




nest

**National Employment
Savings Trust
pension scheme annual
report and accounts**

2016/17

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“A good retirement for me would be being comfortable in my own home, eating good food and being around the people I love... maybe a holiday every now and again.”

Perry Goodwin
Veterinary care assistant,
Spring Lodge Veterinary Hospital

A photograph of an office desk with several drawers, a keyboard, and a monitor. The image is overlaid with a large orange circle containing the text '1. Trustee's report'.

1. Trustee's report

I. I Chair's introduction

As auto enrolment extends from large to small and micro employers, even more people are experiencing pension saving for the first time. I am honoured to be a part of that movement.



Otto Thoresen
Chair, NEST

I am now over two years into my tenure as Chair of NEST Corporation, so this is a very appropriate point to reflect both on the progress of NEST to date and also on the challenges that still lie ahead for us.

The year 2016/17 has been the busiest so far for NEST, with over 243,000 new employers and 1.6 million new members joining the scheme. Our volumes point towards the success of the auto enrolment policy so far, with more people now saving into a pension scheme than ever before and many of them using our scheme. We currently see over 1,000 employers signing up to our scheme every day. As of 31 March 2017, over 327,000 employers had set up a NEST account and we had a total of 4.5 million members. For breakdown see Key figures on page 12. But the job is far from done.

In 2017/18, the Pensions Regulator estimates that as many as 539,000 more employers will stage, and based on our experiences in 2016/17, we expect many of them to use NEST to do so. That means 2017/18 could be our busiest year by a considerable margin. We will continue to work with our scheme administrator, Tata Consultancy Services (TCS), to set objectives that reflect those increasing volumes and monitor progress against them.

Many of the employers that enrolled with NEST this year had no previous experience of workplace pensions. We support them by making NEST intuitive and straightforward to use, and over 85 per cent of new employers signed up online to use the scheme this year without needing any additional help from us. Our programme of continuous improvement; the success of NEST Connect, our online hub for intermediaries, and the development of web services that link with payroll products have all contributed to NEST's ease of use. We will further adapt and enhance those services over time based on the data that we gather about how employers, members and third parties use our systems.

Investment

As our membership grows and the contributions that our members make increase, we are prepared for NEST to become a multi-billion pound pension scheme, building on our current £1.7 billion assets under management. With the lifting of restrictions on transfers in and out of the scheme from 1 April 2017 and the removal of the NEST annual contribution limit on the same date, we are now in a position to help members consolidate their existing pension savings and maximise their retirement pots in future.

“Many of the employers that enrolled with NEST this year had no previous experience of workplace pensions. We support them by making NEST intuitive and straightforward to use.”

Despite volatile conditions in 2016/17, we're pleased to report that investment performance has remained strong. We reached our five year investing anniversary this year and the long term returns for members are comfortably on track.

As we grow, we continue to look with great rigour at the sophistication of our investment risk management and to develop our position as a responsible investor. To that end, we have further

diversified our investments by issuing a mandate for a high yield bond fund. We have also worked with our developed equities fund manager, UBS, to create the UBS Life Climate Aware World Equity Fund. This was introduced in February 2017 and is now a key part of the default strategy in our Retirement Date Fund structure. The fund addresses climate change risk by 'tilting' its investments in favour of companies that are working towards a low carbon economy and reducing exposure to those that are heavy carbon emitters, have reserves of fossil fuels or are not making changes to meet emission reduction targets.

In August 2016, we published our first responsible investment report, *Working for Change*. This reported to members on our performance as a responsible investor as well as offering all of our stakeholders a forward look on our responsible investment and environmental, social and governance (ESG) priorities for the future.

Governance and assurance

Strong governance is at the heart of NEST. During the course of this year, the Trustee has continued to focus on ensuring a robust and established scheme for both employers and members. Alongside this, it has ensured the scheme fulfilled its public service obligation to allow any employer to choose NEST to meet its auto enrolment duties. The Trustee's

actions during the year have included approving the *Value for Members statement*, clarifying principles on Trustee decision-making and approving new chairs for the Employers' and Members' panels. Further detail of our governance framework is available on page 33.

It's important that we do all we can to build and safeguard confidence in pensions for the new generation of savers that auto enrolment has created. Robust risk management that is clearly implemented is a key part of this goal, as is the need for the industry to obtain comprehensive assurance on the effectiveness of its operations. NEST has completed its third AAF 02/07 report under the master trust assurance framework, developed by The Institute of Chartered Accountants in England and Wales (ICAEW) and The Pensions Regulator (TPR). These reports provide an independent assessment of the continued effectiveness of the design and operation of the internal control structure of the NEST pension scheme.

We believe we are well prepared for the new Pensions Schemes Act, which is designed to bring more rigour to the master trust market as a whole. Exact details of the new regulatory regime are still emerging and we'll continue to monitor developments and collaborate with government now that it has passed through Parliament.

“It's important that we do all we can to build and safeguard confidence in pensions for the new generation of savers that auto enrolment has created.”

Looking ahead

During the year the Department for Work and Pensions (DWP) undertook a call for evidence, *NEST: evolving for the future*, which drew on the proposals detailed in the *NEST retirement income blueprint* published in 2015. NEST welcomed the response to the call for evidence which reinforced our view that more appropriate retirement income solutions need to be developed for those with modest pension pots. We look forward to working with providers to ensure that the needs of our members can be met. As a first step we now provide the option for members to withdraw multiple cash lump sums.

The next and equally big challenge for government and all of those involved in providing pensions savings is to make sure that people are not just saving into a pension, but saving enough to fund a good quality retirement. We're pleased to be contributing to the government's review of auto enrolment in 2017 and to be able to share our insights into the progress of the policy so far.

We've a responsibility to continue to contribute to government and other consultations on wider debates in pensions that affect our members. Over the course of 2016/17, NEST responded to the following consultations:

- The Financial Conduct Authority's consultation on *Transaction costs disclosure*
- HM Treasury's consultations *Introducing a pensions advice allowance* and *Strengthening the incentive to save: consultation on pension tax relief*
- ICAEW consultation on *Assurance reporting on master trusts*
- The DWP's call for evidence *NEST: evolving for the future*

Our responses to these can be found on NEST's website*


I'd like to take this opportunity to thank all of the NEST Trustee Members, our Employers' Panel and Members' Panel for their hard work this year. I'd like to extend my gratitude to Nigel Stanley and Sharon Darcy who stepped down as Trustee Members during 2016/17 and to Paul Jagger who stepped down as chair of our Employers' Panel. I was also pleased to welcome Tomas Carruthers and Ron Jarman as they took up their Trustee Member positions. I am very grateful for the expertise and positive spirit shown by all of our Trustee Members and Panel members. I look forward to working with them as effectively in the second half of my tenure as I have through the first. The Trustee remains completely committed to helping NEST to deliver the best possible retirement outcomes for all our members.

*www.nestpensions.org.uk/schemeweb/NestWeb/public/support/contents/library.html

1.2 Scheme development

Introduction and constitution

The NEST pension scheme, or ‘the scheme’ as we will call it throughout this report, was established by the National Employment Savings Trust Order 2010, known as ‘NEST’s Order’. This came into force on 5 July 2010. The *NEST Rules* document sets out how the scheme is designed and operates. Together these two documents make up NEST’s Order and rules and comprise the legal framework that governs NEST. The scheme is a registered pension scheme for tax purposes under the Finance Act 2004 and was registered with HM Revenue & Customs on 21 January 2011. As such, most of the scheme’s income and investment gains are free of direct taxation.



“Managing NEST is so easy, it is so straightforward. It’s literally just a matter of logging in, uploading information and pressing a button. It’s very easy, it’s very simple.”

Angela Clay
Managing director, HR:4UK

Key figures as at 31 March 2017

Active and inactive numbers

31/3/2017

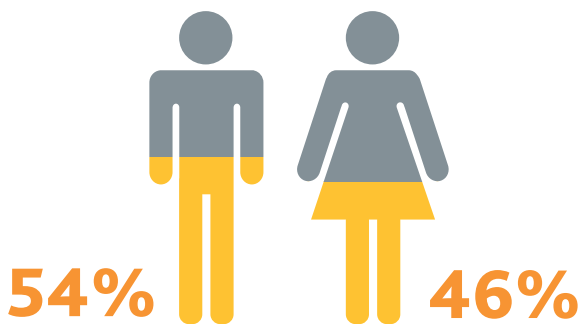


31/3/2016



* Active members are either having NEST contributions managed by their employer or are self-employed. This excludes members that may have either left the employer that enrolled them, chosen to stop contributing or been transferred to a different provider by their employer.

