Survey on diversity among the trustee boards of defined benefit and defined contribution trust-based pension schemes

Research report

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1. Executive summary

1.1 Background and methodology

This report summarises the results of research by The Pensions Regulator (TPR) into diversity among the trustee boards of defined benefit (DB) and defined contribution (DC) trust-based occupational pension schemes.

In 2021, TPR published its Equality, Diversity and Inclusion Strategy which set out a vision to build a workplace pension system that works for everyone. It has three strategic aims, the third of which is to promote high standards of equality, diversity and inclusion among their regulated community. It is TPR's belief that inclusive governing bodies made up of people who have a greater range of characteristics, backgrounds, life experiences, expertise and skills will tend to lead to wider discussion. Additionally, people challenging each other from different perspectives is likely to result in more robust decision-making and higher standards of governance.

The primary objectives of this research were to assess the extent to which schemes record diversity data in relation to their trustee boards and to identify any differences by scheme size and between DB and DC schemes.

The data shown in this report came from two different sources. For DB schemes it was collected via a standalone online survey that focused solely on diversity. For DC schemes, questions on diversity were included in TPR's 2021 annual telephone survey of DC schemes[1]. In total, 699 DB and 305 DC schemes (of a range of sizes) completed these surveys.

1.2 Key findings

Comparatively few schemes formally obtained and recorded diversity data in relation to the trustees.

Overall, 10% of DB schemes and 14% of DC schemes recorded any trustee diversity data. There was little difference by scheme size in this respect.

Both DB and DC schemes were most likely to record trustee gender and age, and DC schemes typically gathered a wider range of diversity data.

Trustee gender and age were each formally recorded by 7% of DB schemes, increasing to 13% of DC schemes.

Gender identity, sexual orientation, disability, ethnicity, religion, and educational attainment were each recorded by between 8-10% of DC schemes, compared with 1-5% of DB schemes.

Trustee diversity data was most likely to be used for monitoring purposes, but many schemes did not do anything with this information.

Among those schemes who recorded trustee diversity data, the most common use was for monitoring purposes (36% of DB and 32% of DC schemes), followed by trustee recruitment (20% of DB and 29% of DC) and developing training for trustee board members (16% of DB and 24% of DC).

[1] The full report on the 2021 DC Schemes Survey has been published by TPR and can be found here.

However, two-fifths (40%) of DB schemes and nearly half (47%) of DC schemes did not identify any uses for the trustee diversity data which they captured.

The primary reasons for not collecting trustee diversity data were that schemes had not thought about it or did not believe there was a need to do so.

Among those that did not formally record trustee diversity data, 41% of DB schemes and 30% of DC schemes reported that they had not thought about doing this. A further 35% of DB schemes and 43% of DC schemes felt there was no need to capture this information.

The majority of DB schemes did not intend to start collecting trustee diversity data in future.

Three-quarters (74%) of DB schemes that did not capture diversity data had no plans to do so in future, and a further 16% were unsure.

No comparable data is available for DC schemes at this stage, as this question was not included in the 2021 DC Schemes Survey.

2. Introduction and methodology

2.1 Background and research objectives

This report summarises the results from research by TPR into diversity among the trustee boards of defined benefit (DB) and defined contribution (DC) trust-based occupational pension schemes.

In 2021, TPR published its Equality, Diversity and Inclusion Strategy which set out a vision to build a workplace pension system that works for everyone. It has three strategic aims, the third of which is to promote high standards of equality, diversity and inclusion among their regulated community. It is TPR's belief that inclusive governing bodies made up of people who have a greater range of characteristics, backgrounds, life experiences, expertise, and skills will tend to lead to wider discussion. Additionally, people challenging each other from different perspectives is likely to result in more robust decision-making and higher standards of governance.

The objectives of the research were as follows:

- Assess the extent to which schemes record diversity data in relation to their trustee boards.
- Identify any difference by scheme size and provide comparisons between DB and DC schemes.

