador or sign up your firm as a supportive partner. Together we can achieve much-needed progress, modernising our industry, creating better connections with the society we serve – and reap a big diversity dividend.

FIND OUT MORE ABOUT THE DIVERSITY PROJECT AT

www.diversityproject.com



**CREATING AN INCLUSIVE CULTURE
IN THE INVESTMENT PROFESSION**



MORE THAN COMPELLING, IT'S INDISPUTABLE: THE CASE FOR GENDER DIVERSITY

HELEN DEAN, CEO, NEST

◆◆ **CREATING A
GENDER NETWORK
IS AN EXCITING
ADDITION TO
OUR PEOPLE
STRATEGY** ◆◆

AFTER YEARS OF RESEARCH AND CAMPAIGNING IT FEELS LIKE THE ARGUMENT FOR GENDER DIVERSITY IN THE WORKPLACE IS MORE THAN JUST COMPELLING, IT'S INDISPUTABLE. WITH THE CASE MADE, IT'S A MATTER OF WHEN, NOT IF, WOMEN ARE FAIRLY REPRESENTED IN SENIOR POSITIONS ACROSS ALL SECTORS AND MAPPING OUT HOW WE GET THERE. THE NUMBER OF SIGNATORIES ON THE TREASURY'S RECENT WOMEN IN FINANCE CHARTER IS TESTAMENT TO THAT.

Signing the charter was a straightforward decision for NEST. We take diversity seriously and are committed to delivering on the promises we made when signing the Women in Finance Charter. But why should NEST be concerned with it?

Is it because women account for around half our membership? Maybe because around half of NEST's own workforce are women? Or because I, NEST's CEO, am a woman?

While these are all convincing reasons, there's also a rational business case and overwhelming evidence that shows gender equality in the workplace is good for business. There is a great deal of research to support the claim that organisations with women in senior positions tend to perform better. For example, a Danish study found that companies with good numbers of women on the board outperformed those with no women by 17% higher return on sales and 54% higher return on invested capital⁵; while Leeds University Business School reports that having at least one female director on the board appears to cut a company's chances of going bust by about 20%. Having two or three female directors lowers the risk even more⁶.

NEST looks at everything through a lens of what's in our members' interests and it's clear to us that we are a better organisation, better serving all of our members, if women are fairly represented.

“It’s brilliant that NEST has joined the Women in Finance charter and committed to a set of targets. These are really important steps towards guaranteeing gender equality.”

NEST gender diversity network member

But there's another way that gender diversity is good for our members. We're already looking after over a billion pounds on behalf of our members and we care about where we invest it. Our Voting Policy⁷, published in 2016, sets out our views on corporate leadership. We believe diverse boards, including gender diversity, can improve the quality of decision-making. We bring this to life in our voting policy by encouraging boards to set aspirational targets for women on boards and work towards further increasing women's representation by 2020. Since gender diversity delivers strong business benefits, it makes sense that both NEST, and the companies that NEST invests members' money in, embrace it.

Recognising the importance of diversity on boards is a start but words need action. While we'll continue to do all we can to influence companies we invest in on behalf of members, we're also focusing on developing practical measures we can introduce at NEST to ensure we 'walk the walk'. That's why NEST set out a route map for supporting women and their development at NEST. We've published this on our website and plan to report on our progress over the coming years.

So what have we set out to do? Well, firstly we set a tangible and measurable target for gender diversity at director level at NEST. By autumn 2019 we aim to see women in at least 30% of executive and director roles. This is a bit of a 'magic number', it's the tipping point from lone voice to strength in numbers and where you see real change and impact. That said, this number is a minimum and considering the low rate of turnover in high level roles, it passes the test of being realistic but also effective.

5. *Women on Boards and Firm Performance*, Mijntje Lückérath-Rovers, Erasmus University Rotterdam, 2010

6. Leeds University Business School, 2009

7. www.nestpensions.org.uk

It's one thing to set a target but another to work out how to deliver against it. To that end, we will deliver a series of programmes and initiatives to improve gender diversity in all roles. This means delivering flexible working policies, offering an accessible mentoring programme and building a gender network with focus and authority to deliver on gender diversity objectives.