Member numbers split by gender

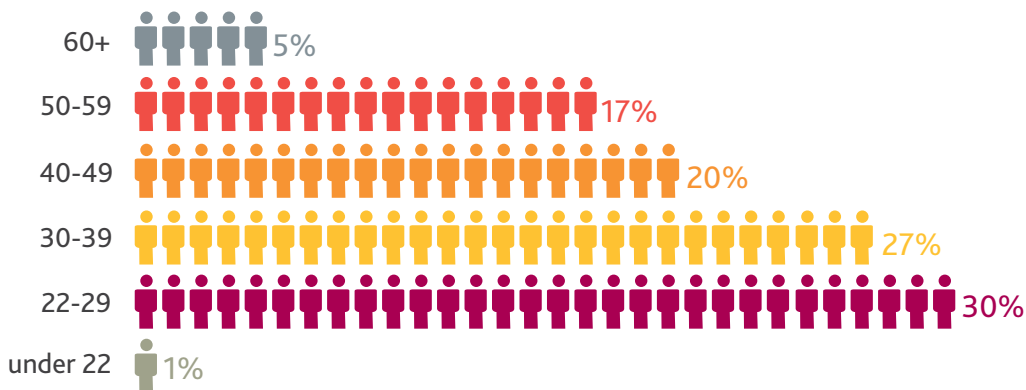


*0.0003% of our membership have not been assigned a gender by their employer

Assets under management



Member numbers split by age

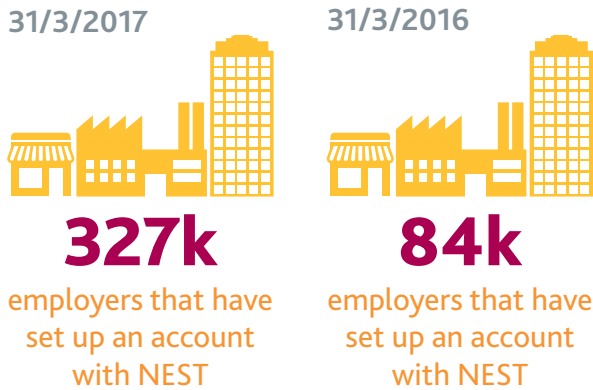


Opt-out rate by age

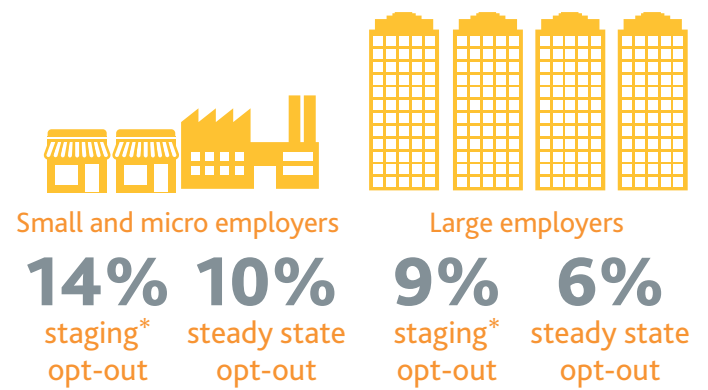


Overall opt-out rate: 8%

Number of employers using NEST



Opt-out during staging period compared to opt-out since

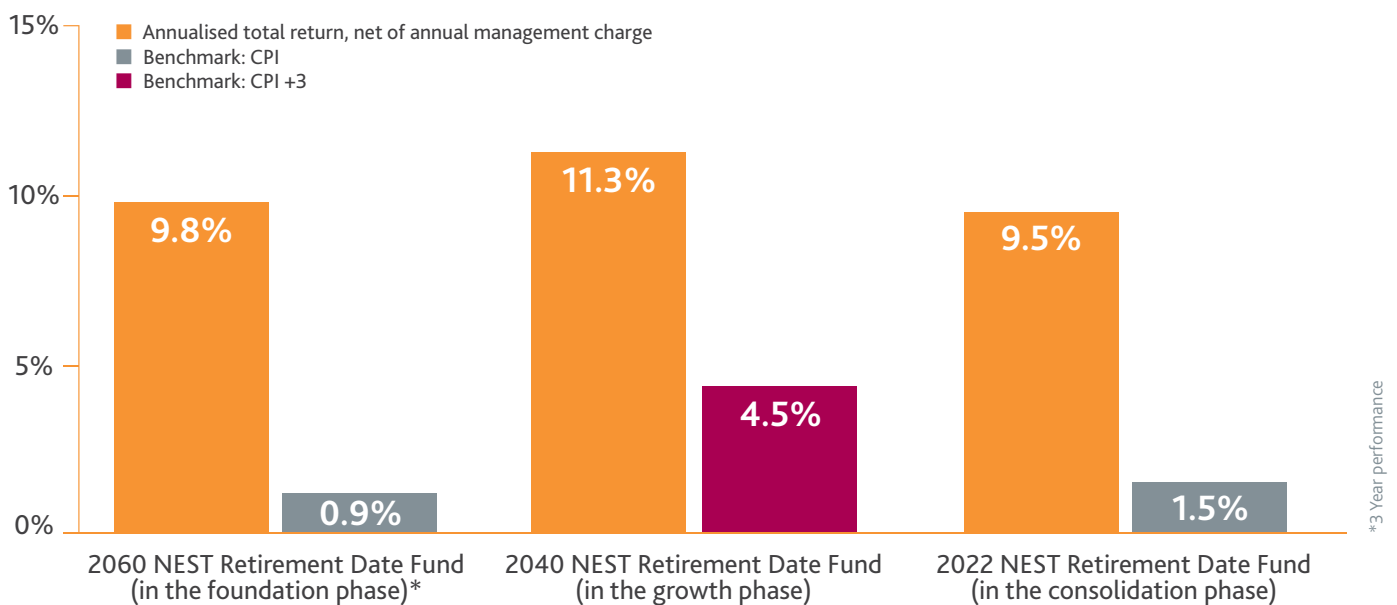


*The staging period for an individual employer includes the month their staging date falls due and the associated waiting period. This equals 3 months in total.

Contributions (April 2016 -March 2017)



Annualised five year fund performance to 31 March 2017



Trustee and Trustee Members

NEST Corporation is the Trustee of the NEST pension scheme. The Trustee has a Chair, a Deputy Chair and 10 other Trustee Members whose profiles are on page 20.

Advisers, banks, custodians and others retained by the Trustee

Scheme administrator	Tata Consultancy Services
Investment funds administrator	State Street Bank and Trust Company
Bank	NatWest (joint tri-party contract between NatWest, NEST Corporation and Tata Consultancy Services)
Investment managers	Amundi Asset Management BlackRock BMO Global Asset Management HSBC Global Asset Management State Street Global Advisers UBS Global Asset Management Legal & General Investment Management Royal London Asset Management Northern Trust Global Investments
Lawyers	Eversheds Sutherland LLP Shakespeare Martineau LLP Travers Smith LLP
External auditors	KPMG LLP
Internal auditors	Ernst & Young LLP
Assurance reporting accountants	KPMG LLP

Membership

The membership in the year grew as follows:

	Year ended 31 March 2017 (000's)
Members at the beginning of the period	2,992
New members enrolled ¹	2,077
Dual enrolments ²	(300)
Members opting out	(173)
Cancelled enrolments ³	(31)
New members joining in the period	1,573
less	
Members retired	(9)
Members deceased	(1)
Members at the end of the period	4,555

¹These are new members enrolled by employers and self employed registrations for the reporting period. This includes members who are subsequently de-enrolled or opted out in the same period.

²These are members who have been enrolled in the NEST Pension Scheme by more than one employer.

³These are members who have been erroneously enrolled by an employer and subsequently de-enrolled by that employer.

The total number of members at year end includes 3,331 who are self employed.

Contributions and charges

Employers choose a contribution rate which must match or exceed the minimum amounts set by the Secretary of State for Work and Pensions. The employer also decides how the contribution rate will be divided between employer and scheme member.

Currently the minimum rates are 1 per cent for employers and 1 per cent for members. From 6 April 2018, contribution rates will increase to a minimum of 2 per cent for employers and 3 per cent for members.

For the NEST pension scheme in 2016/17 the total annual contribution per member was limited to £4,900. From 1 April 2017, that contribution limit was removed.

Employers set a payment frequency for making contributions and their payment due date for each payment period. Employers then make payments each period by that date. This is known as a contribution event. If the scheme does not receive both a contribution schedule and a payment to match this schedule, we investigate the status of the payment with the employer.

If member or employer contributions are not paid on time and we have reasonable cause to believe that the late payment is material, the Trustee must report the matter to

the Pensions Regulator (TPR) and to the member concerned within a reasonable period after the due date. During the year 1.0 per cent of contribution events (1.1 per cent in 2015/16) were reported to TPR. That equates to 46,250 such reports in 2016/17, compared with 5,900 in 2015/16. A communication is sent to those members who are affected.

The scheme makes a 0.3 per cent annual management charge (AMC) on the total value of a member's pot, plus a 1.8 per cent charge on each new contribution as they are made. For the contribution profiles of most NEST members, these charges are broadly equivalent to a 0.5 per cent AMC over the period of saving with us. Our charges conform to the rules on charge caps set by the government.

Taking money out of the scheme

NEST supports members at retirement using appropriately tailored information and simple processes. When a member gets close to their selected retirement age, we give them information on their options for taking money out of the scheme.

These include:

- taking the whole pot as cash, where regulations permit
- transferring to another registered pension scheme

- transferring to a retirement income provider with or without a cash lump sum
- using uncrystallised funds pension lump sums to make multiple cash withdrawals over multiple years. This option was introduced in autumn 2016.

Retirements and transfers

There were 9,341 retirements during the year. A total of 9,048 members exercised the cash option because their pot size was small and 202 members transferred out. The remainder either retired on the grounds of serious ill health or opted to take a retirement income via an annuity.

Once a member has taken all of the money out of their retirement pot, they leave NEST and the scheme has no further responsibility to them.

There were 489 transfers in during 2016/17, as a result of pension sharing on divorce (PSOD) and short service refunds. Until 1 April 2017, transfers out could only occur in the case of PSOD or serious ill health claims.

Deaths of scheme members

Members of the scheme can nominate who they would like to receive their retirement pot should they die before taking their money out of NEST. Typically, the nominee is a family

member, but it could be a combination of people and organisations, such as charities.

Nominations are legally binding and the scheme will pay the pot to whoever the member has nominated in the case of the member's death. Where the scheme has received no nomination, funds are paid in line with the NEST rules, which are published on our website.

The scheme does not provide members with death in service benefits other than the retirement pot.

There were 1,462 member deaths during 2016/17.

Looking ahead

The Pensions Regulator expects between 395,000 and 539,000 small and micro employers to stage in 2017/18 and NEST estimates that this will drive its largest staging volumes to date. Small and micro employers have varied experience of providing a pension for their workers and many will be doing so for the first time. We know from our experience in 2016/17 that our proposition is simple and easy to use and we are confident that we will continue to provide an excellent self-service offering for them.

NEST will also be talking with large employers who are reviewing their auto enrolment arrangements and carrying

out re-enrolment, which they are obliged to do every three years.

After 1 April 2017, members were no longer subjected to restrictions on the contributions they could make into the scheme, previously £4,900. From the same date, they were also able to transfer funds in from other pension schemes and make transfers out from the scheme. We've worked with Tata Consultancy Services (TCS) to add new functionality and capacity in readiness for these changes.

Our priorities to help employers

We've designed our systems and processes to make them as straightforward as possible for employers to use. This includes supporting employers using our website directly, integrating via their payroll and/or using an intermediary to manage their auto enrolment pension provision through NEST.

The role of NEST Connect, our online hub, in enabling employers and delegated representatives such as advisers, payroll and accountants to easily enrol with NEST will continue to be a key part of our support for small and micro employers. Our web services have delivered integration with payroll software.

In 2016/17 we have:

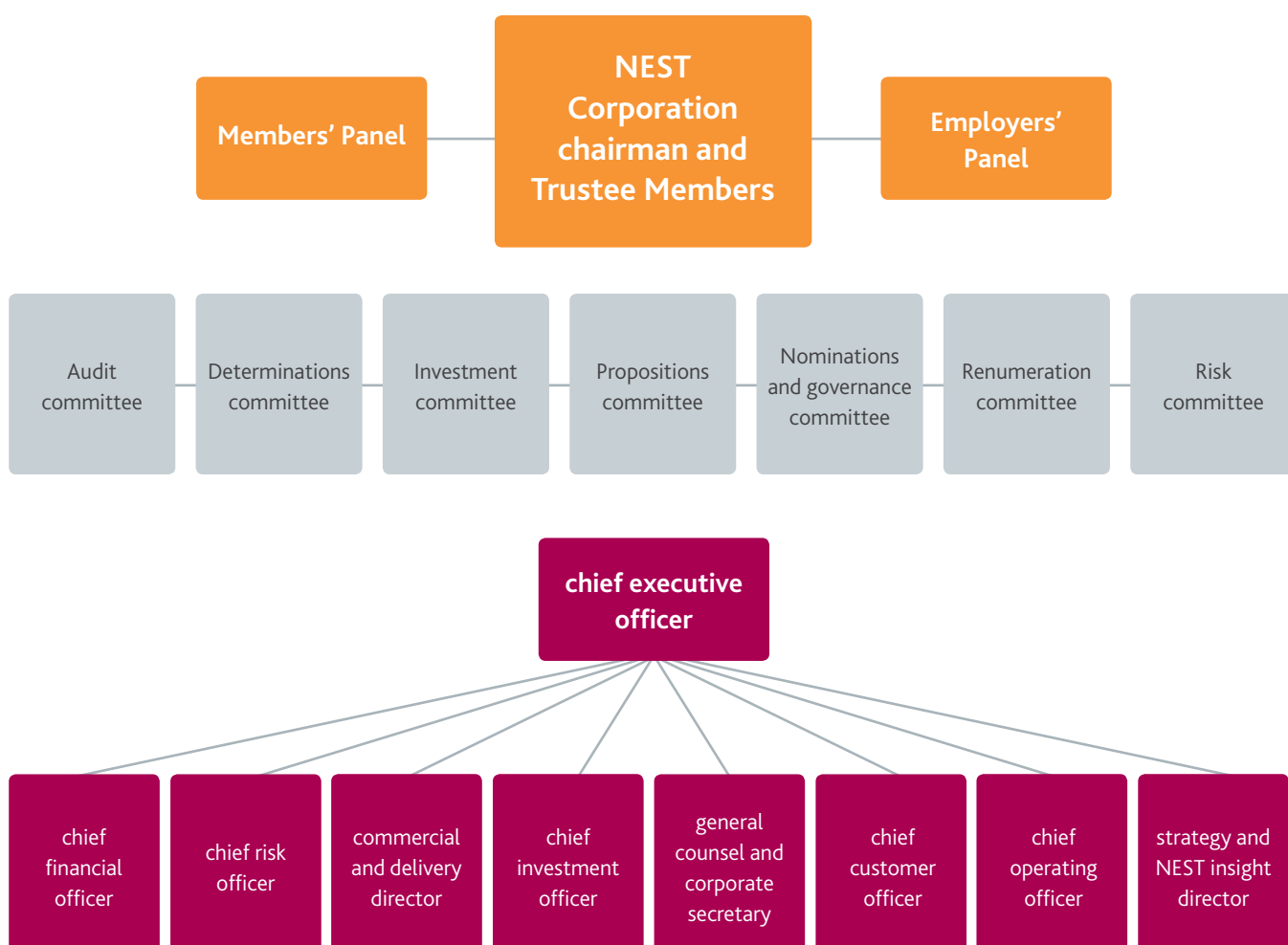
- developed our solution and scheme operations to support the current and increasing volume of employers and members joining the scheme, particularly small and micro organisations
- continued to work with the payroll community
- continued to develop our communications for employers
- focused on maintaining and strengthening internal controls and building an organisational culture that supports its delivery
- ensured that NEST is well placed to respond to changes to its rules, particularly the removal of the contribution limit and the ability to transfer money in and out of the scheme.