The research also sought to capture the diversity profile of trustee boards (in terms of age, gender, ethnicity, religion, etc). However, due to the low number of surveyed schemes who formally recorded trustee diversity data, the results of this aspect of the research are not robust, so have been excluded from the report.

2.2 Methodology

The data shown in this report came from two different sources. For DB schemes, it was collected via a standalone online survey that focused solely on diversity. For DC schemes, questions on diversity were included in TPR's 2021 annual telephone survey of DC schemes, which also covered a range of other topics relating to scheme governance and administration[2].

2.2.1 DB schemes

The sample consisted of DB schemes but excluded relevant small schemes (broadly similar to the former small, self-administered schemes), executive pension plans and schemes that were wound up or in the process of winding up. The survey also excluded hybrid schemes because the majority of these had been covered in the DC survey.

The survey was run by TPR's Insight team and a link to the online survey was emailed to a trustee at each scheme. Respondents were asked to complete the survey about a specific named scheme.

[2] The full report on the 2021 DC Schemes Survey has been published by TPR and can be found here.

Screening questions were included at the start of the survey to exclude:

- anyone who was not a trustee or an employer decision maker (involved in making decisions about the pension scheme from the employer's perspective)
- any out-of-scope schemes that had not already been removed from the original sample frame (hybrid schemes, relevant small schemes, executive pension plans, schemes that were wound up or in the process of winding up)

All respondents were reassured that their answers would be anonymous, and the survey software did not save any information that would allow their identity to be determined.

Due to the self-selecting nature of online surveys, the size profile of the schemes that completed the survey did not exactly match the size profile of the full population of DB schemes. The final data was therefore weighted to account for this and ensure that results were representative of all DB schemes.

The survey took place between 21 April and 12 May 2022.

2.2.2 DC schemes

The sample consisted of DC schemes, including relevant hybrid schemes with DC members[3] and master trusts, but excluded relevant small schemes, executive pension plans and those that were wound up or in the process of winding up.

The survey was conducted by OMB Research, an independent market research agency, on behalf of TPR. The majority of the interviews were conducted via CATI (Computer Assisted Telephone Interviewing) by a team of experienced business-to-business interviewers, but due to their limited number and high importance (in terms of member numbers) the master trust interviews were conducted by OMB Research executives.

Each respondent completed the survey in relation to a specified, named pension scheme. To qualify for interview, respondents had to have a good knowledge of how the scheme was run and be in particular roles (chair of trustees, lay trustee, professional trustee, secretary to the board of trustees, in-house administrator, scheme manager, or external adviser involved in running the scheme).

Quotas were set on scheme type (DC and hybrid) and size. Micro schemes were intentionally under-sampled as they accounted for the majority of the scheme universe, and all other scheme sizes were over-sampled to ensure they were adequately represented and to allow more robust sub-analysis. The final data was weighted back to the true size/type profile of the DC scheme population to account for the disproportionate sampling approach.

The survey was conducted between 7 October and 10 December 2021[4].

[3] A hybrid pension scheme includes both DB and DC benefits. For this survey, dual section hybrid schemes (those with separate DB and DC sections) were included in the sample. For the purposes of the survey, they were instructed to answer questions only in relation to the DC sections of their scheme.
[4] As the data was collected last year, it is possible that the position of some schemes may have changed. The plan for the next DC survey is to monitor the current position of the schemes that we wish to include in the survey.

2.2.3 Number of responses and response rates

A total of 699 online surveys were completed with DB schemes and 305 telephone interviews with DC schemes. Table 2.2.3 shows the number of responses and response rates by scheme size for both surveys.

Table 2.2.3 Number of responses and response rates

Size band	DB schemes		DC schemes	
	Number of responses	Response rate	Number of responses	Response rate
Micro (<12 members)	10	67%	65	5%
Small (12-99 members)	186	18%	44	13%
Medium (100-999 members)	311	23%	67	27%
Large (1,000+ members)	190	36%	108	35%
Master trusts	-	-	21	64%
Total	**699**	**24%**	**305**	**14%**

While the response rate was higher for DB than DC schemes (24% vs 14%), this was solely down to the very low participation rates among micro-DC schemes (5%) and response rates were similar for other scheme sizes. If micros are excluded from the calculation, then the overall response rate was similar for both surveys (24% vs 26%).