So what about flexible working policies? As part of NEST's people strategy we already offer flexible working which aims to accommodate, wherever possible, flexible working for our employees. That could mean meeting requests to reduce, change or compress working hours, accommodate requirements to work from home or enable a job share arrangement. By doing this both men and women can request working hours or structure that helps them manage other commitments. We also offer shared parental leave on the same terms as our maternity leave policy which helps either parent, regardless of gender, take leave to look after their family.

I am a strong believer in the benefits of a mentoring programme. It's generally accepted that it helps the mentee by giving them insight and guidance from a senior colleague but I also think it's great for the mentor. It helps them understand different areas of the business and 'give back' to the organisation. We've had a successful mentoring programme in place for some time at NEST and it is a valuable part of our people strategy.

"I joined the gender diversity group as it allows me to express my opinions and contribute to change within an area that I am passionate about. It is also a great opportunity to meet and talk to other women in the business that you don't get to work with regularly."

NEST gender diversity network member

So while NEST already offers flexible working and has a successful mentoring programme, creating a gender network is an exciting addition to our people strategy.

The network will be the driving force for gender diversity at NEST; and specifically, will be responsible for identifying ways to help women at NEST develop. Although we decided that the network would initially focus on gender, it isn't going to ignore other diversity issues that may occur in the workplace. We are focussing on gender to give this group a clear and immediate focus. The scope may grow or the structure of the group may be replicated but we wanted to give a definite role to the group from the outset. We're keen to explore diversity issues in the round and as the network grows, we expect the work to expand.

The first call for volunteers saw an unanticipated number of both men and women put their hands up to be involved in the group. We deliberately wanted the group to be open to all staff and not to limit the number of people that can join – we didn't want to say 'no' to anyone (NEST never does!). That said, there is a committee and chair that are responsible for delivering a programme of events and activities to support gender diversity at NEST.

While it's definitely early days for the group, I know what I want it to be able to deliver. Fast-forward a year and I expect that the group will have set up a programme of mentoring and coaching and, where necessary, influenced NEST decision-making to ensure gender representation across wide-ranging staff activities. I would also like to see that the group has inspired staff through events and other thought leadership activities. I hope staff at NEST will play their part in contributing to industry-wide gender initiatives.

“By building partnerships between women we can encourage and advocate for each other.”

NEST gender diversity network member

We're proud to be playing our part in the Women in Finance Charter and personally, I'm pleased that we are helping to address the gender balance across financial services.

Debbie Gupta is executive director of corporate services at NEST. She is accountable for ensuring that NEST delivers on the promises it set out by signing the Women in Finance Charter.

“This isn't about fixing a problem but building our culture”

If asked, I would say that NEST has a pretty good record for gender diversity. For starters, we have a female CEO, a strong family-friendly culture and even though we're a small organisation, we currently have three senior male directors taking six months of shared parental leave – showing that career breaks don't have gender boundaries. If I was taking NEST's diversity pulse I would describe it as 'healthy'.

When we reached out to the organisation about setting up a gender diversity network we were overwhelmed with interest and support. Why was this? I think it struck a chord because it's something that our staff really value, it may even be one of the reasons they work at NEST. This high level of enthusiasm and engagement is at all levels, across the whole organisation, from both men and women.

So what role does the network have? I don't think it necessarily needs to fix a problem but it could helpfully build on and strengthen the existing culture. We've set out our aims over the coming years, including increasing female representation at senior levels and further developing our mentoring programme to help ensure that – as far as possible – our senior managers are 'home-grown'. We want gender diversity to go from strength to strength and be a core component of our corporate identity. As a young organisation it can play an important role in shaping our decisions as we harness the benefits that it delivers. Our network will play an important role in that. I am excited to see how it shapes NEST as we evolve and mature.



DOING THE RIGHT THING, NOT TICKING BOXES

GURPREET BASSI, HEAD OF TRUSTEE SECRETARIAT SERVICES,
HOUSE OF COMMONS

◆◆ **DIVERSITY
SHOULD NOT BE
ABOUT TICKING
THE RIGHT BOXES
AND SAYING THE
RIGHT THINGS,
IT'S ABOUT
MAKING ACTUAL
CHANGE AND
DOING SOMETHING
DIFFERENTLY** ◆◆

I AM THE HEAD OF TRUSTEE AND SECRETARIAT SERVICES AT THE HOUSE OF COMMONS. I HAVE WORKED AT THE HOUSE OF COMMONS FOR 10 YEARS AND I SPECIFICALLY WORK FOR THE TRUSTEES OF THE PARLIAMENTARY CONTRIBUTORY PENSION FUND, THE PENSION SCHEME FOR MPS.

