PM
SPECIAL FEATURE

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Sipps roundtable

How Sipps could enter the workplace as the vehicle of choice

The future of Sipps: continuing to develop as a consumer product

Left to right: David Cassidy, chief executive, JPMorgan Invest; Steve Latto, pensions development and research manager, Alliance Trust; John Lawson, head of pensions policy, Standard Life; Christine Hallett, managing director, Pointon York; John Moret, director of sales and marketing, Suffolk Life; Andy Bell, managing director, AJ Bell Group; David Dalton-Brown, head of FundsNetwork, Fidelity

Matthew Craig, editor-in-chief, *Pensions Management*: I'd like to start by asking where everyone thinks the self-invested personal pension (Sipp) market is now, given it has had a huge amount of publicity. Has the U-turn on residential property taken away a lot of the gloss, or is it still looking exciting for Sipps from A-day onwards?

John Lawson, head of pensions policy, Standard Life: From a new business point of view, it [the U-turn] has not really taken away the gloss because it was not likely to add an awful lot to the picture; we were expecting roughly a 5% increase. It has taken away the publicity, and I thought the publicity this could have generated would have been enormous. It was already generating an awful lot of coverage in the nationals – and a lot of it was positive coverage. To quantify the loss, I think loss of publicity is key loss here.

David Dalton-Brown, head of FundsNetwork, Fidelity: We were of the view that residential UK property would probably have been removed anyway. We were concerned about the risk that the average consumer would run if they had become overweight in UK residential property in their pensions. Therefore the removal of residential property was very sensible. Access to good property funds in Sipps will provide consumers with better access to this investment class.

Christine Hallett, managing director, Pointon York: I think the Sipp marketplace has many exciting years to come.

For residential property, to a certain extent there was some relief from a trustee point of view that overseas property and some of the second homes went out of the frame, but there were some very valid commercially driven residential property propositions. If the government or HM Revenue & Customs (HMRC) understood the real issues about residential property, they could have made a more informed choice about what would or would not be allowed.

It has generated a lot of interest in the marketplace and opened up new avenues. People would not necessarily have considered pensions in the first place unless they had considered residential, so the fallout is actually going to be a positive step for the marketplace.

John Moret, director of sales and marketing, Suffolk Life: I echo that. I tried to write the script a couple of years ago as to how this might play out, but I don't think I would have come up with this. Looking back on it, I think it was as close to ideal as I might have wanted. In other words, somebody raised the awareness, there were lots of issues around it, and at the last minute they closed the door. However, the Sipp message has actually gotten through in a big way, certainly in the adviser sector, but particularly with consumers. Once it's in there, it needs to be renewed and refreshed. In many ways, it couldn't have worked out better.

David Cassidy, chief executive, JPMorgan Invest: The focus has very much been on Sipps almost as an end in themselves in terms of the retail market. I think the market will grow substantially, but the Sipp product will become more of a utility. Therefore, it's important that people get the right message attached to why they should be doing pensions and what the benefits are. I think the market will grow in a different way to how a lot of people envisaged it would grow at this time last year. I think it will grow dramatically, but with it being used as a wrapper, a utility, an incidental to long-term planning, not the reason in itself.

Andy Bell, managing director, AJ Bell Group: On pre-Budget report (PBR) day, I had somewhat mixed emotions. Part of me was very relieved to see residential property go, as I am sure some would agree; another part of me was disappointed because of issues such as John has raised: the publicity for Sipps has been very good. In a way, we've had the best of both worlds: we haven't had to worry about the problems that we've all identified with residential property, but the increased awareness of Sipps is a major positive – the genie is out of the bottle as far as Sipps are concerned. I think a lot of insurance companies who are not offering Sipps but are offering traditional products are finding it very difficult; they're very much threatened by the Sipp market and are desperately seeking ways to compete with it.