As mentioned previously, the 305 DC interviews include relevant hybrid schemes, 175 interviews were conducted with pure DC schemes and 130 with hybrid schemes.

2.3 Analysis and reporting conventions

Throughout this report, results have been analysed by scheme size (based on total members). Due to the low number of surveys completed by micro-DB schemes, results for micro and small schemes have been combined. The same approach has been taken for the DC schemes to allow comparisons to be made. The DC data shown in this report includes both pure DC schemes and relevant hybrid schemes.

To ensure results are representative of the overall scheme populations, all data has been weighted based on the total number of schemes in each size category and of each type. Unweighted bases (the number of responses from which the findings are derived) are displayed on tables and charts to give an indication of the robustness of results.

The ⚠ symbol has been used to denote cases where the analysis base for a particular group is low (<25 interviews), and these results should be interpreted with caution.

The data presented in this report is from a sample of schemes rather than the total population. This means the results are subject to sampling error. Only differences which are statistically significant are mentioned in the report commentary. For example, if a percentage is said to be higher or lower than another, that means that it is a statistically significant difference. All significance testing referred to in this report

was carried out at a 95% confidence level ($p < 0.05$)[5]. This means that we can be at least 95% confident that the change is 'real' rather than a function of sampling error.

When interpreting the data presented in this report, please note that results may not add up to 100% due to rounding and/or respondents being able to select more than one answer to a question.

2.4 Considerations when comparing the DB and DC survey results

While this report includes comparative results for both DB and DC schemes, the two surveys used different methodologies. As a result, there are a number of factors that may have influenced the response rates to these two surveys and hence how representative the survey data is of all DB and DC schemes. These need to be considered when comparing results between the two surveys.

- The DB survey was conducted online whereas the DC survey was conducted over the telephone. The latter methodology tends to generate higher response rates (and therefore lower response biases) due to the persuasiveness of interviewers and the ability to make multiple call backs and seek referrals if the original contact is unwilling/unable to take part[6].
- The online DB survey was sent out directly by TPR which is likely to have encouraged schemes to participate and alleviated any concerns about its legitimacy, whereas the DC survey was carried out by a third party (OMB Research on behalf of TPR).
- The telephone methodology enabled size quotas to be set in the DC survey, whereas the online DB survey was entirely self-selecting. This enabled more robust coverage of micro schemes in the DC survey (21% of all interviews vs just 1% in the DB survey). However, this also pulled down the overall response rate in the DC survey as micro schemes are particularly challenging to secure interviews with.
- While the DB survey consisted solely of a small number of diversity questions, the DC survey was much longer (covering multiple different topics), and this may have deterred some DC schemes from taking part.
- On the other hand, while the DC survey was introduced as being about various aspects of scheme governance and administration, the DB survey was positioned as being solely about diversity, so DB schemes that were less focused on EDI may have not taken part for that reason.

Ultimately all of these different and overlapping factors will have affected response rates and response bias in different ways. The overall response rate was significantly higher in the DB survey than the DC survey (24% vs 14%). However, this difference was primarily due to the low response rate among micro-DC schemes and if these are excluded from the calculation then the response rate rises to 25%, on a par with the

[5] Strictly speaking, calculations of statistical significance apply only to samples that have been selected using probability sampling methods, such as the DB Diversity Survey. However, in practice it is reasonable to assume that these calculations provide a good indication of significant differences in quota surveys like the DC survey.

[6] We acknowledge that there was a six-month difference between the fieldwork for the DC and DB surveys, which may have had a slight impact on the results.

DB survey. The latter is a more valid 'like-for-like' comparison as there are far more micro-DC than micro-DB schemes (6% and 72% of the DC/DB universes respectively).