1.3 Report on governance

Chair's governance statement for the year ending 31 March 2017

This governance statement has been prepared in accordance with the provisions of Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

Organisational structure



Executive board

Biographies of the executive board are available on the NEST website at nestpensions.org.uk/schemeweb/NestWeb/public/aboutnestcorporation/contents/executive-team.html

Trustee members



Otto Thoresen

Chair, NEST Corporation (from 1 February 2015)

Chair, nominations and governance committee (from 1 February 2015)

Chair, determinations committee (from 1 February 2015 to 24 March 2016)

Otto has extensive experience in pensions, insurance and consumer roles across a range of private and public sector organisations including Royal Insurance, AEGON and charities, StepChange and St Mungo's. Otto became chair of NEST Corporation on 1 February 2015.



Tom Boardman

Trustee Member (from 1 April 2010)

Deputy chair (from 1 June 2014)

Tom's 40 years' experience in pensions and insurance includes executive roles at Prudential and Nationwide. He is a senior advisor at the Financial Conduct Authority, a Fellow of the Institute and Faculty of Actuaries, honorary visiting professor at the Cass Business School, and a governor of the Pensions Policy Institute.



Iraj Amiri

Trustee Member (from 20 June 2011)

Chair, audit committee (from 1 April 2014)

Iraj led the National Internal Audit Group at Deloitte LLP, where he was a partner. He's a non-executive director and chair of the Audit Committee at Finance Wales and a member of the Regulatory Decisions Committee of the Financial Conduct Authority (FCA) as well as chair of the Audit and Risk Committee for the Institute and Faculty of Actuaries.

Ian Armfield

Trustee Member (from 1 April 2014)

Ian has worked in the investment and pensions sector for more than 25 years, principally as an audit and risk assurance partner with PricewaterhouseCoopers LLP until 2011. His other non-executive roles include being a director of Keystone Investment Trust plc and Managed Pension Funds Limited.



Graham Berville

Trustee Member (from 1 June 2014)

Chair, propositions committee (from 20 July 2015)

Graham held executive roles with the Automobile Association (AA), Aviva plc and Police Mutual. He also worked with the Association of British Insurers and was chair of the Association of Financial Mutuals. Graham is chair of the LV= With-Profits Committee, a Trustee of Yorkshire Cancer Research and a senior independent advisor for BDO LLP.



Sally Bridgeland

Trustee Member (from 1 April 2015)

Sally is a non-executive director of Royal London Group, Impax Asset Management and the Local Pensions Partnership, a senior adviser with Aviva International and a pension scheme trustee at Lloyds Banking Group. She was formerly the chief executive officer and trustee of the BP Pension Fund. Sally is the founder of Executive Shift, a charity supporting senior-level flexible working.





Tomas Carruthers

Trustee Member (from 1 July 2016)

Tomas is chief executive officer of the Social Stock Exchange. He was previously chief executive officer of Interactive Investor plc, which he founded, and managing director of Moneywise and Moneyobserver Publishing Ltd. He was treasurer and trustee of the Institute for War and Peace Reporting and is an ambassador for the children's charity Home-Start as well as a trustee of the Tom Bowdidge Foundation.



Carolan Dobson

Trustee Member (from 1 April 2014)

Chair, investment committee (from 26 April 2014)

Carolan is an experienced trustee and non-executive director with a background in asset management. She is chair of Blackrock Latin American Trust plc, Brunner Investment Trust plc, JP Morgan European Smaller Companies Trust plc and chairs the ISC at the London CIV. She also works as an adviser to the Competition and Markets Authority.



Ron Jarman

Trustee Member (from 1 July 2016)

Ron is a senior member of Proxima's Consulting practice, where he specialises in process and performance improvements including supplier risk management. Ron is a board trustee for World at Play, a charity that enriches the lives of marginalised and refugee children through sport and play, and is part of the Kashmir Fellowship.

Caroline Rookes

Trustee Member (from 1 April 2015)

Chair, remuneration committee (from 19 June 2016)

Caroline has recently retired as chief executive officer of the Money Advice Service. Her previous positions include director of private pensions at the Department for Work and Pensions where she led a landmark reform of the UK's private pension regime introducing auto enrolment, and director of savings pensions and share schemes at HMRC, where she was responsible for a reform of the pensions tax regime.



Karen Silcock

Trustee Member (from 1 April 2014)

Chair, risk committee (from 15 April 2016)

Karen worked for Deloitte LLP, advising on insolvency and restructuring, and as a partner in the firm's risk management team. She also held the position of joint chief risk officer. Karen's portfolio has included non-executive director roles at the Office for Legal Complaints (OLC), a regional Wildlife Trust and advisory work with The High Street Fund.



Jill Youds

Trustee Member (from 1 April 2015)

Chair, determinations committee (from 24 March 2016)

Jill is chair of the Judicial Pensions Board for the Ministry of Justice and also of the Northern Ireland Judicial Pensions Board. She is chair of the trustee board for the National Assembly for Wales Assembly Members' pension scheme and also chair of trustees for the Legal Services Commission pension scheme.





Nigel Stanley

Trustee Member (from 20 June 2011 to 19 June 2016)
Chair, remuneration committee (from 1 April 2015 to 19 June 2016)

Nigel is now chair of NEST's Members' Panel. He was head of campaigns and communications at the Trades Union Congress from May 1997 to 2016, where he led much of the TUC's work on pensions reforms.



Sharon Darcy

Trustee Member (from 20 June 2011 to 19 June 2016)
Chair, risk committee (from 25 April 2013 to 15 April 2016)

Sharon is a qualified accountant with a background in the consumer movement. She has held board positions with energywatch and the Hyde Group. She was also a consumer director of TrustMark and a non-executive director of Sutton and Merton Primary Care Trust and Consumer Focus.

For more information about our Trustee Members, visit the NEST website.

Committee membership as at 31 March 2017

Audit committee	Determinations committee	Investment committee
Iraj Amiri – Chair Ian Armfield Caroline Rookes Karen Silcock	Jill Youds – Chair Iraj Amiri Caroline Rookes Otto Thoresen	Carolan Dobson – Chair Ian Armfield Graham Berville Sally Bridgeland

Nominations and governance committee	Propositions committee	Remuneration committee	Risk committee
Otto Thoresen – Chair Ian Armfield Tom Boardman Carolan Dobson	Graham Berville – Chair Sally Bridgeland Tomas Carruthers Karen Silcock Jill Youds	Caroline Rookes - Chair Ron Jarman Jill Youds	Karen Silcock - Chair Iraj Amiri Graham Berville Sally Bridgeland Ron Jarman

Details of meetings attended by the Trustee Members appointed to each committee during the year

	Trustee board	Audit committee	Risk committee	Investment committee	Nominations and governance committee	Remuneration committee	Determinations committee	Propositions committee
No. of meetings	10	6	6	4	5	4	9	6
Otto Thoresen	10				5		6	
Iraj Amiri	10	6	6				9	
Ian Armfield	9	6		3	4			
Graham Berville	9		6	4				6
Tom Boardman	10				5			
Sally Bridgeland	8		4/4	4				5
**Tomas Carruthers	7/7							1/1
*Sharon Darcy	2/2	1/1	1/2					
Carolan Dobson	7			4	4			
**Ron Jarman	7/7		1/1			1/1		
Caroline Rookes	9	5				4	9	
Karen Silcock	9	5	6					4
*Nigel Stanley	2/2			1/1		1/1	1/1	
Jill Youds	9					3	9	6

*Nigel Stanley and Sharon Darcy served for part of the year **Ron Jarman and Tomas Carruthers joined partway through the year

About NEST Corporation

NEST Corporation is the Trustee of the NEST pension scheme that was established on 5 July 2010. Its role is to develop and operate the scheme. NEST Corporation's core functions are set out in the Pensions Act 2008. The NEST scheme *Order and rules* sets out how the scheme will operate.

NEST Corporation is a non-departmental public body sponsored by the Department for Work and Pensions (DWP) and is a key component of the automatic enrolment programme. Its working relationship with the DWP is set out in a framework document. The function of the Trustee is to ensure that the scheme is run in the interest of its members. The *NEST Corporation annual report and accounts* are produced separately from this document and may be found on the NEST website.

Members and committees

As at 31 March 2017, the Trustee had 12 members, consisting of a Chair, a Deputy Chair and 10 other Trustee Members. Collectively they are responsible for setting the strategic direction and objectives for NEST Corporation.

Trustee Members are appointed by the Secretary of State for Work and Pensions in line with public appointments guidance that promotes selection on the basis of merit, fairness and openness. A broad range of skills, experience and

knowledge are required collectively on the Trustee. Appointments are made in line with the Commissioner for Public Appointments' Code of Practice and Cabinet Office guidance.

All Trustee Members were independent at appointment having no current or previous material relationship with the organisation as an employee, officer or contractor.

Every Trustee Member has completed The Pensions Regulator's Trustee Toolkit, an online learning programme. Their continuing requirement for knowledge and understanding is met through briefing sessions on relevant topics and an individual commitment to ongoing education and training.

The combined knowledge and understanding of the Trustee Members, together with the advice which is available to them, enables them collectively to exercise their responsibilities as Trustee by providing experience of investment, pension fund management, member representation, finance, audit, governance and business management.

The Trustee and its committees take decisions that affect the scheme and ensure that the Corporation fulfils its obligations as a non-departmental public body. The terms of reference for the Trustee and its committees are published on the NEST website*.

*www.nestpensions.org.uk/schemeweb/NestWeb/public/aboutnestcorporation/contents/trustee-committees.html

In addition, the *NEST Order 2010*, article 8 set out the remit for the Employers' Panel and the Members' Panel, in accordance with the requirements on the Trustee, under the Pensions Act 2008. As requested by the Trustee these panels must give assistance and advice about the operation, development or amendment of the scheme. For further information on the panels, see page 32.

A schedule of reserved powers and delegations gives authority and responsibility to the chief executive for the day-to-day operations and management of NEST Corporation and the NEST pension scheme as well as setting out the delegations to its committees. The chief executive in turn delegates authority to each member of the executive team and holds them accountable for delivery in their areas of responsibility. Regular meetings of the executive board are chaired by the chief executive to oversee the operation of the Corporation and the scheme.

Every committee makes recommendations for approval by the Trustee.

Audit committee

The audit committee is responsible for overseeing the integrity of the financial statements for NEST Corporation and the scheme and the validity of the

assurance given on them. It approves and monitors the internal control framework and the effectiveness of audit and compliance functions.

During the year it:

- reviewed the annual report and accounts for both NEST Corporation and the scheme
- considered and challenged the consistency of, and any changes to, significant accounting policies, judgments and estimates
- reviewed the plans of the external auditors for their audit of the annual accounts and oversaw the delivery and effectiveness of external audits
- approved the internal audit plan and oversaw its delivery
- approved the compliance plan and oversaw its delivery
- reviewed the system of internal controls within NEST Corporation and implemented changes as required
- reviewed the master trust assurance report for the scheme.

Determinations committee

The determinations committee is responsible for decision-making on disputes received about the scheme at Stage 2 of the internal dispute resolution procedure (IDRP)¹. The committee makes recommendations to the executive on learning outcomes

¹nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/NEST-how-we-handle-complaints,PDF.pdf

from the Stage 2 IDRPs to help improve the effectiveness of the scheme and member experience.

During the year the committee considered 16 cases.

- four were upheld
- 10 were not upheld
- two were partially upheld

The committee also received information on four cases which had been withdrawn by the complainant before consideration by the committee.