The solution that the government came up meant throwing the baby out with the bath water. The Chancellor said he wanted to stamp out abuse. There would have been easier ways of stamping out the abuse while leaving residential property as a allowable Sipp investment. Our

new business figures in January of this year are more than double January last year, and I am sure everyone else is experiencing similar growth. Sipps are very much here to stay, with or without residential property. Actually, a lot of the clients who were talking about residential property were doing so in an almost aspirational sense; it was always going to be something that drove people to go out and invest in a Sipp, while actually only a very small percentage of individuals would go on to buy residential property. Maybe that is partly our fault; maybe we did not communicate that message properly and the government picked up on the mixed messages that were coming out in the press.

Steve Latto, pensions development and research manager, Alliance Trust: As others have said, residential property was just a small part of the A-day changes. The other significant change are around contribution levels and pension benefits. I think a lot of the coverage in the press will start to look at these areas and the removal of the requirement to purchase an annuity, for example. The level of publicity might drop a little, but Sipps are still there, and with increasing contribution levels, I think that is going to be the case going forward.

Matthew Craig: David, you mentioned that you see Sipps as a utility going forward. What do you see as the biggest potential market or potential opportunities for their use?

David Cassidy: I see the ability of a Sipp to be the vehicle that sits alongside large defined benefit (DB) or defined contribution (DC) schemes with major employers to allow employees to take advantage of the three fundamental changes that pension simplification brings in: one, the new limits; two, concurrency, most importantly; and three, annuities, the need not to have to buy an annuity and lock yourself in for a 35 to 40-year period to a rate that, while reasonable today, may not turn out to be so reasonable 10 years down the road. There is also the ability to pass on your pension fund as part of your overall estate. Those three things have fantastic potential for application in the developed (large employer) pension marketplace.

A lot of what we read in the retail press last year about exotica and property was to a large extent focused on the small to medium-sized enterprise (SME)/self-employed marketplace; there was never really a great deal of focus on what pension simplification meant to the people who worked for the top 350 employers in the UK with traditional large schemes. I think that is the area where we will see immense growth, where you can use a Sipp, not as an alternative to DB and DC, but simply as the concurrent vehicle to sit alongside DB and DC and become a hopper for all those things that you can do now that you were unable to do before. We are certainly talking at the moment with some very large employers about doing just that. It is not just theory anymore; it is something that people are actively contemplating.

Steve Latto: "The level of publicity might drop, but Sipps are still there, and I think that is going to be the case going forward"

John Lawson: That is an enormous opportunity. Having worked for one of these large plc employers before – a large Scottish bank – there were literally thousands of staff with tens of thousands of pounds in shares and share options, received through save as you earn schemes or by giving up their annual bonus.

If you think about the proposition to them, you say to them: 'You can take your annual bonus now, but it's all taxed today. If you had £1,000, you get £600 in your hand.' The alternative now is to leave it for three years: 'You have £1,000, and then you can convert those shares into a pension, which could gross up to £1,600.' It's offering them £600 now or £1,600 in three years.

David Cassidy: The new type of vehicle in the large employer marketplace for share schemes is called a share incentive plan (SIP), which basically allows you to buy £1 of stock for 60p if you are a high rate taxpayer, or for 80p if you are basic rate.

David Cassidy: "Pension simplification and Sipps together allow big employers to make existing employee benefits fantastically more attractive to employees"

Steve Latto: You will probably start to see more blurring with individual savings accounts (ISAs), as well.

David Cassidy: That was picked up by the Employer Task Force (ETF) in late 2004, which worked with the Confederation of British Industry (CBI) and carried out a survey in which 40% of CBI members said they wanted to look to see platforms developing in the workplace that allowed the blend of share schemes, pensions and ISAs, and the application of capital gains tax (CGT) to take place on one platform. The growth potential is absolutely enormous, but it actually puts a different set of characteristics on the Sipp market, as we see today.

I sometimes wonder whether a lot of people think about the future of the Sipp market by looking in the rear view window, rather than looking out of the windscreen in terms of charging levels, average case size, and that sort of thing. If you take the SIP in conjunction with Sipps, a lot of the SIP plans are offered on a matching contribution basis of up to two for one, but they are most commonly one for one.

If you move the stock from the SIP with one P to the Sipp with two Ps and do the maths, it means that you can actually buy £3.33 of stock for 60p. In its crudest sense, who is not going to be attracted by that? That stark example says it all for me. Pension simplification and Sipps together allow big employers to make their own existing employee benefits fantastically more attractive to their own employees in the future than they are today, without it really costing them anything more, and without it really involving them in any liability.

