



A changing landscape

TPR *Pensions Age* speaks to The Pensions Regulator (TPR) non-executive chairman Mark Boyle on how the organisation is adapting to the evolving challenges of regulating pension schemes

Pensions Age (PA): Congratulations on being awarded a second three-year term as non-executive chairman. How have you noticed TPR change over the past four years?

Mark Boyle: Without it wishing to appear personal, I think the calibre of the leadership of the organisation is significantly stronger and this has been demonstrated with the results that we've achieved.

However, TPR has the same starting point today as it had three years ago. The starting point for us is our six statutory objectives that have been set by Parliament. So from that we as a board then have to derive what our corporate priorities are.

There are eight corporate priorities and the corporate priorities for 2018-19 are going to be pretty consistent with the corporate priorities for 2017-18. What is going to change is the way that we go about it, which is where TPR Future comes into play.

TPR Future is at a really exciting stage now because it has completed what I call the first phase, which is the diagnostic work that concluded last summer. We're just in the process of concluding the second phase, which is the design phase that finished in Q1 this year, and then we move into the implementation phase. That's about fundamentally changing the way that we deploy our resources, the way that we scan our horizons, the way that we interact with our regulated entities. So the direction of travel will be broadly the

same, but the way we go about it is going to get sharper.

PA: Could you provide specific examples of how you'll be sharper?

Boyle: I think you need to look at what's happened over the past 12 months as to how we're going to be sharper. Our efforts to be clearer, quicker and tougher does accurately describe the way that we're changing. So let me give you some examples. So 'clearer' – one of the things that was changed by the regulator over the past few years is we have more voice. We've seen that both with our regulated entities and more broadly as we seek to feed into and assist the wider agenda.

Another area we have been clearer is with the role of trustees. Our 21st Century Trustee programme is about making our expectations of them clearer, for instance how we've begun to differentiate between professional trustees and lay trustees.

Being quicker is about the way our processes work internally and how quickly we realise there's a situation out there, scanning horizons. The regulator is in a different place from four or five years ago in terms of the speed at which we act. Is it yet the finished article, no. But TPR Future will help us sharpen that up. So that's quicker.

Tougher – I think you just need to look back over the past 12 months and see that on a number of different areas we have become tougher in calling out where we think it's appropriate. So for instance, the results we've achieved in

terms of our avoidance powers or the negotiations we did with BHS. That's a headline case, but there's always more going on that doesn't get into the headlines, which is the general administration, data standards and the way that schemes are managed. But you've seen us fine schemes that are not getting the basics right and you will have also noted the criminal prosecutions that we've made for the first time.

PA: Is the clearer, quicker, tougher intention a direct response to the criticism TPR has faced with BHS, Carillion etc?

Boyle: Absolutely not. This change was already happening. It was already happening frankly since Lesley [Titcomb, TPR chief executive] arrived. She's been the catalyst for change. So this hasn't happened overnight. An awful lot of what has come together as TPR Future predates the BHS discussions and Carillion. So no, it's absolutely not a knee-jerk reaction. It's part of a long and consistent move that we've been trying to make with the agreement of the board and with the agreement of our stakeholder DWP.

PA: What is your response to criticism TPR reacted too late to the Carillion crisis?

Boyle: The vast majority of what we do – the same with Carillion as it was in any other case – happens behind the scenes. I think in terms of the way the Carillion story has played out, it's actually quite a difficult environment to put the full picture across within

the select committee environment. The problem with it is that you only get to answer the questions that are posed of you. What that can mean is that sometimes an incomplete picture is given. Lesley [Titcomb] did say that in retrospect, we could have moved faster to make a decision on whether to use our powers or not. I would echo her comments on that. But we do need to emphasise, that was four, five, up to 10 years ago. That wasn't related to what's happened since July when Carillion issued its profits warning.

PA: Please could you highlight some of TPR's success stories from recent years?

Boyle: Well let's talk about automatic enrolment. Almost half of our budget is spent in implementing automatic enrolment and automatic enrolment has been a huge success, not just for TPR but for all those involved in it. By any stretch of the imagination, over one million employers nine million members newly part of a pension saving is a staggering success. I think we sometimes forget just how successful that's been.

PA: How will your efforts with auto-enrolment evolve now that the first stage of auto-enrolment will be completed by July for all employers?

Boyle: Our efforts have evolved throughout the piece. It's not been static. So at first the legislative phase was about getting the large employers to comply. There was then a very different challenge in getting medium and smaller employers to comply. So we had to spend a huge amount of time thinking about the messaging. I think we used quite a lot of behavioural science to inform the way that we approached that.

Clearly the next significant milestone is going to be the increasing contributions to take place in April this year and then April next year and we need to make sure that that is a success.

PA: You've also been very good at trying to crack down on the employers that don't comply. How big an issue is that, especially with the smaller sized firms? It's more difficult to keep an eye on so many firms. Do you think you

have the capacity at TPR to effectively do so?

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Boyle: We had to skill up for it. We have arrangements in place including an outsourcing contract that enables us to have the bandwidth to do it. We have to do that with a very data driven approach. So in the case of AE we take a lot of data from HMRC and integrate that with our own data in order to work out where to focus. If we have to intervene, there's an increasing ratchet of things that we can do, from a compliance notice through the various levels of penalty. So actually taking someone to court is something we will only do as an extreme response.

However, the levels of non-compliance at the smaller micro end in percentage terms have been no worse than we saw at the large end. Clearly the numbers are lot higher, but there is no difference in percentage terms. So that is pleasing.

PA: Are there any other areas of success that you would like to highlight?

Boyle: The master trust authorisation regime we're now bringing in came about as a result of lobbying, which we did behind the scenes. Out of this we believe will come a stronger segment of schemes that are managing people's funds. Of course it's the master trusts that are getting the lion's share of the AE contributions so we need to make sure that that works. I think that – as with anything – we can't draw the line and say, that's success, move on. We now need to deliver this in the autumn and thereafter when we move from authorisation into a supervision regime. But so far, that has been a success and it's

one that we've played quite a significant role in as the catalyst.

PA: How is TPR tackling pension scams?

Boyle: The people who are looking to exploit these opportunities will continually look for new ways to exploit and we have to adapt our approaches accordingly. We recently got significant praise for a fairly straightforward statement saying, if you get cold-called about your pension, it could well be somebody trying to steal it. So we can be clearer and more explicit in a way that actually will get through to individual members and the public. There was a case recently where some trustees are being forced to restitution of funds that the court held was inappropriately obtained. So we need to take examples like that and make sure that they are visible.

The cross-government body to prevent pension scams, Project Bloom, currently has its chairmanship with TPR. With this, one of the things we're trying to do is to take a fresh look at the way scams are measured, the evidence base for it, what is being done, along with establishing the messaging that works, the messaging that doesn't work. What if anything can be changed and improved.

PA: What are your concerns about DB to DC transfers following the freedom and choice reforms, and the increased risk of scams they may generate?

Boyle: Well I think that's exactly an example of the way the landscape changes. Freedom and choice means we need to be collaborating closely with the Financial Conduct Authority (FCA) as it has the responsibility to regulate the adviser community. This is something that's changed a lot over the four years that I've been there. We now have much more regular dialogue with the FCA at lots of different levels. Following our recent joint publication there is going to be a period of engagement, with the aim is to follow that up with another joint document with the FCA later in the year.

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