My own experience of the pensions industry is that it is a male-dominated industry, particularly at the senior levels of management and on trustee boards. Over the years, I have seen how it has been fairly normal for secretariat staff or pensions administration staff to be made up of a higher percentage of women but at senior management levels and trustee level this has rapidly declined. As it is the trustees and senior managers who ultimately have more power than the secretariat and administration staff, I would like to see more women on trustee and management boards and ultimately more women in more powerful positions within the pensions industry. One way in which we could

have more women on trustee boards is if we introduced a diversity quota into the member-nominated trustee process. I would like to see better representation of women on trustee boards, which would actually reflect the make-up of the members of the pension scheme. As we already know, diverse boards lead to better governance and greater success and therefore pension funds should be bringing in measures to make our industry more diverse as best practice.

At the House of Commons, we now have targets for women at a senior level. I would like to see these targets as a norm in the industry but sadly this is not the case yet. I am very lucky to work for an organisation that has a diversity strategy and is trying to create an inclusive workplace for all. I feel that this should be at the heart of every organisation including pension funds – we need to promote diversity and prevent barriers for women in senior roles. I would like to see diversity and inclusion initiatives forming part of business planning and be a priority.

Diversity should not be about ticking the right boxes and saying the right things, it's about making actual change and doing something differently. At the House of Commons, there are targets in place to have better representation at senior levels and there is a policy to look for talent within the existing staff as well as recruiting externally to improve the diversity of the staff. By having these targets in place and measuring performance against these, we can start making changes and ensure that women are given genuine opportunities to progress.

As a way of attracting and retaining women, I think the industry should show flexibility and encourage part-time and flexible working. I have never had to search for a part-time role myself and was able to work part-time after having my second child, but I have personally rarely seen a pensions role advertised as a part-time role. I would really like to see employers showing a much more flexible approach to how they recruit. If we have more women in the workplace, this will help with retention of women as women are more likely to stay if they see they form part of a diverse workforce.



MOVING THE DIVERSITY DIAL

LESLEY WILLIAMS, CHAIR, PENSIONS AND LIFETIME SAVINGS ASSOCIATION
& GROUP PENSIONS DIRECTOR, WHITBREAD PLC

◆◆ I'VE COME TO
REALISE THE
IMPORTANCE OF
SPONSORSHIP
FOR WOMEN...
THOSE OF US WHO
ARE WOMEN AND
HAVE SUCCESSFUL
CAREERS HAVE
AN OBLIGATION
TO SEEK OUT AND
SPONSOR OTHER
WOMEN IF WE
REALLY ARE TO
MOVE THE
DIVERSITY DIAL ◆◆

I'VE NEVER BEEN BORED RUNNING A PENSION SCHEME. THE WORK IS HUGE DIVERSE, BRINGING TOGETHER A BROADER SET OF SKILLS THAN ANY OTHER JOB I CAN THINK OF. I'VE FOUND MYSELF HAVING TO NAVIGATE LAW, ACCOUNTING, INVESTMENTS, TAX AND STATISTICS. AND THEN THERE'S PEOPLE AND COMMUNICATIONS. ONE DAY, I'LL BE WORKING WITH LAWYERS DECIPHERING NEW REGULATIONS AND HOW THEY APPLY TO OUR SCHEME, ANOTHER, I'LL BE WORKING WITH THE SCHEME ACTUARY DECIDING HOW WE HELP THE SPONSOR AND THE TRUSTEE THROUGH COMPLEX VALUATION DECISIONS AND THEN I'LL BE SIGNING OFF COMMUNICATIONS TO HELP OUR TEAM MEMBERS UNDERSTAND JUST ENOUGH TO APPRECIATE AUTOMATIC ENROLMENT, BUT NOT BE PUT OFF.