Andy Bell: I certainly agree that group Sipps are a fantastic market going forward. The trouble

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that I have, whenever I have looked at group Sipps, is deciding what they should look like. A fundamental feature of a Sipp is the unbundling of the pension administration and advice from the investment administration and advice.

It's not so bad when you're dealing with independent financial advisers (IFAs) who are geared up to provide individual advice to individual clients, but once you start getting into the employee benefit market, they have understandably spent the last 10 years trying to simplify the group pension market into a packaged offering. This means that it is often not cost-effective to treat members of a group Sipp as individual customers, which can have serious knock-on implications.

If you create a group Sipp that bundles pension and investment administration and advice, you very quickly find yourself recreating a group personal pension (GPP), possibly with a different type of investment manager. We have probably slightly downscaled our expectations of this market and see group Sipps as actually sitting on top of a group stakeholder or GPP, rather than replacing it, because we still take the view that each individual Sipp that is part of a group Sipp actually needs to stand on its own two feet, from an advice perspective.

Christine Hallett: When you say, 'sit on top of a GPP', a stakeholder, are you suggesting it is only a top hat scheme for senior management?

Andy Bell: It could be. I'm not suggesting we would run that stakeholder scheme.

Christine Hallett: Are you saying that the group Sipp would be available to a certain level and above within a company?

Andy Bell: I can see where you're going. How you define it depends very much on the adviser. I think my great fear is ending up either with orphan clients who never get any service, or clients who are actually left to do it themselves but never actually bought that proposition. The reason why GPPs have worked so 'well' is that the whole process has been automatic. That is not what happens in the Sipp market and that is where I have a slight problem in reconciling the way that market is going to develop.

Christine Hallett: In the early years, I think it is only going to be viable through certain types of advisers who have a very clear mindset on where it is and where it should be positioned. I don't think the adviser who would typically install a GPP into a company and say: 'Which one is the best this week, lads? Let's put it in,' is going to be the right type of adviser. It has to be someone who wants to engage in an ongoing relationship with that company and the employees.

John Moret: "I think you can get hung up on labels. I think that we almost need to break out of the mindset of a personal pension, GPP, Sipp, or whatever"

Andy Bell: The problem I have is that every time I sit down with an adviser and say: 'Tell me what a group Sipp is,' they all have their own very clear version as to what a group Sipp is. It just differs every time you sit down with a different IFA.

David Cassidy: I come from the asset management and adviser perspective, rather than the Sipp provider perspective, and I find it difficult to get my head around why people would need to do a group Sipp as opposed to an affinity Sipp, which is a whole series of individual Sipps in a collective place – like the workplace – and where it has been used as a hopper, which I see as the immediate attraction of Sipps post pension simplication, where people can put in legacy pensions and share schemes through an adviser.

In the future, I actually think there will be two levels: one level where one-to-one advice is commercially viable and where a Sipp is used as part of the utility wrapper; and, second where, moving forward, people can use decision trees in the workplace to help them combine these different wrappers to make the most of what is available, but it is still an advised process. I do not see it happening without some form of guidance.

Andy Bell: What is the difference between that simplified Sipp product and a personal pension? Can you define the difference between the two?

David Cassidy: No.

John Lawson: The two are getting closer together.

John Moret: That is the point; I think you can get hung up on labels. I think that we almost need to break out of the mindset of a personal pension, GPP, Sipp, or whatever. I do not know what it's called, but it's sort of an open architecture type pension, which may not be trust-based, it may not be employer sponsored, it may be individual or it may be affinity – I think it is an adaptable model. Over time, I think that the distinctions will largely disappear. You may still call it a Sipp, or want to call it a Sipp, but that would be a marketing decision.

Andy Bell: "The trouble that I have, whenever I have looked at group Sipps, is deciding what they should look like"

Andy Bell: You just have to be careful not to get sucked into the whole concept of wraps where actually what you are trying to create is this dreamland that you are never going to get to. That is my fear; the utopia doesn't actually exist and everyone wants something slightly different. Trying to build a system that caters for the full flexibility and yet catering for the individual, bespoke nature of what people actually want is a challenge and possibly one too far.