The impact of the different size profile of DB and DC schemes on the research results should also be considered. Previous TPR research has consistently shown that micro/small schemes (particularly DC ones) are less likely to meet the expected standards of governance and administration. The much higher proportion of micro/small schemes in the DC universe means that they have a significantly greater impact on the (weighted) total-level results for DC than DB.

3. Research findings

3.1 Trustee board size and composition

All respondents were asked how many trustees the scheme currently had in place, with results detailed in Table 3.1.

Table 3.1 Number of trustees

	DB schemes			
	Total	Micro/Small	Medium	Large
1	2%	3%	2%	1%
2	9%	17%	5%	0%
3	25%	36%	23%	4%
4-5	24%	18%	32%	16%
6-9	15%	9%	15%	30%
10+	1%	1%	0%	6%
Use a corporate trustee company	23%	16%	22%	42%
Don't know	1%	0%	1%	0%
Mean number of trustees	**4.4**	**3.8**	**4.3**	**6.6**

	DC schemes				
	Total	Micro/ Small	Medium	Large	Master trust
1	25%	30%	10%	0%	0%
2	31%	36%	6%	1%	0%
3	14%	15%	24%	5%	5%
4-5	7%	4%	24%	16%	38%
6-9	5%	0%	13%	48%	14%
10+	1%	0%	0%	12%	5%
Use a corporate trustee company	14%	13%	20%	18%	38%
Don't know	2%	2%	3%	0%	0%
Mean number of trustees	**2.5**	**1.9**	**3.7**	**7.0**	**5.5**

Base: All who answered the question.
DB schemes: Total (696), Micro/Small (195), Medium (310), Large (189)
DC schemes: Total (305), Micro/Small (109), Medium (67), Large (108), Master (21)

The mean number of trustees was higher among DB schemes than DC schemes (4.4 vs 2.5). However, this difference was driven by micro/small schemes, where the average number of trustees was 3.8 for DB schemes but 1.9 for DC schemes. Among medium and large schemes, the average trustee board size was similar for DB and DC.

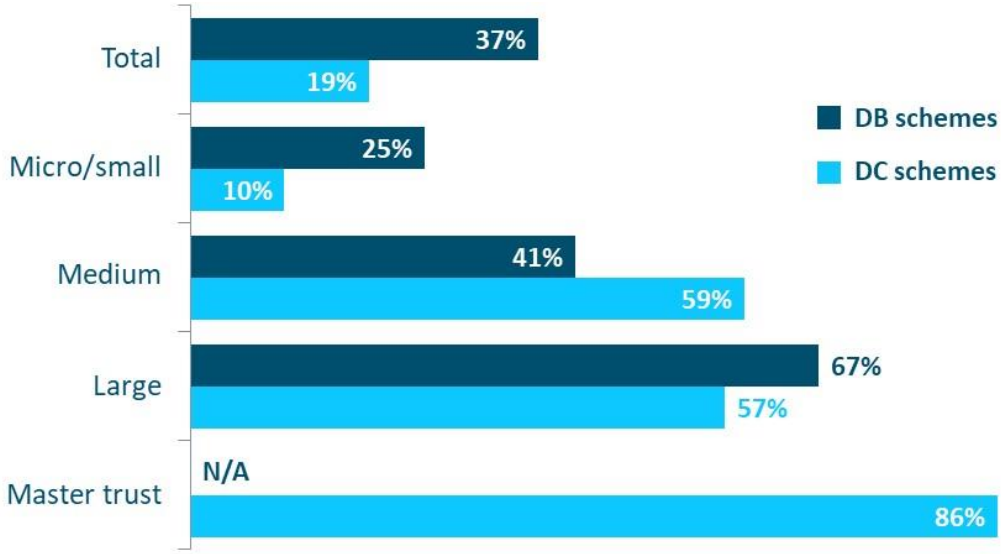
For both DB and DC, large schemes with 1,000+ members typically had a greater number of trustees (6.6 and 7.0 respectively).

Around a quarter (23%) of DB schemes used a corporate trustee company, compared with 14% of DC schemes. Use of corporate trustees was highest among large DB schemes (42%) and DC master trusts (38%).