I've always been curious about everything. I doubt I'd have enjoyed a professional career limited to say law or accounting. I think I might have been bored. Pensions, on the other hand, have kept me interested for years. Our world is always changing and always challenging, perhaps because it demands

such thought diversity? But, importantly, pensions also satisfies my social compass – in this industry we can really make a difference to people's lives, if we do our jobs well. That's what attracted me to a wider industry role and the PLSA. I wanted to do my bit to get pensions right in the UK.

So, my career has been fulfilling, but it was my appointment as Chair of the Pensions and Lifetime Savings Association that made me think properly about diversity and inclusion for the first time.

After my appointment as Chair my picture was all over the press. Peers joked that it felt like I was stalking them as my face kept landing on their doormats and I was really perplexed at all the fuss, which seemed to be all about my being the first woman to chair the Association in its 90-plus year history. The Talent Director at Whitbread smacked my proverbial wrist and told me to start educating myself about diversity. So I read about diversity – why it matters, what it delivers and why it doesn't happen. As I digested the information, I began to feel guilty at my own lack of awareness. I realised that I probably contribute to a lack of diversity as I have striven to be "normal" in a work context. I don't have children and I juggle my life around work. I've always declined any invitation to women's forums – they held no interest to me, after all I'd had no problem getting on. I thought all-female get-togethers were only for women who weren't strong enough to progress on their own merits. My reading led me to reflect on my career in a different way. I hope that sharing those reflections will encourage other people, men and women, of my generation to think differently (apologies and respect, if you already do) and those who are earlier in their careers to demand better.

My career success is thanks to some notable sponsors, all of whom were men. My first sponsors were a school teacher and a friend. My mum rolled her eyes as I stubbornly studied away at school. She insisted that I take a typing course, so that I had a vocational skill that I could actually use in the future. But Mr Edge, my maths teacher, and my friend Peter insisted that I could be good at maths. I couldn't see it, but I humoured them. Peter chided and drove me on and as I passed exams faster than my peers, my confidence and aspirations rose. I also became used to being the only girl in the room. That probably set me up for my working life.

When I first started to venture out into the wider world of pensions, I was often the only woman in the room. To be honest that did not strike me as unusual, because my early roles were based in the financial service sector, where female managers were generally unusual. One of my strongest sponsors engineered me a place on Pearl's 'corporate book', a fast track for high potential employees – my colleagues on the scheme were all men. I did an MBA – my course peers were all male.

I desperately wanted to run a pension scheme and my then boss agreed to sponsor my application. The deal was that, if I helped successfully project manage the pension mis-selling project, I would get my dream job.

I haven't looked back from there, but I have always felt I needed to work hard at my work persona. I had to be a tough woman to be heard, not always liked (that wasn't important) but respected. In fact I'm not particularly tough. I punish myself mercilessly if I make a mistake and I have sleepless nights over conflict, but I doubt if people knew that. It's only fairly recently that I've had the courage to drop the act a little. That's partly because when you go past 50 it's a bit easier to get things in perspective and partly because I've built up a solid base of professional respect, but it's also partly a result of my reporting line at Whitbread. I currently work in a team of female HR professionals, which allows me to be myself in a way that has never been possible in pensions and financial services. They actually welcome the diversity I bring to an HR team, as a finance-oriented professional. I wonder if the same would be true for an HR professional working in a group of finance people?

So, I've come to realise the importance of sponsorship for women. I find there has been little change over the 30 years that I have been working. Not all women will be lucky enough to stumble across strong male sponsors in the way I did, so those of us who are women and have successful careers have an obligation to seek out and sponsor other women if we really are to move the diversity dial. And at the PLSA, we are starting work to encourage women to advance their careers, building talent through our training programmes, supporting women across the industry to develop as trustees and working with Chairs and pension scheme executives to help sponsor, encourage and support talent and diversity.

The profession that takes on the challenge of helping everyone achieve a better income in retirement needs diverse leaders.



