

Suffolk Life urges DWP to rethink its proposals

- SIPPs prohibited from accepting protected rights from contracted-out schemes - March 2005 -

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Suffolk Life, one of the UK's leading providers and administrators of specialist pension products, particularly SIPPs, has hit out at the latest DWP proposals to continue to prohibit protected rights being invested in SIPPs. The proposals are contained in a consultation document. "*Pensions: contracted-out benefits and miscellaneous amendments*" issued last week. Effectively the new regulations will mean that protected rights funds, a growing area of assets, can only be invested in insurance company funds, unit trusts, Oeics and with deposit takers.

Earlier legislation means that SIPPs are unable to accept protected rights – the benefits derived from what are known as minimum contributions in a contracted-out scheme. Moreover for anyone transferring from a contracted-out final salary scheme to a SIPP the whole of the transfer value which relates to service after April 1997 has to be treated as protected rights. Many SIPPs are established with transfer values – indeed aggregating past pension rights and policies through transfers into one “pot” is seen as one of the main advantages of a SIPP. With protected rights becoming a growing part of many transfer values the impact of these proposals will be that for many individuals the proportion of the total funds that can be invested in a SIPP will be significantly reduced – and for some SIPPs will not be available.

Commenting on the proposals John Moret, Director of Sales and Marketing said: “It is disappointing that these proposals simply perpetuate the current regime. They fly in the face of simplification and reduce the choice and flexibility which underpin the pensions reforms. Protected rights can frequently represent over 50% of the total transfer values available for investment and six figure sums are not unknown. To continue to force individuals to invest these funds in insurance company funds, unit trusts, Oeics or with a deposit taker is unreasonable.”

He continued: “The DWP appear to consider these investments to be more suitable than other types of investment. If the concern is safety or security then how do they conclude that insurance company funds or unit trusts are any safer than direct equity investment through a discretionary fund manager or investment in property? If they really must have restrictions for protected rights investment then why not revert to the current “permitted investment” list for SIPPs which gives wider choice and as far as I am aware has not given rise to security issues”

- Ends -

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Notes to Editors

The findings are taken from research carried out during December 2004 with a sample of 246 advisers.

About Suffolk Life

Suffolk Life was established in 1971 by a number of Suffolk solicitors. Rather than rely on large traditional insurance companies they established their own specialist company. From these origins the Suffolk Life Group has emerged as one of the leading providers and administrators of specialist pension products – primarily SIPP. It now administers over 4,000 SIPP with aggregated assets worth currently over £1billion. Included in the SIPP portfolio are over 900 commercial properties. The group is based in Ipswich and employs over 75 staff. It has built an enviable reputation based on providing excellent service and good value and is used by an increasing number of advisers and customers. Its expertise and reputation for service quality has been recognised through a number of industry awards including the Pensions Management Administration and Service Award in 2002, 2003 and 2004. Its success had led to rapid growth, which is expected to continue with the expansion of the SIPP market.

Further details are available by visiting the Suffolk Life website: www.suffolklife.co.uk