Pensions People: Lesley Titcomb

Paddy Briggs talks to the CEO of The Pensions Regulator Lesley Titcomb about the role of regulation in the 'brave new world' of pensions

"I was not appointed as a pension specialist. I was appointed because I have experience in leadership in complex knowledge-based organisations. There are numerous people with far greater expertise in pensions in The Pensions Regulator than me and that will continue to be the case."

Lesley Titcomb has been chief executive of The Pensions Regulator (TPR) since March this year. Whilst she may be modest about her pensions expertise, her background as a regulator in the financial services sector gives her a deep knowledge of what is required to make multifaceted structures like the TPR work beyond the detail of its primary tasks. She talks with insight about what the TPR does, but also about its purpose and the processes she believes necessary to keep it effective.

Accountancy experience

Titcomb grew up in Oxfordshire, where went to Oxford High School and became the first member of her family to go to university – Oxford no less, where she read Classics. "Words and ideas are my strength," she says – reflecting both her academic background and her strong intellectual preference. So why was her first job after university, in 1984, with Ernst and Young as a trainee accountant?

She felt, she says, that she needed a professional qualification and her friends were going into banks and financial services in that 'big bang' decade so it seemed a logical thing to do. As deregulation of the sector gathered pace Titcomb was seconded to the 'Securities and Investment Board' (SIB) – the precursor of the Financial Services Authority to which she was eventually to return full time.

Meanwhile, at Ernst and Young she specialised in the financial services sector and was part of the audit team for some of the partnership's banking clients. One of these was the infamous Bank of Credit and Commerce International (BCCI) – a valuable learning experience - "They pulled the wool over our eyes," she says ruefully. As far as regulation was concerned, the extent of the learning experience for a future regulator must have been invaluable. After all, "BCCI was set up deliberately to avoid centralised regulatory review", investigators concluded.

Do the numbers make sense?

As an accountant Titcomb says her principle learning was to ask the simple question: "Do the numbers make sense"? In 1994 she joined the SIB full time and was almost immediately involved in the aftermath of another banking scandal when Barings Bank collapsed in 1995. This was a seminal event, teaching above all that regulators need to work closely with administrators in such circumstances. It also revealed the extent of the international nature of the sector, with players now being capable of 'moving the book around the world' almost at will – there was an urgent need for regulators to operate closely across borders. "We couldn't just focus on the UK anymore," Titcomb says.

Regulation and the 'crash'

Lesley Titcomb was to stay with the SIB and then its successors, the Financial Services Authority (FSA)

Lesley Titcomb, CEO of The Pensions Regulator

and the Financial Conduct Authority (FCA,) for 20 years and has therefore a 'close to the coalface' insight into the financial crisis of 2007/8 and its immediate after-effects. She sees the crisis as having multiple causes, of which inadequate regulation was one. "It was not as effective as it could have been," she says, "but was it the sole reason what happened, happened - absolutely not!"

She clearly believes that the most obvious cause was the culture in the corporations themselves, especially those with senior management who had lost track of risk and were complacently deluded by the years of low inflation and stable growth. Titcomb at the FSA at this time was focusing on the overseeing of the 16,000 small firms, such as financial advisers, mortgage brokers and insurance intermediaries. Here the issue was not so much fraud or other dysfunctionality. "The vast majority wanted to do the right thing, but some lacked the competence to do this and they needed to be helped and encouraged," Titcomb explains – a message that she carried forward into her present role.

Learning about pensions

Over her 30 years as an accountant and then as a financial regulator Titcomb's exposure to pensions was limited, although there was some involvement in the regulation of independent financial advisers (IFAs).

It was not, as she says, her pensions expertise that got her the job at TPR. There was less of a learning curve to climb on regulation than there was on the minutiae of the pensions business. Part of that learning was to immerse herself in the extraordinary changes that have happened over the last decade or more to the world of pensions. She is keen to point out that DB schemes are still very much with us and that it is only around 2025 that DB scheme pay-outs (pensions in payment) will start to decline. But it was clear that the costs to employers of DB had simply become too great which, when combined with increasing longevity and changes to people's working habits (more frequent employer switching), meant that schemes had to close to new entrants. Whilst changes to such things as the accounting of deficits and the increased costs to employers of meeting tightened regulations were also contributory factors, Titcomb says that regulation was "absolutely not a major contributor to DB scheme decline".

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The post-DB world

The post-DB world throws up different and complex challenges to the regulator and to some extent it is a journey into the unknown. Titcomb is determined to prioritise and direct efforts into those areas that are likely to have the greatest impact towards the achievement of its objectives. She is encouraged by the political framework within which the TPR works.

"There has been a greater degree of (political) consensus on pensions over the past few years than on almost any other topic I can think of," she says. This includes the new freedoms established by the 2014 budget. For the TPR, priorities include making sure that "trustees tell their members in a clear way what the options open to them are". She is aware of recent criticism of providers who are "not making the full range of choices available" or are applying restrictions that will prevent savers from having appropriate access to their money. Here she says that the TPR is "working with government and the FCA to monitor what is going on".

Regulating DC

DC requires a "different regulatory style" than DB, not least because it is more open to scams – particularly as savers get access to their pension pots and the freedom to do what they like with them. A number of ex-policeman are now working for the regulator, so this is clearly a priority. "Once the assets go there is no way we can get them back so combating scams is absolutely essential," Titcomb says – hence the well-regarded 'Scorpion' scam warning campaign.

This aside, what are TPR's other immediate priorities? Titcomb says that top of the list is auto-enrolment – making sure that small and micro employers know what they must do and helping them do it. Some 400,000 employers have eligible job holders and TPR is sending out 1.3million letters advising employers of their responsibilities and offering guidance. According to Titcomb, TPR is neutral on DC scheme amalgamation but did point out that in research just published about awareness of TPR's 31 'DC quality features' it was the larger schemes and those running multi-employer trusts who were most aware.

Regulation as a public service

Titcomb clearly sees the role of TPR as being a 'public service' – above all protecting the vulnerable by demanding high levels of integrity from those in retirement provision and ensuring that standards are high and rules are adhered to. Her own experience tells her that there is no room for complacency.

She is a fan of social media and monitors pensions stories and comments on Twitter and the like – and she is complimentary about pensions publications - "I am astonished by the breadth and variety of the pensions press," she says.

There are risks and the new freedoms demand a new emphasis from providers, regulators, trustees and employers alike – especially as pensions is now a very live subject. As Titcomb says: "People are becoming more aware of the type of pensions they have and there has been a huge uplift in awareness about pensions issues."

Written by Paddy Briggs, a former member-nominated trustee of the Shell Contributory Pension Fund