DIVERSITY AND INCLUSION – BETTER OUTCOMES ALL ROUND

BIJAL SHAH, UK BENEFITS MANAGER, MARS

◆◆ **I AM HOPEFUL
THAT THE NEW
NORMAL WILL BE
A PLACE WHERE
EVERYONE WORKS
TOGETHER TO
ACHIEVE GREATER
DIVERSITY AND
INCLUSION BECAUSE
OF A COMMON
BELIEF THAT DOING
SO WILL LEAD TO
BETTER OUTCOMES
ALL ROUND** ◆◆

I HAVE ALWAYS LOVED A CHALLENGE AND FELT A NEED FOR MENTAL ACTIVITY. SO WHEN I DISCOVERED THAT THE ACTUARIAL PROFESSION WOULD ENABLE MY MATHEMATICAL MIND TO BE NURTURED AND CHALLENGED, I DECIDED TO MAKE THAT MY PROFESSION.

I had been studying mathematics at Imperial when I made that decision and was oblivious to the fact that I would be in the minority as a female actuary (females account for around a quarter of the UK's qualified actuaries) and in particular in my chosen specialism of pensions. But then again I had been oblivious to the fact I was in the same minority at Imperial where, even today, there is a dominance of males (currently the ratio of males to females is 2:1).

During the early part of my career, the pensions challenge was all about funding defined benefits. As such, the key stakeholders were, predominantly male, financial heads of the business. When attending meetings to provide advice on contribution requirements, I had to build myself up to present confidently even though I didn't always feel confident on the inside. I don't know if that is a female trait but I felt that, even though I knew I was competent and I had prepared as much as anyone reasonably could, I was still nervous.

What I was also very aware of was a desire to hide my lack of confidence because I didn't want my credibility to be questioned or my advice discounted just because of how it was delivered or by whom. Even now, I wonder if my male colleagues have ever felt the same.

As the pension environment has moved on, the latest challenges relate to engaging members to save for their retirement and ensuring they understand how their decisions on how much they contribute and what investment choice they select can influence their retirement outcome. This shift in focus will require professionals who are able to listen to and understand the needs of pension scheme members, take that information to develop suitable products and explain those products. I sense that women will thrive in this environment.

Around 18 months ago, I moved into a pension manager role. In my new role, the stakeholder group that I now deal with is wider and more varied, as is my support network. As a consequence, I am much more confident and feel more empowered. When I look back to the support that I had from senior female professionals both at my former employer and at my former clients' organisations, I am encouraged to give back by looking out for other women who show the same drive, ambition and potential that I demonstrated in my earlier years. I believe that if we are to see more diversity in senior roles then those that have already broken through the barriers should encourage and facilitate the same for others. Of course, it shouldn't just be left to senior women to pave the way – senior men in the industry also have a part to play and are potentially in a better place to influence and facilitate a shift towards greater diversity.

While I have a strong desire to achieve, I am also keen to have a balanced life. To me, that means spending the right amount of energy focusing on my career while recognising times in my life when other responsibilities need to come first. I am fortunate to have a supportive network at home and to have built up trust and confidence at my place of work that means that when "life" gets in the way, I am able to lift my foot off the throttle and adjust my priorities. I have had to go on a journey to get to this place because, in my younger days, I considered it to be a weakness in myself if I was not able to be my best at work while simultaneously maintaining all the responsibilities that are traditionally considered to be those of a good wife and mother.

One of the elements of my working life that has helped me to get the right balance is the ability to work flexibly without feeling that I am providing less value to my employer than my 9-to-5 office-based colleagues. Admittedly, this feeling of being undervalued might have been formed in my mind based on a view that was expressed by a minority of people who didn't have a need to work flexibly and perhaps didn't therefore value individuals like me who took this approach. At a time when technology makes it easier than it has ever been to work remotely, I believe that promoting a positive culture around flexible working will go

far towards removing some of the barriers that might historically have stopped women from aiming towards the most senior roles in their organisations.

I believe men and women do think differently and, while I might have at times tried to think like a man, doing what comes naturally has always been the more sustainable and impactful approach for me. I hope that as my experience and confidence continues to grow and organisations like the PLSA help take forward the debate on diversity, I will see first-hand how transforming the composition at senior levels has a positive impact on the pensions industry.

Recent events in the UK and across the pond have reinforced my view that anything is possible. While change can sometimes be viewed as unsettling, I like to focus on the sanguine possibilities that can arise when individuals aim beyond what others consider to be 'normal'. I am hopeful that the new normal will be a place where everyone works together to achieve greater diversity and inclusion because of a common belief that doing so will lead to better outcomes all round.