John Lawson: I think you can actually get there, Andy, if you think about administration in the same way we thought about fund management. If you create an open architecture platform for administration, as well as for fund management, then you can achieve that. You can have a group scheme where you can create a virtual scheme and have lots of different administrators, lots of different choices for each individual employee that suits them, both in funds and in choice of administration.

Steve Latto: If you are an employer, it makes sense if you are trying to promote something to all employees, not just to a certain, exclusive group of employees. If you can offer something that appeals to the senior executives, yet, at the same time, for many of the other staff there is perhaps a more simple type of pension all within the one scheme, you are then creating something that is potentially more attractive to employees as a whole, whereas offering something to a certain group of employees may cause problems for employers.

David Dalton-Brown: We can make this all terribly complicated if we want to, but in our view it is quite simple. We will be promoting an open architecture solution with a range of product wrappers with this sitting alongside the existing pension scheme. Employees can then be offered a range of flexible savings options and schemes designed to support their retirement planning.

We get hung up on all this legacy terminology, but pension simplification is offering us is a way to simplify the whole thing and offer our customers a cohesive, flexible solution and that is where we're going.

Christine Hallett: A consistent definition of 'wrapper' would be helpful. It's not necessarily what you put inside the wrapper; sometimes it's what's left out.

David Dalton-Brown: Wrapper design is about developing the right solution for the customer. A wrapper can be a a Sipp or an ISA - the wrapper being the automation of the product rules required to deliver the wrapper benefits to the customer.

John Moret: If one accepts the premise of a more generic type of pension proposition, for me where it starts getting interesting is when you get into the role of an provider or an administrator, and how they actually then differentiate themselves. That leads me down the road that there is probably more specialisation at one end, and at the other end there is much more mass, but probably not that much room in the middle.

David Cassidy: What do you think that will do to charging structures for Sipps?

John Moret: That is one of the differentiators. You take a view as to where you want to play on the value chain; if you play at a niche, specialist end, then it is probably not that price sensitive. If you play at the mass market, then almost certainly price will be a big factor. Then it is about what you can deliver at an acceptable price. The benchmark now is 30 basis points. For me, price is just one of several factors.

David Cassidy: Our view is that while the Sipp market is going to grow massively, it is going to grow by having larger numbers of smaller case sizes, in the main. It seems to us that the existing market and its charging structure doesn't necessarily accommodate that.

Christine Hallett: I think pensions simplification does create an opportunity for a mass market. If you want to go after that, there will be lower volume sizes. But it also creates a massive market for the professionals who don't currently contribute to a pension scheme because they get all their bonuses; apparently in the City it has been a bumper year for bonuses. Where did that money go previously? There was an earnings cap, so it went into the next buy-to-let property. Now, the mindset is changing and people are saying: 'Actually, I could put that bonus into a pension scheme.' I think the market is going to grow on both fronts, and I don't think price is going to be an issue for the different market segments that will appear.

"The mindset is changing and people are saying: 'Actually, I could put that bonus into a pension scheme.'"

Andy Bell: It seems to me that the price of actually administering the Sipp now is almost irrelevant. The price of advice is far more relevant to anyone looking at an advice-led Sipp; even the cost of administration on a full bespoke Sipp fades to insignificance, in most cases.

If you want a DIY Sipp, then I think you find your dealing charges become the key; there are some complex charging structures out there, but, as time evolves, people will get to understand the different ways. There is no free lunch; people will understand there are different ways that the provider will earn money. I think what has happened to the Sipp market in the past few years is that there has been an acceptance of this polarisation between the two different types of Sipp. There is the full-blown Sipp and then there is a low-cost, discount version with restricted investment flexibility. People realise that there is no point in paying for flexibility that they are not going to use. The IFA can operate in both of those sectors now.

Steve Latto: I think there will be a trend towards a more differentiated service and it will be key to have the necessary investment in systems, so the IFA can access information. Also, the members themselves may want to get access to information, maybe even beyond Sipps.

