

The Actuarial Profession
making financial sense of the future

Highlights of the 2009 life conference
Maggie Craig and Paul Shallis



Agenda

- Brief introduction to workplace pension reform and the National Employment Savings Trust (NEST)
- Opportunities and threats for pension providers
- The view of the ABI

History

- November 2005: 2nd report of Pensions Commission proposed establishment of National Pensions Savings Scheme into which all employees without good existing provision would be automatically enrolled
- December 2006: Personal accounts: a new way to save presented by John Hutton, DWP to “encourage and enable greater private pension saving” including the establishment of a “new national low-cost personal pension vehicle for those currently without access to a good quality workplace scheme”.

Pensions Act 2008

- Reforms aim to make saving for retirement the norm – 7 million not currently saving enough
- Auto-enrolment from 2012 (phased) – employers will have to put eligible workers into scheme that meets criteria and make minimum contributions
- Minimum contributions:
4% employee + 3% employer + 1% tax relief = 8%

Qualifying workplace pensions

- NEST is national low-charge independent workplace pension scheme
- Employers can choose NEST or another qualifying workplace pension scheme.

National Employment Savings Trust

- Trust based occupational pension scheme
- Designed to meet auto-enrolment requirements specifically for low to moderate earners
- Run by not-for-profit trustee corporation – the NEST Corporation
- Easy and low cost for employers to administer with low charges for members
- Ready for the onset of employer duties in 2012.

Impacts on insurers

Threats

Opportunities

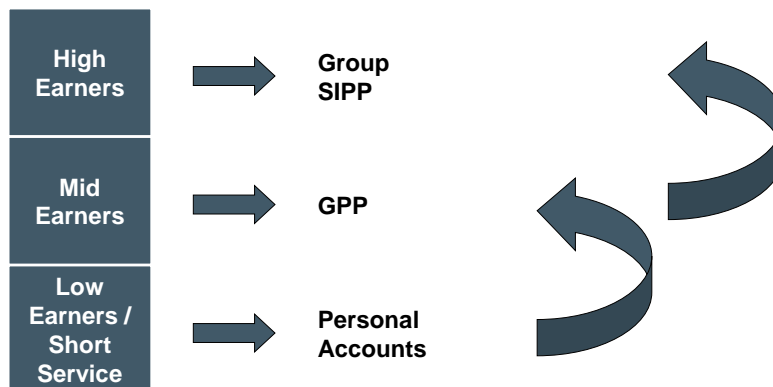
Threats

- Existing (individual) regular premium pensions business – members switching to NEST or employer's scheme
- Re-broking of existing pension schemes and new pension schemes – competition from NEST

Opportunities

- Auto-enrolment for existing schemes – impetus for take-up
- Scheme structuring – concentration on profitable business

Scheme structuring opportunities



Opportunities

- Auto-enrolment for existing schemes – impetus for take-up
- Scheme structuring – concentration on profitable business
- Decumulation - providers on annuity panel
- NEST scheme administrator

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The view of the ABI

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NEST (Personal Accounts)
Understanding the impacts
on insurers

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