ON LAUGHING, CRYING, DIVERSITY AND HORMONES

SALLY BRIDGELAND, NON-EXECUTIVE DIRECTOR AND TRUSTEE

◆◆ **VALUING
DIFFERENCE IS ALL
ABOUT NOT MAKING
ASSUMPTIONS, NOT
PUTTING PEOPLE
IN BOXES** ◆◆

**SOMETIMES YOU'VE GOT TO LAUGH, OR YOU'LL
CRY. CRYING IS OBVIOUSLY A BAD THING. IT'S
JOLLY AWKWARD FOR EVERYONE IF YOU WEEP.**

I laugh a lot. I've cried a lot, too. Perhaps it's my hormones. Sometimes I feel completely overwhelmed. Sometimes I see red. About nothing. I'm the same kind, caring person. I know I'm the same bright, analytical person. But I genuinely feel that way. And there is nothing anyone else can do about it, other than make it worse by trying to be rational. It's like being drunk: chemicals are messing with your brain and you can't think your way out of it. Then, as quickly as it came, it passes and I'm me again. It usually lasts no more than a few hours: mostly it's only minutes.

I'm saying this because, despite being in a male-dominated working environment, I started to understand male hormones only a decade ago, when I was 42. So it's entirely possible that there are men out there who don't understand female hormones. And if they have had Bad Experiences with sisters,

mothers, wives, girlfriends, perhaps they may have written off women as being difficult. Irrational, perhaps. In turn that may make them doubt whether women are fit to be in important positions. President of the USA, for example.

In fact, women are no less fit than men, just different. And that is their strength. However equal men and women are in brainpower and ability to grasp situations and emotions, we do have different hormones. Women don't have (as much) testosterone as men and we behave differently as a result.

What did I discover about male hormones, and how? Well, it's my son's fault. Little boys have their first testosterone surge at about the age of two. I can name the day. We were going out and he was sat on the seat at the back of the bike and, from this elevated position, spotted a slightly younger toddler coming down the path towards us pushing a John Lewis plastic lawnmower. I know this because we had the exact same model (it was £9.95). And yet he said "I've got one of those only mine's got more green bits" (referring to the fake grass pieces which fly round when it moves), and added "And I'm going to a party". I was dumbstruck. Who was this horrid little boy and what had he done with my sweet little toddler? For the first time in his life he was competitive, and he simply couldn't stop himself.

The penny dropped for me. I saw my life flash before me with all those things that men had said to me and to each other which I couldn't quite explain. Occasions when it was assumed that I was disinterested or not ambitious because I had let someone else go first or take the credit for a team effort. I like a challenge, and winning, but I don't need to win. It is the taking part, enjoying the journey, the collective achievement which gives me a buzz. I simply wasn't motivated by having the most lucrative client portfolio, the fastest time to make partner, working the longest hours or any other superlative.

This attitude (and the occasional weeping) let me down. If I'd read *Lean In* back then, maybe I'd have known what to do. Nothing in my life had prepared me for the challenge of competing in a man's world while trying to maintain my own authenticity. As Sheryl Sandberg says in *Lean In*, it shouldn't be that women have to behave like men to succeed but, until there are more women at the top who understand this struggle, it's the way that it has to be.

It will probably take a generation to change. Many of the early women bosses that I met were tough as nails. Class A scary ladies and not what I saw as role models. Equally, most of the male bosses went to all-boys schools and all-male university colleges. Many seem mildly surprised when women have a sense of humour. Some apologise when they are angry in front of women. A few really don't know how to argue with a woman. It's not their fault. They simply haven't had that experience. It's unfamiliar and uncomfortable. As uncomfortable as my low-testosterone brain was with being openly competitive and beating someone else.

However, this lack of experience is one reason why diversity works in a boardroom, at least for now. It can mean that alpha males are more amenable to being questioned and challenged by a woman than a man. Such a challenge cannot be a territorial or even an intellectual dispute, can it? It won't be point-scoring, right? He doesn't need to fight back. So he will respond more politely, perhaps with a slightly patronising "don't you worry your pretty little head" tone, but we forgive him that. It has opened up the discussion and other men can now join in. The dynamic is simple and predictable. A careful challenge from a woman works for the dominant type of man in the way that a challenge from a gay or black bloke probably wouldn't.