Investment committee

The investment committee is responsible for overseeing the scheme's overall investment strategy and any changes to the investment approach or the funds made available to members. The committee also monitors investment performance and operational investment risks. During the year it:

- reviewed the scheme's investment approach and confirmed that it's correctly aligned with the *Statement of investment principles (SIP)**
- maintained oversight of the investment, performance and risk management of all NEST retirement funds, including the approval of changes in asset allocation as required

- reviewed the development and delivery of the responsible investment policies
- gave ongoing consideration to the development of the NEST investment approach including appointment and termination of investment managers
- considered the results of the external Investment Governance Review and oversaw the implementation of its recommendations
- considered the results of the responsible investment report, *Working for Change*.

Propositions committee

The propositions committee is responsible for overseeing the current product offered by the scheme and ensuring that the proposition meets the needs of our members, employers and target market. The committee also oversees the key drivers for changes to the proposition.

During the year it:

- considered changes in the proposition that may arise from market developments
- considered the development of NEST Corporation's approach to raising awareness of the scheme among larger employers

*nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/statement-of-investment-principles.PDF.pdf

- considered the development of proposals to support our members at retirement in a changed environment for pension saving
- reviewed the results of detailed market research into the behaviours and attitudes of employers, members and potential members.

Remuneration committee

The remuneration committee is responsible for setting the remuneration of the chief executive officer of NEST corporation and establishing criteria for monitoring the chief executive officer's performance. The committee also provides advice on setting the remuneration of other employees of NEST Corporation and oversees external appointments for the executive team. During the year the remuneration committee:


- agreed the pay and reward proposals for 2016/17, including the performance review for the chief executive officer
- considered senior salary remuneration and succession planning issues at executive level
- considered the results of the 2016 staff survey
- discussed the targets NEST Corporation has set following signing up to HM Treasury's 'Women in Finance' Charter in July 2016, which aspires to see gender balance at all levels across financial services firms

- reviewed NEST Corporation's policies on diversity and inclusion, gifts and hospitality policies, and external appointments for the executive team.

Risk committee

The risk committee is responsible for advising on overall risk strategy and considering all aspects of risk, and the management of those risks, that could affect NEST Corporation and the scheme. During the year it:

- reviewed and approved NEST Corporation's risk management framework
- reviewed and challenged key areas of risk
- reviewed and confirmed the organisation's principal risks
- oversaw the development of the principal risk dashboard
- provided challenge to and approval of risk appetite levels set in relation to key principal risk indicators
- reviewed and approved financial crime prevention, information security, business continuity management and crisis management policies.



“We love eating out. We love travelling. So (our retirement) will be as much of that as we can sensibly afford.”

Adrian Towers
General manager, Guiseley football club

Nominations and governance committee

The nominations and governance committee is responsible for leading recruitment for the appointment of the chief executive officer of NEST Corporation, supporting and assisting with recruitment of Trustee Members by the Secretary of State, overseeing the appointments to and the functioning of the Employers' and Members' panels and ensuring sound corporate governance within NEST Corporation. During the year it:

- considered the appointment of Nigel Stanley as Chair of the Members' Panel and Jamie Goodfellow as Chair Elect of the Employers' Panel until 27 April 2017 and appointment of new members to both Panels
- consulted on and reviewed changes to the Scheme Rules, which took effect from 1 April 2017
- considered the general corporate and company secretary's review of the fitness and proprietary questionnaires completed by the Trustee Members
- considered the general corporate and company secretary's review of the Trustee Members' register of interests and conflicts of interest.
- considered changes to the Trustee handbook
- considered committee membership
- considered the recommendations of an external governance review

Employers' Panel

The Employers' Panel was set up in accordance with the Pensions Act 2008 and NEST Order 2010 to represent participating employers by providing advice on the operation, development and amendment of the scheme. The panel now has 12 members. During the year it:

- engaged with NEST on a number of issues, including the development of the NEST product in the medium term, digitally excluded employers and understanding the challenges for employers when the phasing of contributions increase begins in 2018
- participated in the recruitment of the Panel Chair and two additional members to enhance the size and diversity of the panel
- responded to the DWP call for evidence on *NEST: evolving for the future consultation*.

Members' Panel

The Members' Panel was set up in accordance with the Pensions Act 2008 to represent scheme members by providing advice on the operation, development and amendment of the scheme. The panel now has 11 members. During the year, it:

- prepared and published the *Members' Panel annual report*
 - engaged with NEST on a number of issues including the development of the NEST product in the medium term, member research and member complaints
 - participated in the recruitment of the panel chair and three additional panel members to enhance the size and diversity of the panel
 - consulted on NEST's approach for charging for transfers allowed in and out of NEST from April 2017
 - responded to the DWP call for evidence on the *NEST: evolving for the future consultation*.
- its members. It focuses on delivering a good service to members and employers and meeting its public service obligation to enable any employer to choose the NEST pension scheme to meet their auto enrolment duties. This drives the Trustee's agenda.

The Trustee receives and scrutinises information on strategy, scheme administration, member and transaction volumes, investment performance, risk management, internal controls, operational activities and financial performance. The Chair and the chief executive officer of NEST Corporation provide an update at each meeting on the key issues on their agenda. Committee chairs report back on issues discussed, decisions taken and recommendations made to the Trustee.

Governance framework

Trustee meetings

The Trustee met 10 times during the year, with two meetings focused exclusively on strategy. The audit, determinations, investment, nominations and governance, propositions, remuneration and risk committees met on a regular basis and reported back on their work during Trustee meetings. Details of the meetings and attendance can be found on page 26 and committee membership is set out on page 25.

The Trustee's priority is to provide a strong and stable pension scheme which operates in the best interests of

As part of the normal business cycle, the Trustee:

- approved the *corporate plan 2016-2019*
- approved the corporation budget
- approved the annual report and accounts for the scheme and for NEST Corporation
- approved the master trust assurance report for the scheme
- received the annual health and safety report for NEST Corporation
- approved new chairs of the Members' and of the Employers' Panel

- appointed three members to the Members' Panel and two members to the Employers' Panel.

In addition the Trustee:

- monitored the first year's work of the propositions committee, and approved NEST Corporation's Value for members statement
- consulted on and approved changes to the Scheme Rules
- responded to the DWP call for evidence *NEST: evolving for the future* consultation
- approved the Member Trustee training schedule
- carried out an investment governance review
- clarified principles on Trustee decision making.

Risk management

Overview

The culture and processes we have established in NEST Corporation are designed to enable us to manage risk in line with the expectations of our Trustee Members, who have the legal responsibility to act in the interests of members of the scheme in accordance with their powers and duties. NEST Corporation is also a non departmental public body and as such we are also accountable to Parliament. NEST Corporation's dual accountabilities

have the potential to give rise to a risk of conflicting duties. We keep this risk under review to ensure appropriate mitigating actions can be taken.

This statement addresses both NEST Corporation as the Trustee of the scheme and as a public organisation. It is appropriate to address the risks and uncertainties in this combined manner since the sole function of NEST Corporation is to be the Trustee.

We must take risks in order to deliver our strategic priorities, but integral to this is to understand the risks we face and how best to control or mitigate them. We don't do this alone; we engage with key stakeholders to understand and manage risk.

Our close working relationships with our scheme and fund administrators help us manage operational risk. This is both at a day-to-day level and looking forward at the risks and opportunities presented by the roll out of auto enrolment duties to more employers.

We operate in a maturing policy and legislative environment. Through our strong relationships with the Department for Work and Pensions and The Pensions Regulator we collectively manage risks to the successful implementation of the auto enrolment programme.

NEST's risk management framework

NEST Corporation's risk management framework is reviewed annually to ensure it remains fit for purpose and to take into account developments in industry practice. At the core of our framework is the risk management process.



Each business area across NEST maintains a log of their key risks which is reviewed regularly. Our principal risk dashboard is used to report critical, principal and other significant risks to the executive board, risk committee and the Trustee.

NEST's principal risks

NEST has identified principal risks in relation to the delivery of our strategic priorities. NEST defines a principal risk as:

A risk that is considered material to the development, performance, position or future prospects of NEST

In 2016/17 we have been developing a new methodology for how we report risk to the executive board, risk committee and the Trustee. This methodology is being developed under the stewardship of the risk committee.

For each of our principal risks we have identified a number of key indicators and data points. These are monitored to help us understand the changing profile of the risk. The executive risk owner and the risk committee consider our appetite for each risk and set acceptable limits or tolerances for each indicator. When an indicator breaches these limits we consider whether further control or mitigation activities are required. We also track our readiness for the risk should it crystallise, the activities undertaken to provide us with assurance over the risk and other risks in the risk log that are linked to the principal risk.

The following section explores our principal risks, outlining key controls and mitigating actions that are in place

to manage them. The risk committee has oversight of all principal risks and are supported in this by other committees as appropriate to each risk. There is a close link between the audit and risk committees with the chairs of each attending both committees. Key papers of interest are also shared between both committees.

All risk reports and papers that were received by risk committee or other committees were reviewed and approved by the executive board in advance of the committee meeting.

Outsourcing risk

Outsourcing risk is the risk that NEST could be adversely affected by the actions and decisions of our outsourced providers. As NEST uses a predominantly outsourced business model, this is one of our most significant risks.

Outsourced providers deliver the majority of the resource required to operate the NEST pension scheme, and in particular our scheme administrator, Tata Consultancy Services (TCS). This reliance on third party providers means that NEST could be left in a position where it is adversely affected by their actions and decisions.

Our relationship with our outsourced providers must be strong. This is important for our mutual success.

We have contracts that set out NEST's requirements and service level standards and contract management procedures to track adherence to these contracts.

Investment risk

The principal risk regarding investment is the risk that NEST's members, stakeholders and commentators lose trust in NEST's investment performance. NEST's approach to investment is underpinned by our investment beliefs which provide our Trustee Members with a transparent framework for consistent and good quality decision making.

Our *statement of investment principles*, which includes our investment beliefs and default investment strategy, is reviewed every three years by our investment committee to ensure they continue to be appropriate. Our funds are diversified across a number of different asset classes and fund managers. We continually monitor our investment performance and risk, and where appropriate make changes to our investment portfolio. Oversight of investment risk is primarily the responsibility of the investment committee.

Member data and assets risk

Member data and assets risk is the risk that NEST fails to keep members' data and money safe.

In an environment where cyber-crime and fraud is continually evolving, the challenge of keeping ahead of new developments has never been greater. We're committed to safeguarding our members' data and assets from this very real threat.

The information security management systems operated by NEST Corporation, our scheme administrator and our IT managed services provider are all independently certified to the ISO 27001 standard. This gives us assurance that our systems and processes are robust and helps protect members' data.

Our scheme administrator has strict operational procedures in place to safeguard our members' data and assets. On an annual basis an independent reporting accountant reviews the design of and compliance with key controls and provides NEST Corporation with an assurance report. NEST follows up on any exceptions identified within the report.

Operational capacity risk

Operational capacity risk is the risk that NEST and its key outsourced providers don't have sufficient levels

of operational capacity to meet the demands of our business-as-usual operations, as well as on-boarding all employers who wish to use us to meet their auto enrolment duties in line with our public service obligation.

Insufficient levels of resource and system performance could result in the failure of the continued roll-out of auto enrolment, and poor service standards for our employers and members.

Our processes and systems are designed to be as straightforward as possible to use. Our aim is for employers and intermediaries to be able to use NEST without needing to contact us for advice or help. We undertake analysis of likely volumes of employers and members who aim to use NEST and the behaviours they will exhibit. This allows us to plan and build capacity into our systems and administrative functions to deal with potential demand and manage the risk.

Revenues and funding risk

Revenues and funding risk is the risk that NEST Corporation is unable to achieve sufficient revenue income and control outgoing expenditure to enable it to operate within the terms of the loan agreement with the Department of Work and Pensions (DWP) and repay the loan within the terms of the state aid agreement.

NEST generates revenue from its 1.8 per cent contribution charge and 0.3 per cent annual management charge. Our public service obligation requires us to accept all employers that wish to use us to meet their auto enrolment obligations. This means we have to accept business that generates a loss.

NEST Corporation continually strives to deliver value for money for members by investing in improvements to our service and keeping our costs as low as possible. We have a three-year plan and have an annual budget-setting process where every department outlines their budgetary requirements for the forthcoming year. These are challenged by the chief financial officer and the chief executive officer and approved by the Trustee. A funding requirement is then submitted to the DWP which provides additional scrutiny and challenge. NEST's finance team meet with DWP colleagues on a monthly basis to provide them with oversight of NEST's finances.

