

Titcomb: ‘Most employers will need a nudge, some will need a kick and some we will fine’

Jonathan Stapleton speaks to The Pensions Regulator chief executive Lesley Titcomb about her key priorities for the year ahead

AT A GLANCE

- ✦ Scaling-up of auto-enrolment is now number one priority for the regulator.
- ✦ TPR is also reviewing master trust rules amid concerns around sustainability of some schemes
- ✦ TPR urges trustees to do more to challenge advisers

Since joining The Pensions Regulator (TPR) as chief executive in March, Lesley Titcomb has had to deal with a bulging in tray – with the pension freedoms coming into force in April and auto-enrolment scaling up to encompass huge numbers of smaller employers at around the same time.

Indeed, Titcomb says her number one priority is auto-enrolment (AE). She says: “Over the next two years we have to work through around 1.8 million small and micro employers and make sure they have done what they need to do, which is either choose a scheme for their employees and enrol them in it or to tell us they have no employees that are eligible to be enrolled.”

She says this shift will be a “big task” and will be all about how the industry copes with high volume processing – requiring a step change in how it does business.

“We have to talk to this group of employers in a very different way to the large and medium employers.”

For its part, the regulator is set to launch a new section of its website within the next few weeks – which will provide a step-by-step journey to help this group of employers through the



process in a much simpler and more engaging way.

It will also work with the Department for Work and Pensions (DWP) to help it raise awareness through its campaigns.

She says the key aims of the regulator on AE will be to educate, enable and enforce – explaining the vast majority of people will “want to do the right thing” and will simply need help to do it.

Titcomb explains: “Most we will have to nudge, the occasional few we will need to kick, and a few we will have to fine.”

Master trust regulation

One of the key issues for employers starting the AE process is choosing a scheme. With many looking to master trusts, regulation of these schemes is becoming increasingly important.

Titcomb says the regulator is reviewing master trust

regulation as a matter of urgency amid increasing concerns around the sustainability of some of the schemes entering the market.

She describes the fact so few master trusts have obtained assurance as “frankly disappointing” – and says master trust regulation is currently one of her biggest concerns in the AE space.

At the moment, only four schemes have master trust assurance – NEST, Now Pensions, SEI Master Trust and The People’s Pension – despite the fact that there are now well over 50 such master trusts in existence.

Titcomb says she is particularly concerned about the sustainability of some master trusts. She says: “The thing that concerns me is the sustainability issue – there is no financial requirement on master trusts, on solvency or minimum capital levels, for example. If they do go out of business it could be quite messy.

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The Pensions Regulator**

“I want to know that if anything happens we can work with them to deal with it in an orderly fashion.”

She explains: “We are talking to government about this. We have identified it as a gap and feel there is a spectrum of things that could be done.”

She says one of the options she was considering was to ask the government to make master trust assurance compulsory.

“We need to look at master trusts and the regulatory regime that applies to them. They are filling a hugely important role in AE, particularly as we get into the small and micro world.”

Titcomb says one of the issues was the relative ease with which a master trust could be set up – with the only real hurdle being HM Revenue & Customs registration, which largely focuses on ‘fit and proper’ checks.

She says: “I have a rather different set of interests in what those master trusts are doing – are they going to be able to look after the customers’ assets, administer them well, be a well-governed scheme, are they able, should they not succeed in business for any reason,

to wind themselves up in an orderly fashion?”

Good member outcomes

Member outcomes is another key priority for the regulator – but in a world where schemes no longer have to provide a pension, it is changing its view about what a good outcome looks like.

Titcomb explains: “It isn’t just about the savings element, about accumulation, anymore. It is also about the decumulation. So are people in a position to make good choices, do they have good options open to them?”

“I also think good member outcomes from our regulatory perspective is that people know the assets that underpin their pension are secure, that they are going to get the benefits they are entitled to and they are able to access good information about their workplace savings and what that is going to mean for them in later life.”

But the regulator feels

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workplace schemes that don’t offer all the options at retirement aren’t necessarily offering a bad service to members. Titcomb says: “They have to consider whether they are administratively in a position to provide all the options and many of them are not.

“What we see is the larger schemes tend to be providing the full range of decumulation

options now available; the smaller schemes are not necessarily offering that full range – a quarter of them tell us they will consider adding in additional options later on – but there is always this back up that the member can ask to transfer out to a scheme or a provider that does provide the options.”

Defined benefit

While the regulator’s top priorities are around AE, it is still very much focused on defined benefit regulation especially at a time when Titcomb says funding remains “stressed and challenged”.

One thing the regulator has done to identify some of the key issues facing schemes is to conduct a survey among some 800 trustees – asking them about the challenges they face

The regulator is now looking through the results of this survey but has already spotted some noticeable differences

among trustees – especially around the level of expertise they have and their willingness to challenge advisers.

Titcomb says that while some trustees are very willing to both acquire knowledge and to confront the advice their schemes are given, others are more reluctant. She says this will be one area the regulator will “think about” going forward.

Titcomb explains: “Some schemes are very good at challenging their advisers – doing things like reviewing their advisers every so often, having regular beauty parades to consider reappointment and challenging their advisers once they are in post and not just letting it drift on for five or six years.”

“I would say to trustees ‘get the training and challenge your advisers.’”

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