It won't always be this way. There is greater equality and diversity in the classroom, in the lecture theatre and in the professions than ever before. Diversity won't be an issue by the time my 12-year-old son is 52. It's like the paralympics: my dad (aged 81) finds it hard to watch; I am awestruck at their achievements, against the odds and biases; my son, having enjoyed the London 2012 events, thinks it's perfectly normal. Those in their twenties may already find my perspective difficult to understand. I do hope so.

I come from a time when women were assumed not to be good at maths. If they were, they should teach, not become an actuary. Thankfully I am good at maths. It's something which is not particularly subjective and where you can succeed on merit. Yet even then, when doing fluid mechanics research as a summer job while at university having come top of my year, I experienced the worst chauvinism in my life from my boss who genuinely believed that because I was a woman I was a mathematical numbskull. This was Switzerland in 1983, only 10 years after women got the vote. Women in offices were secretaries, married men 10 years their senior and stopped working. That character-building experience changed my attitude and meant that it was easy to brush off the day-to-day slights, inappropriate comments and sexism which were part of life in the 1980s with our first female prime minister.

Two decades later, I realised that there was still such a long way to go. I was on stage at a PLSA (then NAPF) Investment Conference in 2004, heavily pregnant. Afterwards two things happened. An old-school salesman from one of the major asset managers who'd been in the audience completely ignored me when we came face to face. I didn't exist because I was pregnant and, obviously, history. And a woman in asset management that I'd known for a long time came up to me afterwards and said "it's wonderful that you're so 'out' about being a mother". She was one of the many who had made her pregnancy and motherhood as invisible as possible. I didn't know she had three kids. This experience made me resolve to be "out" about being a woman and a mother: to do things differently and support those who value individuality and independence.

What can you do about it in your daily work life today? Valuing difference is all about not making assumptions, not putting people in boxes and not creating measures of success which indirectly discriminate against particular groups, including those with a testosterone deficiency. Instead, spot the differences, enjoy them, try to understand them so that you can make the most of them in the workplace. And laugh rather than cry.



PLAIN TALKING: TACKLING THE GENDER PENSIONS GAP

SARAH PENNELLS, FOUNDER, SAVVYWOMAN.CO.UK

◆◆ **ONCE
WOMEN FEEL
COMFORTABLE
WITH TALKING
ABOUT PENSIONS,
THEY ARE VERY
ENGAGED.** ◆◆

THERE IS NO SHORTAGE OF EVIDENCE THAT WOMEN SAVE LESS FOR THEIR RETIREMENT THAN MEN. THE MOST RECENT SCOTTISH WIDOWS WOMEN AND RETIREMENT REPORT⁸ SHOWS THAT WHILE JUST OVER HALF OF WOMEN (52%) ARE SAVING ADEQUATELY FOR THEIR RETIREMENT, 60% OF MEN ARE. JOHN CRIDLAND'S STATE PENSION AGE INTERIM REPORT⁹ FINDS THAT – ACROSS ALL GENERATIONS – A PRIVATE PENSION IS PROJECTED TO BE JUST UNDER 30% OF A WOMAN'S INCOME IN RETIREMENT, BUT 40% OF A MAN'S.

Automatic enrolment will undoubtedly result in millions of people saving into a workplace pension who previously had not. However, we know that some groups, such as low earners or those working part-time but earning less than £10,000 a year from each job, will not benefit. And many of those who are – and will – miss out, are women. Research by NOW:Pensions

8. *Women and Retirement Report 2016: one gender, different lives*
www.scottishwidows.co.uk

9. *Independent Review of the State Pension Age: interim report*,
October 2016 www.gov.uk

shows that 77% of those earning less than the automatic enrolment trigger are women¹⁰. My view is that the £10,000 ‘per job’ threshold needs to be changed.

However, even if this issue is addressed, it doesn’t explain why women who are not low earners retire on lower pensions than men. The reasons as to why are complicated, but there are a couple of obvious candidates. The gender pay gap¹¹ (which is currently 13.9% for full-time workers) and time taken out of the workplace by many women (but by no means all) to bring up children, undoubtedly both have an impact. It’s hard to set aside as much as a man if he is earning more than you. It’s virtually impossible if you are receiving statutory maternity pay or not working while your child is young.