Skills and culture risk

Skills and culture risk is the risk that NEST fails to recruit and retain appropriately skilled, motivated and engaged staff needed to deliver its strategy.

NEST operates with the financial constraint of being a non-departmental public body, but has still been able to attract talented individuals who want to work with NEST to help millions enjoy a better retirement. We need to recruit the right people, nurture the right organisational culture, and design and implement effective processes and systems. If we fail to do so, we could face higher operating costs, increases in mistakes, errors and losses and the associated reputational consequences.

NEST Corporation's code of conduct sets out the behaviours and standards we expect from all of our employees. We have an induction process to ensure these expectations are understood at the outset of employment and they are reinforced through the performance management and appraisal process. We have a staff handbook which provides details of the core policies and procedures that our staff should follow. The handbook is supported by a line manager's toolkit and mandatory training on how the handbook should be applied. An annual staff survey is conducted to gauge feeling across our workforce. We hold an annual staff conference and quarterly 'town hall' staff events to ensure core messages are communicated and understood by everyone at NEST.

Legislative and regulatory compliance risk

Legislative and regulatory compliance risk is the risk that NEST does not comply with its regulatory and legal obligations.

NEST Corporation and the scheme are required to comply with pension specific legislation including the Pensions Act 2008 and The Pensions Regulator's Codes of Practice. NEST Corporation has a compliance and assurance function who undertake an annual plan of assurance activity to monitor compliance with pensions legislation. The function also undertakes assurance activities over compliance with the Data Protection Act and financial crime legislation.

Legislative and regulatory change risk

Legislative and regulatory change risk is the risk that legislative and regulatory changes impact on NEST's business model and require us to make changes to our processes and systems in an unplanned and ineffective way. Our status as a non-departmental public body with a public service obligation may increase this risk.

Our ability to manage and respond effectively to change will prevent changes from impacting on our members and minimise associated costs.

NEST continually scans the legislative, regulatory or policy landscape for potential change. This allows us to identify change early and plan ahead as far as we possibly can to manage and incorporate it into our systems and processes.

Changes to the external environment are primarily incorporated into the NEST product via a service release. These are carried out twice a year. We have a product roadmap which sets out the changes that we are likely to make over the next three years. This incorporates legal and regulatory change, including General Data Protection Regulations, the Pension Schemes Act 2017, phasing increases in minimum contribution levels and the Scottish rate of income tax. We work alongside our scheme administrator to plan, design and build these changes into our software systems and processes.

Decumulation proposition risk

Decumulation proposition risk is the risk that, following the 'freedom and choice' budget changes made in 2015, NEST fails to deliver a decumulation proposition that meets the needs of our members, in line with one of NEST's strategic priorities.

NEST developed its *retirement blueprint*, which outlined a retirement product that from extensive research we believe meets the needs of our members. The recent DWP consultation, *NEST: evolving for the future*, sought evidence on how NEST's product proposition could evolve to respond to the changing pension landscape. Following the outcome of that consultation, we're looking to work with the wider pensions industry to understand the delivery options that will provide our members with an evolving proposition to meet their needs today and over the longer term.

Default arrangements

Most members don't make an active investment choice when they join NEST. This means that by default they are entered into the NEST Retirement Date Fund. Depending on when they were born, the member's retirement date is based either on the year they reach 65 or on their projected state pension age.

Each fund aims to maximise the pension income and any cash lump sum our members get. We do this by taking the appropriate risk on our members' behalf at different times in their savings career.

A review of the default strategy and the performance of the default fund were undertaken during the scheme year. The Trustee were satisfied that we continue to invest in line with the provisions of the *Statement of Investment Principles* (SIP) and no changes were required.

Processing core scheme financial transactions

The Trustee has a specific responsibility to ensure that core scheme financial transactions are processed promptly and accurately. Core scheme financial transactions include:

- investment of contributions
- transfers between different investments within the scheme
- payments to and in respect of members
- transfers of member assets in and out of the scheme.

NEST Corporation operates a primarily outsourced business model. The processing of these transactions is undertaken on behalf of the Trustee by the scheme administrator Tata

Consultancy Services (TCS), investment funds administrator State Street Bank and Trust Company (SSB) and investment managers, as detailed on page 54. The Trustee has reviewed the processes for monitoring the services provided by these key outsourced service providers including consideration of:

- ongoing assurance from the scheme management and assurance teams that the relationships continue to work effectively
- assurance that outsourced service providers operate to agreed service levels and reporting of performance against those service levels
- assurance that the scheme management reviews and approves the detailed assurance reports prepared by TCS, SSB and the investment managers
- assurance that the outsourced internal audit function performs additional testing to assist the Trustee in making their assessment of whether the controls are operating effectively.

In addition, NEST Corporation commissions an independent assurance report, prepared in accordance with the *AAF 02/07 framework*, which provides assurance on the scheme's overall control framework including the processing of core scheme transactions. On the basis of these multiple sources of assurance, the Trustee considers

that the requirements for processing core financial transactions specified in the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (regulation 24) have been met.

Charge levels

The scheme's charges are made up of two parts:

- an annual management charge (AMC) of 0.3 per cent on the total value of a member's pension pot
- a contribution charge of 1.8 per cent on the value of each new contribution into a member's pension pot.

NEST's AMC covers all custodian, accounting and legal costs. There are no other charges for members so the AMC also meets the definition of the total expense ratio.

This charge structure applies to all the retirement funds offered by NEST.

Transaction costs

The transaction costs for each fund, detailed in Appendix three, are the explicit costs of buying and selling securities.

Transaction costs for the default funds are between 0 and 0.049 per cent and costs for other fund choices are between 0 and 0.086 per cent.

The explicit transaction costs and dealing spreads of the NEST Retirement Date Funds vary depending on the types of investment that they hold. Some asset classes, such as money market investments, have no explicit transaction costs. Others such as property incur higher costs due to the associated legal, survey and valuation fees and stamp duty. This does not alter the rationale for including property but differing transaction costs should not be used in isolation as a measure of value for money.

When trading in investments there are also implicit costs, which are the difference between the buying and selling prices of securities or property, commonly known as the bid-offer spread.

There are also implicit costs due to market impact. Market impact is the amount the prices of securities move against investors when they buy or sell. While we have not attempted to measure the cost of market impact, we discuss it with our fund managers. Currently, we believe that our market impact cost is negligible.

The Trustee believes that indexed management, where available, is often more efficient than active management. For example, indexed fund management allows NEST members to have exposure to global

equities with lower transaction costs than an actively managed fund.

NEST structures its funds to minimise trading costs. This in effect creates an internal market between NEST Retirement Date Funds. Funds which are reducing exposure to certain asset classes in accordance with their investment strategy and asset mix can transfer those investments to funds seeking to increase their exposure. This means the scheme is able to reduce the reduction in performance caused by transaction costs, such as trading spreads and brokerage fees.

The internal market also keeps costs down for members leaving the scheme and those just joining. New member contributions can be used to balance investment allocations and provide cash flow for paying lump sums to members taking their money out.

The scheme's positive cash flow also means that NEST can continually rebalance funds to be in line with the target asset allocations without having to sell less liquid assets.

NEST constantly analyses costs and spreads.

NEST's default funds

In delivering the overall investment objective for the default funds, the Trustee pays heed to the following supporting objectives:

- to maximise the size of members' savings pots and any cash lump sum at retirement by taking appropriate risk
- to deliver similar outcomes for cohorts of members who have similar contribution histories
- to dampen volatility in members' pension accounts over the savings phase.

The Trustee recognises that there will at times be tensions between these supporting objectives. The Trustee will seek to find an appropriate balance between them when this arises.

The NEST pension scheme and its default investment approach have been designed to ensure that members, the vast majority of whom do not wish to take an active role in the investment process, can be confident in how their contributions are invested. The availability of a well-constructed default fund is an essential part of auto enrolment and is central to NEST's investment approach.

The Trustee has adopted a series of target date funds called NEST Retirement Date Funds to deliver the default investment strategy. Each NEST Retirement Date Fund has an asset allocation that is consistent with the expected amount of risk that is appropriate for that stage in a member's savings career.

The NEST Retirement Date Fund that a member is placed in will be invested appropriately throughout their savings career in a way that reflects when they are expected to take their retirement benefits.

Members can change their NEST Retirement Date Fund at any time to reflect a different expected retirement year.

The asset classes that form the investments of the default fund are selected to meet the appropriate risk level identified for each NEST Retirement Date Fund. As set out in the NEST Order, the Trustee may invest in any asset class, subject to the same investment restrictions that generally apply to UK trust-based occupational pension schemes.

At 31 March 2017, 99 per cent of members were invested in the default funds.

The *Statement of Investment Principles* was reviewed in April 2015 and will be reviewed at least every three years. Further information on the *Statement of Investment Principles* is available online: www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/statement-of-investment-principles,PDF.pdf

The default funds' glide path

The varying allocation between return-seeking and income-seeking assets through time is known as the glide path. The Trustee has split the glide path into three phases – the foundation phase, the growth phase and the consolidation phase.

- **The foundation phase** refers to the early years of younger members' working lives as they develop the savings habit. This phase typically lasts five years. The objective for the foundation phase is to keep pace with inflation measured by the consumer price index (CPI) after all charges
- **The growth phase** is where the maximum growth in assets is being targeted through asset classes that are expected to grow in value relative to inflation. The objective for this phase is to outperform CPI inflation by 3 per cent a year after all charges

- **The consolidation phase** prepares a member's assets for retirement and typically begins ten years before their NEST Retirement Date Fund matures. Investments in this phase are progressively switched out of higher risk assets and into lower risk investments. The primary objective of the consolidation phase for funds maturing after 2020 is to outperform CPI inflation after all charges while aiming to progressively dampen investment volatility as a member's fund approaches maturity. For NEST Retirement Date Funds maturing through 2020, the consolidation phase objective is to manage the risks associated with converting a member's accumulated savings into a cash lump sum.

The Trustee believes that members' best interests are met by dynamic asset allocation within a risk budget. The Trustee also believes that within certain risk constraints, the shape of the glide path should be managed dynamically and factor in market conditions that contribute to delivering the investment objectives in different phases.

Value for members

The Trustee is required to calculate at least annually the charges to which members' funds are subject; and to assess the extent to which they represent good value for members to the membership as a whole and when compared to other options available in the market.

The Trustee undertook a formal value for members assessment during the year. The assessment followed a process developed using guidance set out in the Pensions Regulator's (TPR) code of practice 13 and the accompanying guide on value for members. In particular the Trustee considered the following key areas identified by TPR:

- scheme management and governance
- administration
- investment governance
- communications

As a result of experience and detailed research among NEST's membership, we define whether our members are receiving good value by focusing on the following objectives:

- NEST delivers what members want, a high quality service with excellent standards of governance and administration, regardless of the level of contribution or size of employer
- information on their pension pot is available to members in an easily accessible manner and at a time of their choosing, and it should be simple to make decisions based on this information
- default investment funds meet the needs identified by research for both managing risk and meeting the stated investment objectives
- other fund options made available suit the needs of members, without requiring individual members to have any level of investment expertise to select a fund which is appropriate to their needs
- the NEST price structure delivers a reasonable balance of impacts given the characteristics of the membership as a whole.

The NEST Trustee's assessment of members receiving good value focused on the following principal outcomes:

- that we deliver what our members want, a high quality service with excellent standards of governance and administration, regardless of the level of contributions or size of employer
- that the NEST charging structure delivers a reasonable balance of impacts given the characteristics of the membership as a whole
- that NEST provides high quality, award winning investment
- that our prices are reasonable in comparison to those of other schemes that are available to our members.

On this basis, the Trustee is confident in its assessment that the costs and benefits of the NEST scheme provide good value for members.