If you have other pensions, or even other non pension wrapped investments, in place, you may want to be able to view your pension and investment portfolio as a whole, it is almost taken as read that the quality of the service, beyond just the investment in the administration service will be there - it is the other x amounts of things you can do on top that will count. That will start to differentiate some providers from others.

David Dalton-Brown: Absolutely. We see this as a service-led proposition and believe the changes in Sipp pricing are a very important part of Sipp development.

At the end of the day, service for advisers and service for the customers is vital. We're getting very positive feedback that platform based Sipp service is highly regarded by the IFAs and by their clients. The ability for advisers and clients to log on to the platform, get an aggregated view of their holdings across their entire range of savings wrappers, do analysis of how their asset allocation model they have set up is performing against plan, and then adjust this online, is proving very popular.

Price has moved towards an open architecture approach, which is obviously what my business is based on. In the approach we have taken, we think that the price you buy funds off the platform is what you buy on the platform; in fact, for the Sipp, we have priced the majority of mutual funds at net asset value (NAV). We provide advisers with a flexible range of fee and commission options to support the varying advice models required to support their client needs. That's our pricing strategy, simple and transparent.

David Cassidy: So, the Sipp charges are borne within the charge for the platform?

David Dalton-Brown: We live on the same margin we have always lived on.

David Cassidy: In the same way that you do with ISAs?

David Dalton-Brown: We work on exactly the same fund margin. It's a different world for most pension providers to start to think about.

Christine Hallett: What happens when they want the property, then?

David Dalton-Brown: For property there is a one-off charge.

David Cassidy: Commercial property, or any form of property, was never going to feature in our proposition. Ours are traditional financial asset products.

John Lawson: I suppose you have the whole spectrum from personal pensions at the one end, right up to full self-investment of virtually anything you want, and there are still some more exotic investments left even after the changes that the Treasury may make, which will quite possibly make administration costly. However, I think you're right.

Ultimately, if you can put clients into the proposition they want at a price that is fair at that level of use, then that is where you need to aim. I suppose there is a whole sliding scale of charges in between very expensive and very light.

Another issue to consider about wrapping is the advice costs and how that advice might be paid for. Either you can have it stand-alone, sitting outside the product altogether, or sitting outside that wrapper and just charging a separate fee. However, it is much more tax-efficient to have it within it, either coming out as a fixed amount for a certain period, which is what Standard Life has at the moment, or you could

have it across the wrapper as a percentage charge, which a lot of fee-based advisers might move to in the longer term.

David Cassidy: Percentage-based fees?

John Lawson: Yes.

Andy Bell: We learnt to our cost in the early days that an important part of any Sipp proposition is that you must structure it in a form such that you don't make the IFA beg for his supper. I think that is quite important.

John made the point before that, while the awareness in the general public has increased dramatically over the last two years – two years ago very few people knew what a Sipp was, and now you hear taxi drivers talking about them – it has however been the development in the adviser market that has been most marked, as to my mind, many pension IFAs have chosen to reinvent their business model around Sipps.

Steve Latto: On the advisory side, it will be very difficult for advisers going forward to be seen as pensions advisers or non-pensions advisers because, as we all recognise here, pensions are becoming a central part of someone's portfolio and it wouldn't be possible for an adviser to say: 'I look after this bit, but I don't look after that bit.' I think advisers are going to have to appreciate the need to cover the full range of investment options.

David Cassidy: I think you're absolutely right. Some of the models we're looking at for people in retirement, if they look at the portfolio in a pre A-day situation, and if they are running a prudent portfolio, they might have 10% cash, 50% in bonds held along the yield curve to maturity, and 40% in equities for longer term growth. It is almost like a living, transparent annuity, in a way. They have income today and growth potential tomorrow.

Those people may be setting up those portfolios for retirement at 55; that portfolio, if it is worth £200,000, might be made of £100,000 computation from the pension scheme and £100,000 in bits and bobs that they have accumulated over the years. Whether it is a DB or DC scheme, if they start to think about it at age 50 and they have headroom on both a lifetime and an annual limit of £40,000 per year, or whatever it is, they can actually get, say, £40,000 per year into their pension and substantially increase the fund and go into retirement in a situation where they have their pension portfolio and their non-pension portfolio completely aligned.