Those schemes that either only had a single trustee or who used a corporate trustee company were not asked any of the other diversity questions and have been excluded from the analysis in the remainder of this report.

Respondents were also asked whether the scheme had any professional trustees on its trustee board, with results provided in Figure 3.1.

Figure 3.1 Proportion of schemes with any professional trustees



Base: All with >1 trustee who answered the question (Base, don't know).
DB schemes: Total (504, 2%), Micro/Small (157, 3%), Medium (237, 1%), Large (108, 0%)
DC schemes: Total (305, 1%), Micro/Small (111, 1%), Medium (67, 2%), Large (108, 0%), Master (21, 0%)

DB schemes were more likely than DC schemes to have a professional trustee on their board (37% vs 19%). However, this difference was again driven by micro/small schemes, who make up 72% of the total DC universe but only 6% of the DB universe. Similar proportions of large DB and DC schemes used professional trustees (67% and 57% respectively), and medium DC were more likely than medium DB schemes to do so (59% vs 41%).

Among both groups, use of professional trustees generally increased in line with scheme size.

3.2 Recording trustee diversity data

Schemes were asked whether they formally obtained and recorded any diversity data in relation to the trustees and, if so, what type of data was collected (Table 3.2).

Table 3.2 Proportion that formally obtain and record trustee diversity data

	DB schemes			
	Total	Micro/Small	Medium	Large
Yes, formally record diversity data	**10%**	**12%**	**8%**	**7%**
Gender	7%	9%	6%	7%
Age	7%	9%	5%	7%
Ethnicity	5%	5%	4%	5%
Disability	4%	5%	3%	5%
Educational attainment (highest qualification)	1%	1%	2%	2%
Religion or belief	1%	1%	1%	2%
Gender identity	1%	2%	1%	1%
Sexual orientation	1%	1%	0%	1%
No, do not record diversity data	**79%**	**77%**	**79%**	**82%**
Don't know	**12%**	**11%**	**13%**	**10%**

	DC schemes				
	Total	Micro/ Small	Medium	Large	Master trust ⚠
Yes, formally record diversity data	**14%**	**13%**	**15%**	**16%**	**31%**
Gender	**13%**	13%	**13%**	**15%**	**31%**
Age	**13%**	13%	**13%**	**14%**	**8%**
Ethnicity	**9%**	10%	**8%**	**7%**	**23%**
Disability	**9%**	10%	**6%**	**7%**	**15%**
Educational attainment (highest qualification)	**10%**	10%	**13%**	**8%**	**15%**
Religion or belief	**8%**	9%	**2%**	**2%**	**0%**
Gender identity	**9%**	10%	**4%**	**6%**	**0%**
Sexual orientation	**8%**	9%	**2%**	**5%**	**0%**
No, do not record diversity data	**82%**	**84%**	**77%**	**78%**	**62%**
Don't know	**4%**	**3%**	**9%**	**6%**	**8%**

Base: All with >1 trustee who answered the question.
DB schemes: Total (501), Micro/Small (157), Medium (234), Large (108)
DC schemes: Total (215), Micro/Small (67), Medium (47), Large (88), Master (13)

Overall, 10% of DB schemes recorded trustee diversity data and there were no statistical differences by scheme size (7-12%). A similar proportion of DC schemes (14%) recorded this data and again this was consistent across micro/small, medium, and large schemes (13-16%). However, this increased to 31% of master trusts.

Looking at the proportion who formally recorded any trustee diversity data, the only statistically significant difference between DB and DC schemes was that large DB were less likely than large DC to do this (7% vs 16%).