1.4 Statement of Trustee responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in the *Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996*, including a statement whether the financial statements have been prepared in accordance with the *Financial Reports of Pension Schemes: Statement of Recommended Practice (SORP)*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting

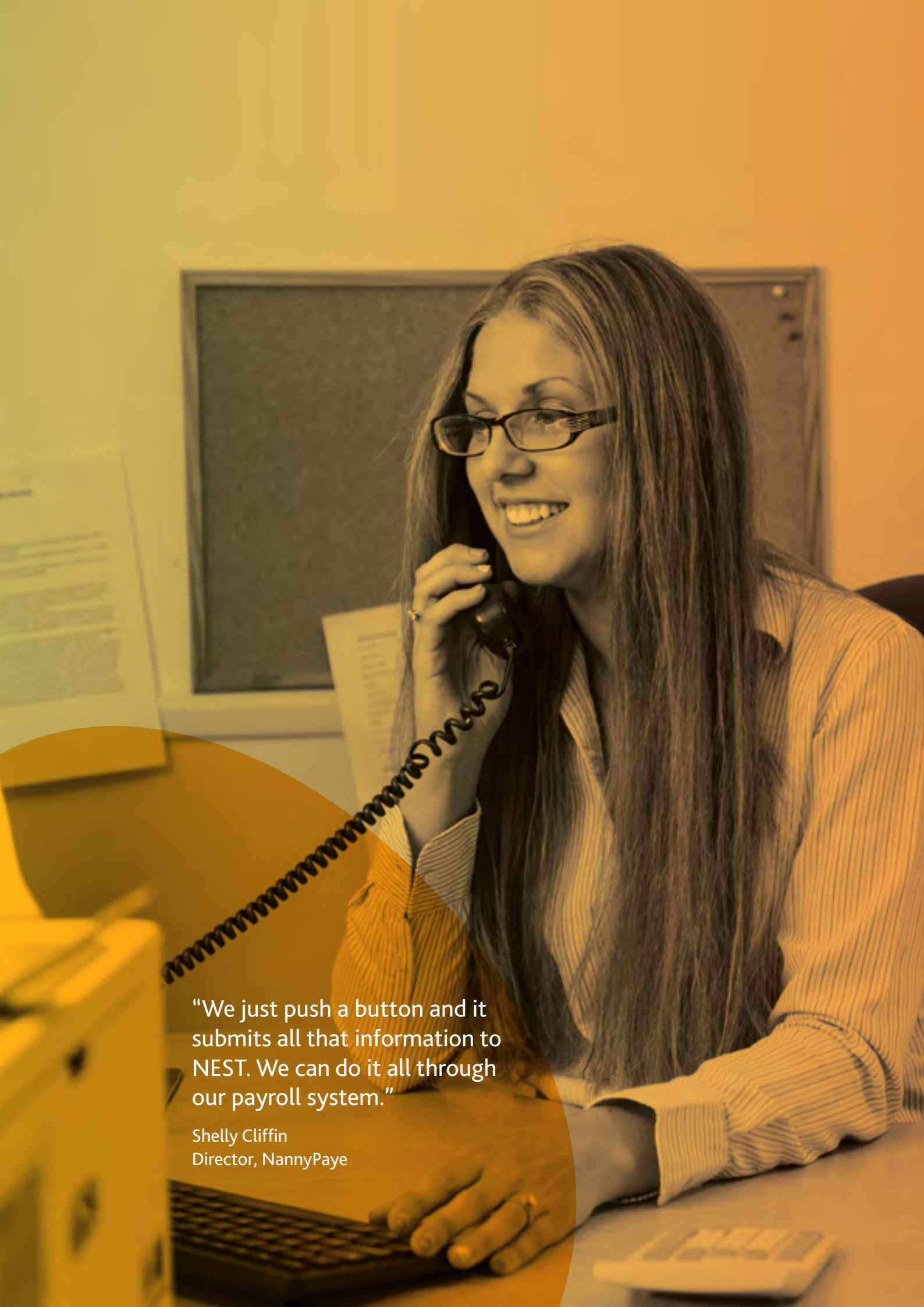
policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for making available each year, commonly in the form of a Trustee annual report, information about the scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee responsibilities accompanying the Trustee summary of contributions.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

The Trustee report in respect of the scheme was signed on behalf of NEST Corporation by

Otto Thoresen Chair
NEST Corporation
15 June 2017



“We just push a button and it submits all that information to NEST. We can do it all through our payroll system.”

Shelly Clifin
Director, NannyPaye

2.1 Statement of investment principles

The investment objectives for the scheme are set out in its *Statement of Investment Principles* (SIP) which the Trustee is required to prepare under section 35 of the Pensions Act 1995. The SIP was reviewed in April 2015 and will be reviewed at least every three years. NEST's SIP is available to download from the NEST website*. During the year and at year end all investments were in accordance with the SIP. The Trustee reviews on an annual basis whether the investment approach is aligned with the SIP.

NEST funds

Based on our understanding of the diverse needs of our membership, we have developed an approach to investment that offers:

- a well constructed default strategy that has clear return objectives and a carefully managed risk profile, called the NEST Retirement Date Funds
- a selection of clearly differentiated fund choices for those who have different risk appetites or investment objectives, or want an approach that matches their beliefs or faith.

*nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/statement-of-investment-principles,PDF.pdf

2.2 NEST Retirement Date Funds

When members join the NEST pension scheme, their contributions are invested by default into a NEST Retirement Date Fund unless they actively choose a different fund (see other NEST fund choices, page 53). The default Retirement Date Fund will match either their state pension age or age 65, depending on their date of birth.

Each fund aims to have members' money ready to convert into retirement benefits in the year they want to take their money out.

Members can change their NEST retirement age at any time and their retirement pot will be switched automatically into the matching NEST Retirement Date Fund.

The overarching investment objective for the NEST Retirement Date Fund is to target investment returns in excess of inflation after all charges over the long term. The chosen measure of inflation is the consumer price index

(CPI). Currently 99 per cent of our members' funds are invested in our NEST Retirement Date Funds.

There are 49 separate Retirement Date Funds that make up our default strategy with a further five additional fund options.

Default investment strategy and phased risk management

The scheme has a large and diverse membership. The Trustee seeks to manage members' investment risks in a holistic way throughout their time saving in the scheme.

NEST Retirement Date Funds have three phases: foundation phase, growth phase and consolidation phase. Each phase has a different objective that focuses on the needs of the member at different times in their savings career. The objectives of the three phases of risk management are set out in the following table.

Foundation phase objectives	Growth phase objectives	Consolidation phase objectives
<p>Preserve capital while seeking sufficient return to match inflation after all charges</p> <p>We expect to achieve this with average investment volatility of around 7 per cent over the long term.</p> <p>Significantly reduce the likelihood of extreme investment shocks.</p>	<p>Target investment returns at least equivalent to inflation plus 3 per cent over the long term after all charges</p> <p>We expect to achieve this with average investment volatility of between 10 and 12 per cent over the long term</p> <p>Aim for steady growth in real terms over the life of the fund</p> <p>Maximise retirement incomes by taking sufficient investment risk at appropriate times while reducing the likelihood of extreme investment shocks.</p>	<p>For funds maturing through 2020: manage the risks associated with converting members' accumulated savings into a cash lump sum</p> <p>For funds maturing after 2020; outperform consumer price index (CPI) inflation after all charges while aiming to progressively dampen investment volatility as a member's fund approaches maturity.</p>

2.3 Other NEST fund choices

For members who wish to make active investment choices, NEST provides a range of clearly labelled alternative funds.

NEST Ethical Fund

This fund is designed for members who are particularly concerned about the impact that their investments can have on areas such as human rights, fair labour practices and the environment. Unlike many other ethical funds, our NEST Ethical Fund consists of multiple asset classes and uses a three-phase investment approach similar to the NEST Retirement Date Funds.

NEST Sharia Fund

This fund is designed for members who want an investment approach based on Islamic law. It invests entirely in global equities judged to meet sharia financial principles.

NEST Higher Risk Fund

This fund is for members who want to take more investment risk to try and make their retirement pot grow more quickly than it might in a NEST Retirement Date Fund. As members approach their retirement date we will move their pot into the appropriate NEST Retirement Date Fund. This will help protect any gains they have made and get their retirement pot ready for them to take out of the scheme.

NEST Lower Growth Fund

This fund is designed for members who are very cautious about investing. Their retirement pot will be exposed to far less investment risk than a NEST Retirement Date Fund. This means that in the long term it will probably grow less than other fund choices and may not keep pace with inflation.

NEST Pre-retirement Fund

This fund is suitable for members close to retirement who intend to take a tax free cash lump sum and purchase an annuity.

2.4 Investment managers

All our funds are built from a range of pooled funds supplied by leading investment managers, each of which are authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) or the regulatory body in the country where the fund is domiciled.

The scheme's default and other fund choices invest in a diversified range of asset classes.

The investment managers are selected through a competitive tender process. In selecting these funds and investment managers the Trustee obtains and considers professional advice from

NEST's in-house team and independent external investment advisers. As part of this selection, NEST carries out due diligence to ensure that the assets are invested with sufficient security and liquidity and that each of the investment managers is of the appropriate quality and calibre.

Our mandates and current managers

Within the framework set down by the Trustee, the investment managers have full discretion within their mandates to buy and sell investments on behalf of the scheme. Our mandates and their current managers at 31 March 2017 are:

Emerging market debt	Amundi Asset Management
Ultra short duration investment grade bonds	BlackRock
Low-risk sterling liquidity	BlackRock
Ethical global equities	BMO Global Asset Management
Ethical sterling corporate bonds	BMO Global Asset Management
Global emerging market equities (economic weighting)	HSBC Global Asset Management
Sharia compliant equities	HSBC Global Asset Management
Global listed property	Legal & General Investment Management
Hybrid property	Legal & General Investment Management
UK direct property	Legal & General Investment Management
Short-dated gilts	Legal & General Investment Management
Global emerging market equities (ESG screened)	Northern Trust Global Investments
Sterling corporate bonds	Royal London Asset Management
Short duration investment grade bonds	Royal London Asset Management
Index-linked gilts	State Street Global Advisors
Gilts	State Street Global Advisors
Global developed equities	UBS Asset Management
Climate aware global developed equities	UBS Asset Management

2.5 Custodial arrangements

The scheme invests only in pooled funds. This means that the custody or safekeeping of the underlying assets in the pooled funds is carried out by the investment manager's custodian.

The funds and their custodians are detailed in the table below. State Street Bank and Trust Company (SSB) provides fund administration services to ensure that our members' money is managed in line with our investment strategy. It administers the NEST Retirement Date Funds and our other fund choices.

Underlying funds and custodians

Amundi Funds Global Emerging Blended - IE	CACEIS Bank Luxembourg
BlackRock Aquila Connect Cash Fund	JP Morgan Bank (Ireland) Plc
Blackrock Institutional Sterling Ultra Short Bond Fund	JP Morgan Bank (Ireland) Plc
F&C Responsible Global Equity Fund*	State Street Bank and Trust
F&C Responsible Sterling Bond Fund*	State Street Bank and Trust
HSBC Amanah Global Equity Index Fund	HSBC Securities Services (Luxembourg) S.A.
HSBC Global Investment Funds Economic Scale Index GEM Equity Fund	HSBC Securities Services (Luxembourg) S.A.
LGIM Global Real Estate Equity Index Fund	HSBC Securities Services and Citibank N.A.
LGIM Hybrid Property Fund	HSBC Securities Services and Citibank N.A.
LGIM Managed Property Fund	HSBC Securities Services and Citibank N.A.**
LGIM Single Year Gilt Funds 2017 - 2022	HSBC Securities Services and Citibank N.A.
Northern Trust Emerging Markets Custom ESG Equity Index Fund	TrustNorthern Trust Fiduciary Services (Ireland) Limited
Royal London Investment Grade Short Dated Credit	HSBC Bank Plc
Royal London UK Corporate Bond Pooled Pension Fund	HSBC Securities Services
SSgA UK Conventional Gilts All Stocks Index Fund	State Street Bank and Trust Company
SSgA UK Index Linked Gilts over 5 Years Index Fund	State Street Bank and Trust Company
UBS Life Climate Aware World Equity Fund	JP Morgan
UBS Life World Equity Tracker Fund	JP Morgan

*Managed by BMO Global Asset Management

**The legal deeds are held by Eversheds Sutherland LLP and Maples Teesdale LLP

2.6 Investment developments

NEST invests in a diversified range of assets, helping to reduce investment risk and deliver good risk adjusted returns. In 2016/17, the scheme has extended its range of asset classes to improve diversification.

