

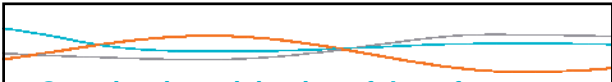


NEST

Actuarial Pensions Conference 2010
Workshop A3
Wendy Beaver, PADA

10 June 2010

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helping pensions look
for their retirement

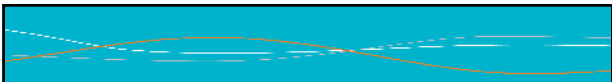


Overview in anticipation of the reforms remaining on track

- Why reform workplace pensions?
- Changes to workplace pensions
- Why NEST?
- Delivering NEST – update on progress
- Priorities and next steps

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Why reform workplace pensions?

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The case for pension reform

- Today people in the UK can expect to live longer than ever before
- The number of pensioners will almost double by 2050 (ONS National Populations Projections 2008)
- Relatively fewer people working to support the growing numbers of retired people
- Creates long-term challenges for our pension system

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Changing demographics

Figure Ex. 1 Impact of the 1940s-1960s baby boom on the old-age dependency ratio



Source: Pensions Commission analysis based on a synthetic model of the England and Wales population.

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The Pensions Commission

- 2003-2005 Pensions Commission reviewed the UK pensions system and made recommendations
- Pensions Commission found:
 - up to 12 million people not saving enough for retirement
 - State Pension could not meet this challenge
 - taking no action would lead to an unaffordable burden on taxpayers

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Pensions Commission recommendations

- Fairer and more generous State Pension coverage
- System of automatic enrolment into pension saving
- Minimum employer contribution to workers' pensions
- New, national pension scheme designed to provide a simple and low cost way of saving for low-to-moderate earners

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Changes to workplace pensions

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Overview on what's changing

- Pensions Act 2008 makes changes to workplace pensions
- All eligible jobholders must be automatically enrolled into a workplace pension scheme that meets certain legal standards, unless they are already in a qualifying scheme
- The qualifying tests for pension schemes will be set by government
- Duties fall on largest employers first, micro employers will have up to September 2016

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Why NEST?

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Why a national scheme like NEST?

- Recognised lack of workplace pension provision for low-to-moderate earners
- All employers need access to a pension scheme to fulfil their new duties – some employers would not be able to get a scheme from existing providers
- The Pensions Commission believed a national pension was among the simplest and lowest cost options
- As a large scale, national scheme, NEST can take advantage of economies of scale to deliver at low cost

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The role of NEST

- NEST will be one of the pension schemes employers can use to meet their new duties
- NEST is being developed to complement existing provision
- NEST is being designed specifically for low-to-moderate earners – a section of the market not well catered for by existing provision
- NEST will have the interests of these individuals at its heart

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The scheme proposition: complementing existing provision

Focused on its target market...

Restrictions on
transfers
Contribution cap
Designed to be easy
to use
Clear
communications
Simple fund choice
Enduring
membership
Portability

...with many attractive features...

Open to any employer
Scale and portability
Low charge irrespective of
member profile
'e' from the outset
A trust run in members
interest *without* creating
burdens for employers
...self financing in the
long term...
No employer subsidy

...that will work in a variety of contexts

Sole scheme
Foundation scheme
Entry scheme

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The 2012 landscape

The Pensions Regulator – employer compliance and
regulation

Existing DB
and DC
schemes

New DC
automatic
enrolment
schemes

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Delivering NEST – update on progress

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Building for a target market

- There are a number of unique features to ensure NEST focuses on low-to-moderate earners
- Annual contribution limit – £3,600 in 2005 earnings terms, to be updated before the reforms are introduced in 2012
- NEST can only accept transfers in or out in very limited circumstances
- NEST public service obligation – open to any employer that wants to use it to meet the new duties for any of their jobholders

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Building for target market continued...

- Developing the scheme's proposition to ensure it works for low-to-moderate earners and their employers:
 - low charges irrespective of member profile
 - trust-based with emphasis on good governance
 - investment approach specifically for low-to-moderate earners
 - delivered largely online, non e-services as needed
 - low administration costs
 - approachable brand with clear and easy to understand communications

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Overview

- Brand name and logo announced in January 2010
- NEST Corporation Chair Designate recruited in January 2010
- Trustee Member Designates recruited in March 2010
- Scheme order and rules published in March 2010
- Charging announcement in March 2010
- Scheme administration procurement completed March 2010
- NEST Corporation in place by July 2010
- Scheme launch with low volumes in 2011

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The NEST brand

- Announced January 2010 – NEST is the new permanent name of the scheme
- Brand received positively by a broad range of stakeholders
- Name and logo developed after extensive programme of research with 3,200+ jobholders, employers and people who advise employers
- www.nestpensions.org.uk is the permanent home for NEST, which will be launched in 2011
- The trustee corporation will be known as NEST Corporation and established on 5 July 2010 when PADA will be wound up

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Funding NEST

- The Government has announced that it will make a loan to NEST to cover costs, ensuring it is delivered at no overall cost to the taxpayer
- The suggested funding arrangement will ensure the successful establishment of the scheme at low cost
- Exact amount of the loan depends on the final costs incurred by and volumes of members who join NEST
- Exact terms of the loan are being developed – final terms cannot be agreed until NEST Corporation is up and running and Trustee Members are in place after July 5th 2010

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Scheme administration contract

- Scheme administration contract awarded to Tata Consultancy Services (TCS) in March 2010 (Contract Set B)
- Two stage contract – first stage until October 2010
- Decision on whether to proceed with the contract for the remainder of the 10-year contract term after the first stage expires
- TCS successfully completed proof of solution experience
- All public-facing elements of scheme administration will be in the UK
- Scheme administration contract includes:
 - member enrolment, collection of contributions, account management and accessing savings
 - employer participation
 - passing funds to fund administrator

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Priorities and next steps

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Scheme launch

- Ongoing awareness building of NEST
- Scheme will launch with low volumes in April 2011
- A number of volunteer employers of different sizes and sectors will participate ahead of the onset of employer duties
- PADA is currently working with intermediaries to recruit employers
- NEST will be open for business from April 2011

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Communicating with our audiences

- We are committed to communicating clearly with our target audiences
- NEST will be jargon-free where possible
- Ongoing research into the vocabulary that NEST will use
- We use panels of employers and jobholders to test our communications

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Next steps for NEST and its stakeholders

Next steps for NEST

- Wind-up PADA
- Transition to NEST Corporation
- Work towards low volume launch of NEST in 2011

Employers

- How will you meet your duties?

Advisors

- Are you familiar with the options for your clients?

Future members

- Find out more about NEST at www.nestpensions.org.uk

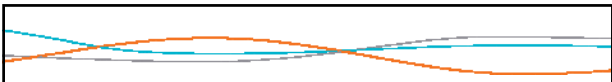
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More information

- Key facts and Myth buster
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