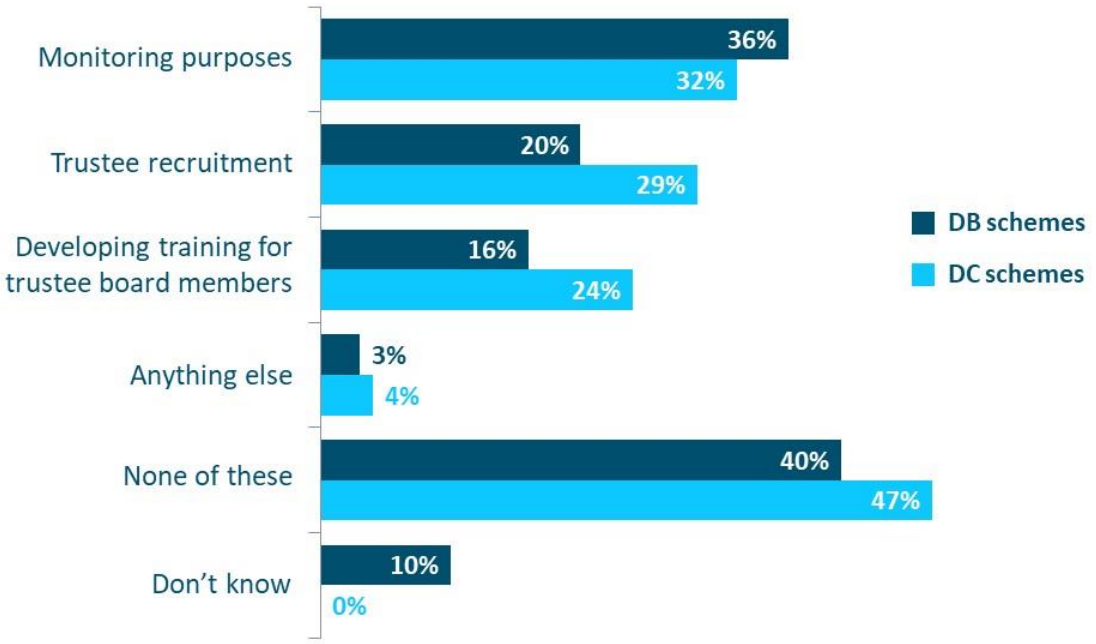
Gender and age were the most widely recorded types of trustee diversity data among both DB schemes (7%) and DC schemes (13%). The latter tended to capture a wider range of diversity data, and this difference was most apparent for educational attainment, religion or belief, gender identity and sexual orientation, which were recorded by 8-10% of DC schemes but 1% of DB schemes.

Among DC schemes the likelihood of recording trustee diversity data increased if the scheme had a professional trustee on the board (24% vs 12% of those without professional trustees). However, there was no difference in this respect among DB schemes (7% of those with professional trustees vs 11% of those without).

3.3 How trustee diversity data is used

Schemes that collected trustee diversity data were asked what this was used for, with results detailed in Figure 3.3. Due to the low base sizes, it is not possible to provide a robust breakdown of these results by scheme size.

Figure 3.3 How trustee diversity data is used



Base: All who recorded trustee diversity data and answered the question. DB schemes (40)/DC schemes (33)

The most widespread use of this data was for monitoring purposes (36% of DB and 32% of DC schemes), followed by trustee recruitment (20% of DB and 29% of DC schemes) and developing training for trustee board members (16% of DB and 24% of DC schemes).

However, two-fifths (40%) of DB schemes and half (47%) of DC schemes did not identify any uses for the trustee diversity data which they recorded. When this research is repeated in future, an additional question will be added to explore why this group capture diversity data.

3.4 Reasons for not capturing trustee diversity data

Schemes who did not formally record any trustee diversity data were asked why this was the case. Table 3.4 shows the most common responses (all those mentioned by at least 3% of either DB or DC respondents).