The Bank of England's interest rate changed in August 2016, reducing the base rate to 0.25 per cent. Such a low interest rate means that some of the short-term investments we typically make using money market funds, are also generating very low rates of return. In response, NEST Corporation has added two short-duration bond funds to its portfolio rather than using money market instruments: the RLAM Short Dated Investment Grade Credit Fund and BlackRock Institutional Sterling Ultra Short Bond Fund. These types of fund offer some of the same characteristics as money market instruments, such as low volatility, but with improved returns.

As long-term investors, NEST believes in integrating environmental, social and governance (ESG) factors into its investment strategy. As a part of that ethos and following extensive research, we concluded that climate change and the steps being taken by businesses and governments to tackle it are a risk factor for members' investments. NEST Corporation has worked with

our developed equities fund manager, UBS, to create the UBS Life Climate Aware World Equity Fund. This was introduced in February 2017 and is now a key part of the default strategy in our Retirement Date Fund structure. The fund addresses climate change risk by 'tilting' its investments towards companies that are working towards a low carbon economy, and reducing exposure to those that are heavy carbon emitters, have reserves of fossil fuels or are not making changes to meet emission reduction targets.

In November 2016, NEST Corporation issued a mandate for a high yield bond fund. The objective of the mandate is to further diversify members' portfolios and offer attractive returns in an otherwise low-yielding fixed income environment. The new fund will be added to the building blocks that make up NEST's Retirement Date Funds.

We also published our first responsible investment report, in summer 2016. This reported to members on our performance as a responsible investor as well as offering all of our stakeholders a forward look on our responsible investment and ESG priorities for the future.

Fund performance

The NEST Retirement Date funds have performed well in the year under review and we also reached our five year investing anniversary this year. We are pleased with the long term performance of these funds and those with five year performance, which have all comfortably outperformed their objectives over that time.

Across the board, NEST's funds have generally delivered good returns, net of the annual management charge.

For this reporting year our asset allocation was well-positioned given the effects of the UK referendum to leave the UK, which pushed sterling down. Our globally diversified equity portfolio meant that declines in prices of foreign equities were offset by the fall in sterling.

The following table shows typical performance for NEST Retirement Date Funds and our five other fund choices. Appendix two shows the performance of all of the NEST Retirement Date funds.

2.6 Investment developments

Fund	Benchmark	Fund performance one year to 31 March 2017	Benchmark one year to 31 March 2017	Annualised fund performance three years to 31 March 2017	Annualised benchmark performance three years to 31 March 2017	Annualised fund performance five years to 31 March 2017	Annualised benchmark performance five years to 31 March 2017	Annualised fund performance since inception ¹	Annualised benchmark performance since inception (1 August 2011)
		%	%	%	%	%	%	%	%
NEST Retirement Date Fund in the Foundation phase ²	*	15.99	2.30	9.83	0.93	-	-	8.96	1.17
NEST Retirement Date Fund in the Growth phase ³	**CPI + 3%	22.04	5.36	13.00	3.96	11.34	4.49	10.82	4.74
NEST Retirement Date Fund in the Consolidation phase ⁴	***	15.82	2.30	10.33	0.93	9.50	1.45	9.16	1.69
NEST Ethical Fund (Growth phase)	****CPI + 3%	20.84	5.36	13.94	3.96	11.78	4.49	11.77	4.74
NEST Sharia Fund	Dow Jones Islamic Market World Index	30.19	29.77	17.57	17.68	14.78	15.10	14.42	15.01
NEST Higher Risk Fund	Target higher volatility than the NEST Retirement Date Fund growth phase	28.36	-	15.26	-	13.49	-	12.68	-
NEST Lower Growth Fund	7-day sterling LIBID rate	0.36	0.22	0.42	0.31	0.42	0.34	0.44	0.36
NEST Pre-retirement Fund		7.05		5.40		5.14		5.65	

2.7 Employer-related investments

The scheme is not in contravention of subsection (1) of section 40 of the 1995 Pensions Act. See note 9.1 of the financial statements and the table in Appendix one.

¹ Inception for all funds is 1 August 2011 except the 2060 Retirement Date Fund which is 1 January 2014

² 2060 Retirement Date Fund

³ 2040 Retirement Date Fund


⁴ 2022 Retirement Date Fund

*NEST Retirement Date Funds in the foundation phase target investment returns equivalent to CPI and coverage of all scheme charges.

**NEST Retirement Date Funds in the growth phase target investment returns equivalent to CPI inflation plus 3 per cent and coverage of all scheme charges over the long term.

***NEST Retirement Date Funds in the consolidation phase have two objectives. For funds maturing after 2020 the objective is to outperform inflation as measured by the Consumer Price Index (CPI) after all charges while aiming to progressively dampen investment volatility as a member's fund approaches maturity. The objective for funds maturing through 2020 is to manage the risks associated with converting a member's pension pot into a cash lump sum.

****The NEST Ethical Fund has three accumulation phases. The fund performance we have shown is in the growth phase. It has a return objective of outperforming inflation by more than 3 per cent after all charges.



“One of the key efficiencies of using NEST is direct debit. The website does it all for me through one click of a button.”

Leigh Skillett
Director, Status Heating



3. Financial
statements

Corrugated Recycles

THIS WAY UP

Standard Range, RFF Range & RSC Range Invented Kit

PART No. B171

ANDREWS WATER HEATERS

BA211

JEC

0086

3.1 Independent auditor's report to the Trustee of the NEST pension scheme

We have audited the financial statements of the National Employment Savings Trust (NEST) for the year ended 31 March 2017. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 47, the scheme Trustee

is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website (www.frc.org.uk/auditscopeukprivate).

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year ended 31 March 2017 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year

- have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

15 June 2017

3.2 Financial statements

Fund Account

for the year ended 31 March 2017

		Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
	Notes		
Contributions and benefits			
Contributions - Employers	3	343,290	221,862
Contributions - Members	3	255,208	157,151
Contributions - HMRC	3	63,650	39,199
Other income	4	2,313	1,003
		664,461	419,215
Benefits	5	(7,770)	(3,608)
Administrative expenses	6	(15,234)	(9,023)
Net additions from dealings with members		641,457	406,584
Returns on investment			
Investment income and management fee rebates	7	1,441	421
Change in market values of investments	8.1	205,707	16,930
		207,148	17,351
Net increase in the fund during the period		848,605	423,935
Net assets of the scheme at the start of the period		882,807	458,872
Net assets of the scheme at the end of the period		1,731,412	882,807

Statement of net assets (available to meet benefits)

as at 31 March 2017

		31 March 2017 £000	31 March 2016 £000
	Notes		
Assets and liabilities allocated to members			
Investments			
- Pooled investment vehicles	8.1	1,654,653	826,751
- Other investment assets	8.3	6,102	9,786
- Other investment liabilities	8.3	(6,374)	(9,913)
Total investments		1,654,381	826,624
Net current assets			
	9.1		
- Current assets		82,597	59,423
- Current liabilities		(5,635)	(3,274)
Total net assets allocated to members		1,731,343	882,773
Assets and liabilities not allocated to members			
Net current assets			
	9.2		
- Current assets		186	119
- Current liabilities		(117)	(85)
Total net assets not allocated to members		69	34
Total assets of the scheme at the end of the period		1,731,412	882,807

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Trustee. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the scheme year. The financial statements on pages 64 and 65 including the notes to the financial statements on pages 66 to 78 were signed on behalf of NEST Corporation by:

Otto Thoresen
Chair
NEST Corporation
15 June 2017

Iraj Amiri
Chair
Audit committee
15 June 2017

Notes to the financial statements

for the year ended 31 March 2017

1. Basis of preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard (FRS) applicable in the UK and Republic of Ireland issued by the Financial Reporting Council, and with the guidance set out in the Financial Reports of Pension Schemes: Statement of Recommended Practice (SORP) (revised November 2014).

The financial statements have been prepared and audited in accordance with Section 41(1) and (6) of the Pensions Act 1995.

2. Accounting policies

The principal accounting policies of the scheme are as follows:

2.1 Contributions

Contributions from members and employers are accounted for in the pay reference period they are due under the payment schedule.

Contributions made directly by members or other permitted parties are accounted for when received.

Amounts due from HMRC in respect of tax rebates on member contributions are accounted for in the same period as the related member contribution.

Amounts received in excess of the annual contribution cap are not recognised as contributions. They are held in current liabilities until the end of the year when they are either refunded or accepted as contributions for the following year.

Refunds of contributions in relation to members who opt out are accounted for in the period the member notifies NEST of their intention to opt out.

2.2 Transfers

Individual transfers in and out are accounted for on a cash basis.

2.3 Benefits

NEST may pay benefits to members including:

- paying the whole pot as cash
- transferring to a retirement income provider with or without a cash lump sum

Benefits are accounted for upon notification to NEST of a member's decision to exercise their option, or upon certification in the case of a death.

2.4 Other income and expenses

Where material, other income and expenditure is accounted for on an accruals basis.

2.5 Charges

Contribution charges of 1.8 per cent are accounted for when contributions are invested. Annual management charges of 0.3 per cent of the value of members' funds under management are accounted for on a daily accrual basis by reduction in the unit price of the fund the member is invested in.

2.6 Investments

Investments are included at market value. Pooled investment vehicles are stated at the closing single price as provided by the investment manager.

2.7 Change in market value of investments

Change in market value of investments comprises realised gains and losses on investments sold in the period and unrealised gains and losses on investments held at the period end.

Investment income from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the respective unit prices. It is reported within *change in market value*.

3. Contributions

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Contributions from:		
Participating employers	343,912	222,128
less employers' share of refund of contributions for members opting out	(622)	(266)
	<u>343,290</u>	<u>221,862</u>
Members	255,673	157,343
less members' share of refund of contributions for members opting out	(465)	(192)
	<u>255,208</u>	<u>157,151</u>
HM Revenue and Customs	63,668	39,208
less HMRC share of refund of contributions for members opting out	(18)	(9)
	<u>63,650</u>	<u>39,199</u>
	<u>662,148</u>	<u>418,212</u>

4. Other income

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Transfers in - registered pension scheme	986	567
Transfers in - pension sharing order	1,327	436
	<u>2,313</u>	<u>1,003</u>

5. Benefits

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Trivial commutations	6,338	3,195
Uncrystallised Funds Pension Lump Sum	423	-
Death benefits payable to beneficiaries	630	288
Serious ill health	30	12
Annuities purchased through Open Market Option	30	1
Transfers out	319	112
	7,770	3,608

6. Administrative expenses

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Contribution charge	11,620	7,235
Annual management charge	3,613	1,775
Sundry costs	1	13
	15,234	9,023

7. Investment income and management fee rebates

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Interest income	34	14
Dividend income from pooled investment vehicles	777	38
Management fee rebates	630	369
	1,441	421

8. Investments

8.1 Investment movements

	B'fwd as at 1 April 2016 £000	Purchases £000	Sales proceeds £000	Change in market value £000	C'fwd as at 31 March 2017 £000
Pooled investment vehicles (<i>see note 8.2</i>)	826,751	950,859	(328,664)	205,707	1,654,653
Other investment assets (<i>see note 8.3</i>)	9,786				6,102
Other investment liabilities (<i>see note 8.3</i>)	(9,913)				(6,374)
Total investments	826,624				1,654,381
Represented by					
Allocated to members (<i>see note 8.4</i>)	826,624				1,654,381
Not allocated to members	-				-
Total investments	826,624				1,654,381

8.2 Investments

	31 March 2017 £000	31 March 2016 £000
Amundi Funds Global Emerging Blended	88,073	23,635
BlackRock Aquila Connect Cash Fund	112,147	99,659
BlackRock Institutional Sterling Ultra Short Bond Fund	43,301	-
F&C Responsible Global Equity Fund	2,067	772
F&C Responsible Sterling Bond Fund	810	270
HSBC Amanah Global Equity Index Fund	1,337	590
HSBC GIF Economic Scale Index GEM Equity Fund	22,968	12,510
LGIM Global Real Estate Equity Index Fund	45,952	12
LGIM Hybrid Property Fund	194,728	147,151
LGIM Managed Property Fund	5,327	2,612
LGIM Single Year Gilt Funds 2017 - 2022	183	53,779
NT Emerging Markets Custom ESG Equity Index Fund	24,912	12,252
Royal London Investment Grade Short Dated Credit Fund	108,581	-
Royal London UK Corporate Bond Pooled Pension Fund	241,171	112,538
SSgA UK Conventional Gilts All Stocks Index Fund	15,696	7,869
SSgA UK Index Linked Gilts over 5 Years Index Fund	2,808	7,598
UBS Life Climate Aware World Equity Fund	156,495	-
UBS Life World Equity Tracker Fund	588,097	345,504
Total pooled investment vehicles	1,654,653	826,751

8.3 Other investment balances

	31 March 2017 £000	31 March 2016 £000
Investment cash including cash in transit	6,015	9,657
Reimbursement due from investment managers	72	86
Management fee rebates	15	43
Other investment assets	6,102	9,786
Amounts due to investment managers in respect of outstanding trades	(5,962)	(9,709)
Annual management charge due to NEST Corporation	(412)	(204)
Other investment liabilities	(6,374)	(9,913)

8.4 Investment assets allocated to members

When members' contributions are invested and allocated in accordance with their fund selection contributions are invested into the relevant funds below.

