

# FYI<sup>®</sup> Alert

## For Your Information<sup>®</sup>

### The Pensions Regulator's EDI guidance

The Pensions Regulator has published [detailed guidance](#) for pension schemes and employers, aimed at improving equality, diversity and inclusion (EDI) on the scheme's governing body.

The guidance was developed with an industry-led working group that was established in January 2021. It outlines principles for how trustees (and employers) should approach EDI issues and practical ideas about how to implement them.

In this issue: [Background](#) | [The EDI guidance](#) | [What's next?](#)

#### Background

As a public body, The Pensions Regulator is required by law to comply with the public sector equality duty, a section of the Equality Act 2010. There are specific duties within the law that require the Regulator to publish equality information and objectives.

As part of the Regulator's first consultation on 21<sup>st</sup> century trusteeship in 2016, it was recognised that "effective trusteeship and good governance is the bedrock of any well-run scheme". In 2019, the future of trusteeship and governance consultation looked at how trustee boards could become more diverse and inclusive after the 2016 discussion paper recognised that diversity was a key benefit of the trustee model.

The EDI industry working group was established in January 2021 as part of the Regulator's [EDI strategy](#), with the third strategic aim being to "promote high standards of diversity and inclusion among [the Regulator's] regulated community".

Four workstreams were established:

- Data, research and innovation
- Employer engagement
- Practical tools and case studies
- Standards and best practice

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Working with the latter three subgroups, the EDI guidance now published is the result of the first action in the action plan (Promoting high standards of diversity and inclusion among our regulated community) and is intended to support employers, trustees and their advisers in understanding and meeting the Regulator's expectations.

## The EDI guidance

As in the draft new code of practice, the term governing body includes trustees. This briefing note refers to trustees (individuals or trustee directors of a corporate trustee).

The guidance is made up of three parts:

- an EDI overview: a definition of EDI and the benefits of a more diverse and inclusive trustee board
- EDI guidance for trustees: practical ways that trustees and those with the power to appoint trustees can improve EDI
- EDI guidance for employers: the role of the employer in making sure EDI is considered by the scheme and key points for employers when looking at improving EDI on the trustee board

The Regulator has also included an example trustee recruitment leaflet and an example advert.

Finally, a section on inclusive communications has been added to the existing guidance on communicating and reporting for defined contribution schemes. The Regulator advises that communications should be checked for bias, avoid inclusion of stereotypes, are accessible for disabled people and, generally, consider the diverse range of backgrounds, needs and vulnerabilities for the recipients.

### EDI overview

This part looks at what equality, diversity and inclusion mean and recognises that they are interlinked. The Regulator encourages employers and trustees to look both to and beyond characteristics protected by law.

The goals highlighted in this part are to enhance and protect the outcome for all pension scheme members. Improving EDI is expected to lead to a number of benefits, including more effective decision-making, improved value for money, greater understanding, insight and empathy for scheme beneficiaries and improved communications with scheme members.

The guidance recognises that there are barriers to achieving diversity such as schemes covering non-diverse workforces, difficulties in attracting diverse candidates for trustee roles, understanding and perceptions, as well as practical issues such as the timing and format of meetings.

### EDI guidance for trustees

This part is intended to provide practical ways and examples to help trustees improve EDI. The chair has a crucial role in embedding inclusivity into the culture of the board and ensuring any EDI policies are followed.

The guidance covers:

- the importance of keeping up to date with training
- developing and maintaining an EDI policy
- assessing the performance of the trustee board

- reviewing the diversity of the trustee board (e.g. identifying gaps, the composition of the current board and the fresh perspectives new trustees may bring)
- succession planning, particularly for the chair
- the use of fixed-term appointments (for both member-nominated and employer-nominated positions)
- encouraging an open and inclusive culture
- considering ways to attract more diverse candidates (such as professional trustees, deferred members, the use of selection rather than election of member-nominated trustees, simplifying the nomination process, better communications about the role, remuneration of trustees)
- considering other ways to improve diversity of thought (such as the contribution advisers can make by bringing a different or missing perspective)

### EDI guidance for employers

This part is intended to provide employers with practical steps to improve EDI on the trustee board, reminding them that they have a duty to support employees who are trustees of the pension scheme. There is detail on the statutory protections, for instance the right to reasonable time off work.

The guidance encourages employers to think about the selection of trustees and particularly the rules around who can be a trustee (e.g. what the pension scheme rules or trustee company's articles of association say, exclusions in law such as those with an undischarged bankruptcy).

Essentially, the guidance explains that a diverse trustee board improves decision-making and that, as the sponsoring employer, there are good reasons for helping ensure the right people are selected. This includes the chair of the board and the use of professional trustees.

### What's next?

A pilot of an all-trustee survey will be tested in 2023 "to collect diversity data directly from trustees to set a baseline". This is intended to measure progress by the end of 2023/24. Additionally, the Regulator intends to engage with trustees through the supervision teams during 2023.

In the Regulator's action plan, it was recognised that "improving diversity and inclusion is an ongoing process of good practice and not a defined target or destination". The Regulator, however, says that it expects "that we will see change put into effect across pension schemes and that it will make a difference and improve long-term outcomes for savers".

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