By having transferred a proportion of the non-pension assets into the pension fund using concurrency, they are substantially better off. If they use concurrency over a four to five-year period before retirement, they end up with an equity element in their portfolio of 50% higher than if they didn't do that.

If you take consensus equity market growth over five, 10, 15 years along that journey of 35 years in retirement, the repercussions of not using concurrency are massive. However, to do that you have to blend the traditional retirement assets with non-retirement assets. If you're in the business of investment advice, I find it increasingly difficult to see how, in future, the two can be separated.

John Lawson: That is the paradox that pension simplification created for advisers. It has put pension advisers in a very weak position compared to advisers who concentrated on investment advice and tax and trust planning. These guys really are in the driving seat today, and that is where pension advisers need to move to. They need to upskill to understand asset allocation and not just the tools we supply, but actually understand the job if they want to play in this market, and understand all these other tax wrappers, as well.

Christine Hallett: I am not sure I agree that the investment adviser is in a prominent position. What I have seen change is that the actual pension advisers have come into a stronger position and the investment companies have really hooked onto these pension advisers because they see them as central to their own strategies going forward.

I think for the past two years pension advisers have been playing a much greater and stronger role, and I think that will continue. Investment advisers are probably going to be weaker in the future because they do not have the technical understanding. We talk about pension simplification, but there are a lot of extra technical requirements needed from pension advisers going forward.

John Lawson: A lot of your expertise and knowledge is wiped clear on A-day.

Christine Hallett: I don't agree with that. I think pension advisers, if that's their niche, have been working and really understanding the technical issues coming out of pension simplification.

Andy Bell: We are almost talking about a battle between discretionary managers and fund platforms. If you're a client, do you want your IFA to be coming to you and doing your fund choice, or do you want your IFA coming to you and saying he'll give you a broad once-over, but bringing specialists as and when required?

John Lawson: Tax and trust planning is critical. You cannot look at a pension and say: 'That's just a pension.' Okay, you might have a professional to do the investment advice or asset allocation sitting off to the side, but who is going to do the trust planning and look holistically at the state of the money outside and inside the pension – not from an investment point of view, but from a tax and inheritance point of view?

Andy Bell: I have always viewed the best IFAs that I deal with as GPs and they bring in the specialist people around them. The discretionary fund manager is more often than not one of the spokes on that wheel. I think when small IFAs are putting themselves forward as both GP and specialist, I would question that, unless he is part of a big operation and has back office research and investment infrastructure.

David Cassidy: I think the point is that, as an individual, you shouldn't separate your pension planning from your non-pension investment planning. That has always just happened with large corporates because you joined a company as a 21-year-old and they said: 'You're in a final salary scheme.' 'What does that mean?' 'It means when you retire you get two-thirds of your final salary.' 'What does that mean?' 'You know – two-thirds of whatever you're on.' You thought: 'I'll be the boss when I retire. What's he on? That'll do me nicely,' and then you forgot about it. That sort of attitude of mind has persisted – what I get from the company, my big employer, is there, and what I do myself is here. By and large, that has been right and appropriate, but it's not from 6 April.

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John Lawson: What is really fundamental for this corporate market is that advisers get into it. In the States, we have had disasters like Enron, where people invested their retirement savings in that one company and transferred their personal assets and shares in their employer into their pension fund. That was 401(k), and it died with them, along with their employment.

That should not be allowed to happen here, but there isn't an adviser in that space at the moment because the GPP advisers advise employers and the scheme is installed; very rarely do employees get further advice, or any advice, at base level. Now, the advice theoretically becomes a lot simpler because it's more about asset allocation in the future, but if you could find a way to cut down the regulation…the regulator should get a bit easier with that and allow almost a different sort of animal to exist that stopped people from doing stupid things financially.

Steve Latto: One of the key transfers in terms of ISA to Sipp will probably occur in the 50-plus age group, and probably the key group there will be those people who are worried about the lifetime allowance and not being able to predict when they're 30 how their lifetime allowance is going to increase or how their investments are going to grow, and they're not wanting to play that guessing game. They are going to transfer in assets at the last moment so they know they have up to the maximum without necessarily being taxed. That's possibly the greater likelihood in terms of transfers of assets into Sipps.

