

SPONSORED GROUP SIPP Q&A

JONATHAN WATTS-LAY of **WEALTH at work** answers questions on group SIPPS

Group SIPPS in 2012

How will auto-enrolment affect the Group SIPP market?

WATTS-LAY: Auto-enrolment will have only a limited impact on the group SIPP market itself. Group SIPPS will continue to support those employers seeking greater contribution, investment and income flexibility for their employees. In some cases where NEST acts to provide basic pension provision, the group SIPP may also be made available to serve those with additional needs.

Where employers are introducing workplace pension provision for the first time, a group SIPP will be one of the options available to them. The low-cost and flexible nature of group SIPP will appeal to many employers who would like to introduce an arrangement that can do more than simply act as a basic form of pension provision.

Do you feel employers are likely to run a NEST-like pension as the default pension vehicle for staff who can then also utilise a group SIPP if they wish to contribute more or benefit from increased investment flexibility? Are there any other approaches they may wish to take?

WATTS-LAY: Many employers will operate NEST as the default pension for certain parts of their workforce. This is most likely to affect those groups of employees where it would not be cost-effective to provide SIPPS given their earnings level.

Making a group SIPP available will undoubtedly meet the needs of those seeking a wider range of investment options. This approach will be a consideration for those employers that do not simply intend to comply with the auto-enrolment requirements by offering NEST but instead hope to encourage their employees to develop their savings habit making adequate provision for their retirement.

Another option is to offer a single group SIPP, effectively offering different 'views' depending on the different employee groups. The majority of staff could have access to a core range of funds selected according to their likely risk profile while others requiring a wider investment choice will be provided with access to a greater number of investment funds. There may also be the option to seek one-to-one advice in relation to other investments – for example, pensions from previous employers.

What should employers who offer a group SIPP be doing now to make sure they are ready for auto-enrolment?

WATTS-LAY: As with other personal pension type arrangements, employers will need to assess whether the group SIPP they offer complies with the requirements set out by auto-enrolment.

These include a requirement that there must be no barrier to enrolment into the pension scheme – for

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WEALTH at work having been dedicated to its development since inception.

Watts-Lay has a sales and marketing background and holds both a MBA and chartered membership of the Institute of Marketing. He began his career at Nationwide Building Society where he progressed to product manager for mortgages and life assurance.

Watts-Lay then spent more than five years working for SHL Group PLC, a leading HR consultancy.

example, a waiting period or age limits – and those eligible cannot be required to provide information in order to become a member of the pension scheme – for example, completion of an application form.

In addition, there can be no requirement for individuals to make any choice about how their contributions will be invested and so all schemes will need to provide a default investment fund for those that do not specify how or where they wish to invest.

The scheme, classified as a personal pension, must be UK-based in that its operations are carried out in the UK and it is subject to regulation by the FSA.

An agreement will need to be in place confirming that the employer will make contributions and however the contributions are calculated, they must be at least 3% of qualifying earnings.

There are other rules that mean care will need to be taken where the pension scheme is provided via salary sacrifice or as part of a flexible benefits arrangement.