Table 3.4 Reasons for not capturing trustee diversity data

	DB schemes			
	Total	Micro/Small	Medium	Large
Hadn't thought about collecting this data	**41%**	40%	41%	48%
No need to collect this data	**35%**	34%	37%	28%
No interest in collecting this data	**11%**	12%	12%	8%
Concerns about data protection legislation	**3%**	2%	2%	11%
Other: No need as small number of trustees	**5%**	4%	6%	3%
Other: No need as just know this information	**3%**	1%	5%	3%
Other: Little/no control over trustee appointments	**3%**	5%	2%	0%
Other: No need as small scheme	**2%**	4%	1%	0%
Other: Considering doing it in future	**1%**	**0%**	**2%**	**3%**
Other: Closed scheme	**0%**	**1%**	**0%**	**0%**
Don't know	**6%**	3%	8%	6%

	DC schemes				
	Total	Micro/ Small	Medium	Large	Master trust
Hadn't thought about collecting this data	**30%**	30%	25%	35%	0%
No need to collect this data	**43%**	44%	39%	39%	38%
No interest in collecting this data	**9%**	11%	0%	1%	13%
Concerns about data protection legislation	**0%**	0%	0%	0%	0%
Other: No need as small number of trustees	**8%**	7%	14%	9%	0%
Other: No need as just know this information	**0%**	0%	0%	0%	25%
Other: Little/no control over trustee appointments	**1%**	0%	6%	6%	13%
Other: No need as small scheme	**7%**	9%	6%	0%	0%
Other: Considering doing it in future	**3%**	**3%**	**3%**	**4%**	**0%**
Other: Closed scheme	**3%**	**3%**	**3%**	**1%**	**0%**
Don't know	**1%**	0%	6%	3%	25%

Base: All who did not record trustee diversity data and answered the question.
DB schemes: Total (394), Micro/Small (123), Medium (182) Large (87)
DC schemes: Total (170), Micro/Small (57), Medium (36) Large (69), Master (8)

Among both DB and DC schemes, the most common reasons for not capturing diversity data relating to the trustees were that they had not thought about doing so (41% and 30% respectively) and they felt there was no need (35% and 43%).

There were no differences in the reasons given by those schemes who had a professional trustee on the board and those who did not.

3.5 Plans to record trustee diversity data in future

DB schemes who did not currently record trustee diversity data were asked whether they had any plans to start formally obtaining and recording this. This question was not included in the 2021 DC Schemes Survey, so comparative data is not available.

As summarised in Figure 3.5, three-quarters (74%) of DB schemes that did not capture diversity data had no plans to do so in future, and a further 16% were unsure. Overall, 10% planned to do so in future (3% in the next 6 months, 4% in the next 12 months and 3% in more than 12 months' time).

Figure 3.5 Plans to record trustee diversity data in future

Base: All DB schemes who did not record trustee diversity data and answered the question (392)

Table 3.5 shows that this picture was consistent across all sizes of DB scheme. There were also no differences between schemes that had a professional trustee and those that did not.

Table 3.5 Plans to record trustee diversity data in future – by scheme size

	Micro/Small	Medium	Large
Yes, in the next 6 months	3%	3%	2%
Yes, in the next 12 months	3%	5%	6%
Yes, but not in the next 12 months	2%	4%	2%
No	76%	73%	73%
Don't know	16%	14%	16%

Base: All DB schemes who did not record trustee diversity data and answered the question. Micro/Small (123), Medium (181) Large (86)

4. Appendix: Underlying data for all figures/charts

This annex provides the underlying data for each of the figures/charts shown in the main body of this report.

Data for 'Figure 3.1 Proportion of schemes with any professional trustees'

DB	Total	Micro/ Small	Medium	Large	Master trust
Proportion of DB schemes with any professional trustees	37%	25%	41%	67%	N/A
Proportion of DC schemes with any professional trustees	19%	10%	59%	57%	86%

Data for 'Figure 3.3 How trustee diversity data is used'

	DB schemes	DC schemes
Monitoring purposes	36%	32%
Trustee recruitment	20%	29%
Developing training for trustee board members	16%	24%
Anything else	3%	4%
None of these	40%	47%
Don't know	10%	0%

Data for 'Figure 3.5 Plans to record trustee diversity data in future'

	DB schemes
Yes, in the next 6 months	3%
Yes, in the next 12 months	4%
Yes, but not in the next 12 months	3%
No	74%
Don't know	16%