John Moret: It's very difficult to know who the winners are actually going to be – around this table we have representatives from small and big companies, investment houses and life. I am really not sure – maybe everyone will win.

Andy Bell: If you look at it another way, who will the losers be? In the Sipp market, if you are an insurance company player sitting around this table, you would be feeling very nervous. I think for the rest of us there is more than enough to go around. We all have our little space in which we operate. There is actually a supply shortage in the Sipp market. It is the losers who are more important than the winners. There will be lots of winners, but the losers are the people in the traditional market already who cannot react.

Steve Latto: I don't think there will be a big bang on A-day. I think we're starting to see new business levels grow, and I imagine that will continue to A-day and beyond because it's going to take individual time to get their heads around the changes. For the next few years, I see new business levels continuing to grow for us all.

David Dalton-Brown: In this current quarter, people are just tidying up because they have to get ready for A-day. The real activity we see starting to happen in Q2 and Q3, which is when we expect to see the market start to really move forward, once the pension advisers clear the decks from advising their clients about what they should do prior to A-day. We are already talking to advisers about campaigns and how we can support them post A-day.

David Dalton-Brown: "The real activity we see starting to happen in Q2 and Q3, which is when we expect to see the market start to really move forward"

John Moret: I am sure that in Q2 you're going to see a whole raft of new products coming out of the life companies in particular. What will be really interesting will be looking inside the can at what is in there. I think they will all be dressed up as Sipps in some way, shape or form, but when you get deeper I suspect a lot will be revamped personal pensions.

Matthew Craig: Has the way the government handled the regulation issue and protected rights created any problems? Are you looking forward to April 2007, or will it be a non-event?

John Lawson: I've been speaking to the Department for Work and Pensions (DWP) about this and they clearly haven't made up their mind; they're waiting to see what comes out of Turner, as well as the consultation the Treasury launched and then closed last year on regulating personal pensions, which I don't think is the right answer to the problem.

They are also waiting to see what the Financial Standards Authority (FSA) comes out with as a consequence of that; their consultation is out in April this year on how they might regulate. However, I think regulating personal pensions isn't an answer; it's an activity of regulating member-directed investments, which I think they ought to have arrived at, because you can create schemes which are not personal pensions in law, but which look like Sipps.

Any employer after A-day can create their own scheme, offer that to the public and package it like a Sipp, and that is not covered by the consultation. That is essentially an occupational scheme. There is a huge risk that you could have back-street operations, and that is an enormous risk sitting there, which is not covered.

John Lawson: "Any employer after A-day can create their own scheme, offer that to the public and package it like a Sipp, and that is not covered by the consultation"

Andy Bell: It was certainly our view, and there were probably quite a few people who disagreed, but I felt the regulated activity should actually apply to small occupational schemes as well. It's ridiculous to separate the two.

Christine Hallett: You're absolutely right.

John Moret: If we accept that going forward the barriers are going to come down, and to some extent a pension will be a pension, regardless of whether it is a commodity or niche product, then it seems you first have to decide what you're going to regulate, and if you're going to attempt to regulate a product, then you have to regulate all the products that fit the same model. At the moment, we have a dog's dinner with life company Sipps; trust-based Sipps, some parts of which can be regulated; and then smaller occupational schemes completely outside it.

That cannot be healthy going forward, and it leads to confusion. If you think about treating customers fairly, that cannot be sensible. I'm sure they will take action, but quite what action they take…personally, I think they will go to a packaged product type solution. That's the easy one, but I think that has big implications.

John Lawson: What do you think it will do for smaller Sipp admin houses if they have to provide regulatory capital and comply with proper complaints processes?

Andy Bell: It's going to drive them back into the small self-administered scheme (SSAS) market and through the Sipp market through the back door.

Steve Latto: The government really needs to get an understanding of the pension market as it appears to be developing. They really need to know where pensions are heading so they can appreciate what they need to do in terms of regulation.

If you have any comments on this roundtable, please email pensions.management@ft.com