It is not just that women save less for their retirement. There is evidence that women are less interested in or confident about what is in their pension. Research carried out by Fidelity¹² shows that just 15% of women who could access their pension knew how much was in it compared to 27% of men. Even allowing for the fact that men may be less likely to report that they don’t know the answer to a question, there is a significant gender divide.

While the gender pay gap and working patterns may explain why women are unable to invest as much for their retirement, they don’t explain why women are less engaged with their pensions than men.

Since I launched my money website for women, SavvyWoman, pensions and retirement have consistently been the area that my (mainly female) website users want to know more about. Women who use my website are interested in their pensions: how much they need to save, whether they are saving enough and – most of all – what to do when they reach retirement.

However, I realise that women who use my website are probably more interested in finance than the female population in general (otherwise they wouldn’t be on a finance website!).

Even so, not all women I speak to are comfortable thinking about or sorting out their retirement plans. Amongst the feedback I have received from SavvyWoman users – and from other women I’ve talked to – over the years, two themes emerge. Firstly, women are more put off engaging with investments (and I include pensions in that category) by jargon than men are and secondly, women are put off starting to invest if they’re not sure what the first step is.

There’s also some evidence that women think that investing isn’t for them or isn’t aimed at them. The think tank Britain Thinks carried out some research, published in November 2016, which found that women thought investing was the preserve of ‘older, wealthier men’¹³.

Research carried out for SavvyWoman’s *Women and Money Report* (2014)¹⁴ found that half as many women as men were likely to invest a £100,000 lump sum in the stock market. Only one in eight women (12%) would invest the lump sum in stocks and shares compared to over one in five men (21%). Most would choose cash.

10. NOW:Pensions calls for changes to auto-enrolment legislation to end covert sexual discrimination, press release, 8 November 2016

11. The gender pay gap, Fawcett Society, www.fawcettsociety.org.uk

12. Research quoted in *Women less engaged with pension planning*, The Actuary, 6 May 2016

13. *Playing it safe: women and investing*, November 2016, Britainthinks www.britainthinks.com

14. *Women and Money Report 2014*, SavvyWoman, www.savvywoman.co.uk

It's often said that women are more cautious or more risk averse when it comes to investing than men are. I prefer to think of women as being more risk aware. And if women don't understand something, they probably won't feel comfortable about putting their money in it. And why should they? Aren't we always being told not to invest in something we don't understand?

The message I receive loud and clear from SavvyWoman users is that women want someone to talk to them about their investments in straightforward language. That is really important to them. They also want someone they can trust to answer their questions. One of the reasons why I set up SavvyWoman was because when I was doing research for articles I was writing, I couldn't find a website that covered personal finance – including topics like investing and pensions – that assumed that the audience was female. I felt that lots of the investment press and online material wasn't really aimed at someone like me and it seems other women did too.

I have never been an advocate of 'painting it pink' as a way of reaching women and I don't think that's what the pensions industry needs to do either. Talking to pension scheme members in language that they understand and explaining why issues matter will – in my view – encourage more women and men to take an interest in their pension. I also think that it would benefit both pension trustee boards and women to have boards that are more diverse.

Getting more women involved in pension trustee boards would achieve two aims. Firstly, it would show women – and men – that decisions about workplace pensions aren't something that should be left to only one half of the population. Secondly, I think it would result in more diversity of thinking – perhaps even some different questions!

My experience, both from online comments to my website and from running offline seminars and events around pensions and retirement, is that once women feel comfortable with talking about pensions, they are *very* engaged. It's something that a number of speakers at my events have noticed as well.

And many of these speakers – who are no strangers to pensions and retirement seminars – have commented on the range and quantity of questions posed by the (virtually entirely) female audience.

Helping people to invest for the kind of retirement they'd like is about much more than putting them into a pension scheme or telling them how much they should set aside each month. Encouraging more women to take up roles on pension trustee boards could be part of the solution to making women feel more engaged with their own workplace scheme and having more of a stake in their retirement plans.

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