	31 March 2017 £000	31 March 2016 £000
NEST Retirement Dates Funds	1,634,398	818,519
NEST Higher Risk Fund	14,165	5,570
NEST Ethical Fund	3,727	1,575
NEST Sharia Fund	1,337	590
NEST Pre-retirement Fund	549	303
NEST Lower Growth Fund	205	67
Total assets allocated to members	1,654,381	826,624

8.5 Fair value determination

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

- Level 1: the unadjusted quoted price in an active market for identical assets or liabilities that the entity can assess at the measurement date.
- Level 2: inputs other than quoted prices included with Level 1 that are observable, that is to say, developed using market data, for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable because market data is unavailable for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For the purposes of this analysis listed funds have been included in Level 1, daily and weekly priced funds in Level 2, monthly net asset values for absolute return funds in Level 2 and monthly net asset values for private equity funds in Level 3.

The scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

As at 31 March 2017				
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled investment vehicles	-	1,654,653	-	1,654,653
Other investment balances (see note 8.3)	-	(272)	-	(272)
	-	1,654,381	-	1,654,381
As at 31 March 2016				
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled investment vehicles	-	826,751	-	826,751
Other investment balances (see note 8.3)	-	(127)	-	(127)
	-	826,624	-	826,624
		As at 31 March 2017 £000	As at 31 March 2016 £000	
An analysis of the underlying asset classes is:				
Equities		841,828	371,628	
Bonds		500,623	205,701	
Cash		112,147	99,659	
Property		200,055	149,763	
		1,654,653	826,751	

8.6 Investment risk disclosures

Our pooled investment vehicles are subject to certain investment risks, as follows:

- credit risk: this is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation.
- market risk: this comprises currency risk, interest rate risk and other price risk.
- currency risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes to foreign exchange rates.
- interest rate risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes to market interest rates.
- other price risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes to market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines the scheme's investment strategy after taking advice from professional investment advisors and the in-house investment team. The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustees' Report. The Trustee manages investment risks within agreed risk limits which are set taking into account the scheme's strategic investment objectives.

NEST invests in a diversified range of asset classes, exclusively through pooled investment vehicles. The day to day management of the underlying investment of the pooled investment vehicles is responsibility of the investment managers including the direct management of credit and market risk. A full list of the mandates and managers is set on page 54.

The in-house investment team monitor on a monthly basis the underlying risks based on holding data received from the pooled investment managers.

8.6.1 Credit risk

The Scheme is subject to direct credit risk in relation to its investment in pooled funds. The pooled investment vehicles used by the Trustee are unit linked insurance funds and regulated UCITS funds. The Trustee carries out due diligence checks on the appointment of new investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the investment managers. The scheme is subject to direct credit risk in relation to the following insurance companies through its holding in unit linked insurance funds:

- Legal & General Assurance (Pensions Management) Limited
- The Royal London Mutual Insurance Society Limited
- BlackRock Life Limited
- Managed Pension Funds Limited
- UBS Global Asset Management Life Limited

The insurance companies are regulated by the Financial Conduct Authority and the Prudential Regulation Authority and the companies maintain separate funds for its policy holders. There is no reinsurance risk as the insurance companies do not use reinsurance agreements for the funds the scheme invests in. In the event of a default by an insurance company the Trustee is an eligible claimant and is therefore protected under the Financial Services Compensation Scheme.

The Trustee is also exposed to indirect credit risk in the underlying pooled investment vehicles.

Direct credit risk arising from UCITS funds is mitigated as the assets are held independently from the manager by a depositary.

8.6.2 Indirect credit and market risk

The scheme is subject to indirect currency, interest rate and other price risk arising from the underlying investments held in the pooled investment vehicles. The table below breaks down the risk exposure by pooled investment vehicle.

	Holding at 31 March 2017 £000	Foreign exchange risk	Other price risk	Interest rate risk	Credit risk ¹
Amundi Funds Global Emerging Blended	88,073	Yes	Yes	Yes	Yes
BlackRock Aquila Connect Cash Fund	112,147	No	No	Yes	Yes
BlackRock Institutional Sterling Ultra Short Bond Fund	43,301	No	Yes	Yes	Yes
F&C Responsible Global Equity Fund	2,067	Yes	Yes	No	Yes
F&C Responsible Sterling Bond Fund	810	No	Yes	Yes	Yes
HSBC Amanah Global Equity Index Fund	1,337	Yes	Yes	No	Yes
HSBC GIF Economic Scale Index GEM Equity Fund	22,968	Yes	Yes	No	Yes
LGIM Global Real Estate Equity Index Fund	45,952	Yes	Yes	No	Yes
LGIM Hybrid Property Fund	194,728	Yes	Yes	Yes	Yes
LGIM Managed Property Fund	5,327	No	Yes	Yes	Yes
LGIM Single Year Gilt Funds 2017 - 2022	183	No	No	Yes	Yes
NT Emerging Markets Custom ESG Equity Index Fund	24,912	Yes	Yes	No	Yes
Royal London Investment Grade Short Dated Credit Fund	108,581	No	Yes	Yes	Yes
Royal London UK Corporate Bond Pooled Pension Fund	241,171	No	Yes	Yes	Yes
SSgA UK Conventional Gilts All Stocks Index Fund	15,696	No	No	Yes	Yes
SSgA UK Index Linked Gilts over 5 Years Index Fund	2,808	No	No	Yes	Yes
UBS Life Climate Aware World Equity Fund	156,495	Yes	Yes	No	Yes
UBS Life World Equity Tracker Fund	588,097	Yes	Yes	No	Yes

¹This includes balances with security lending and over the counter derivative counterparties.

The analysis of these risks set out above is at scheme level. Member-level risk exposures will depend on the funds invested in by members.

9. Current assets and liabilities

9.1 Current assets and liabilities allocated to members

	31 March 2017 £000	31 March 2016 £000
Contributions due from:		
-participating employers	30,839	24,561
-members	19,992	16,076
-HM Revenue and Customs	17,375	11,075
Cash awaiting investment	14,391	7,711
Current assets	82,597	59,423
Benefits payable	(118)	(47)
Amounts to be invested	(303)	(127)
Contribution corrections and limit breach repayable	(1,912)	(604)
Contributions yet to be allocated to member accounts or returned to employers	(3,302)	(2,496)
Current liabilities	(5,635)	(3,274)

The contributions yet to be allocated to member accounts relate to cash being held for investment in the next few days after the year end.

Outstanding member and employer contributions at the year-end totalled £50,831k (2016: £40,637k). In respect of these outstanding contributions, £45,855k was received by 31 May 2017 (2016: £34,661k by 31 May 2016).

Employer-related investments

The balance at 31 March 2017 includes contributions due from employers totalling £14,258k (2016: £16,035k), which were due after their statutory due dates as required by the payment schedules. These represent employer-related investments at the year end of 0.8 per cent (2016: 1.8 per cent) of the scheme's total net assets, but they did not contravene subsection (1) of section 40 of the 1995 Pensions Act. With the exception of £4,193k all of the outstanding contributions from these employers were received by 31 May 2017 (2016: £5,303k outstanding at 31 May 2016).

9.2 Current assets and liabilities not allocated to members

	31 March 2017 £000	31 March 2016 £000
Cash - General Account	107	44
Cash - Other	46	25
Other receivables	33	50
Current assets	186	119
Amounts payable to NEST Corporation	(46)	(25)
Other payables	(71)	(60)
Current liabilities	(117)	(85)

10. Related-parties transactions

The scheme's Trustee is NEST Corporation, a non-departmental public body accountable to the Secretary of State for Work and Pensions. The scheme pays the Trustee the contribution charge and AMC shown in note 6 above. The total amount for the year was £15,233k (2016: £9,010k).

NEST Corporation is a participating employer in the scheme. Contributions of £926k (2016: £904k) were payable by NEST Corporation to the scheme during the year.

Remuneration and pay for Trustee members is set by the Secretary of State for Work and Pensions. Total Trustee remuneration for the year was £336k (2016: £316k).

Where Trustee members are members of the scheme through self-employment or a participating employer all contributions to the scheme are made on standard business terms.

The Trustee pays for all of the running costs of the scheme including the payment of fees for the investment managers, investment fund administrators, the scheme administrators TCS and the auditors. The details of these fees can be seen in the annual report and accounts for NEST Corporation for the year ended 31 March 2017.

3.3 Other useful information

NEST's contact details

NEST's public website is nestpensions.org.uk

If you are a member or an employer already using NEST, contact us at: support@nestpensions.org.uk

or alternatively at:

NEST
Nene Hall
Lynch Wood Business Park
Peterborough
PE2 6FY

Regulation and disputes

The Pensions Regulator

The Pensions Regulator (TPR) has powers to regulate occupational pension schemes.

It works with trustees, employers, pension specialists and business advisers to protect members' benefits and encourages high standards in running pension schemes.

TPR is able to intervene in the running of schemes where trustees, providers or employers have failed in their auto enrolment duties.

You can find helpful information about TPR at thepensionsregulator.gov.uk

You can contact TPR at:

Phone: 0845 600 1011

Email: customer.support@thepensionsregulator.gov.uk

The Pensions Advisory Service

The Pensions Advisory Service (TPAS) provides free independent advice and can help both members and beneficiaries of NEST if they are experiencing problems related to NEST or any other pension scheme.

You can contact TPAS at:

Phone: 0300 123 1047

Email: enquiries@pensionsadvisoryservice.org.uk

Website: pensionsadvisoryservice.org.uk

Pensions Ombudsman

The Pensions Ombudsman investigates and determines any complaint or dispute of fact or law, in relation to an occupational pension scheme, which cannot be settled through the Pensions Advisory Service (TPAS) and the NEST Internal Disputes Resolution Procedure.

You can contact the Pensions Ombudsman at:

Phone: 020 7630 2200

Email: enquiries@pensions-ombudsman.org.uk

Website: pensions-ombudsman.org.uk



"I never thought about opting out of NEST. It seemed a lot smarter to stay in."

Milena Stephenson
Administrator, 121 Customer Insight

A photograph of an office desk with a laptop, keyboard, mouse, and stacks of papers. The image is overlaid with a large orange circle containing the text 'Appendices'.

Appendices

Appendix one

The top 100 investments as at 31 March 2017 have been calculated on a look-through basis to the underlying holdings of the pooled funds invested in by the scheme. The employer-related investments* are the participating employers in which the scheme invests at arms-length through the investment managers. Any employer-related investments as a result of late contributions are disclosed in the financial statements. See note 9.1 on page 77.

Number	Investments	% of Investments
1	Apple Inc	0.95%
2	Microsoft Corporation	0.62%
3	Alphabet Inc	0.61%
4	Mexican Peso	0.46%
5	Johnson & Johnson	0.43%
6	Amazon Com Inc	0.42%
7	Exxon Mobil Corporation	0.41%
8	Central Saint Giles	0.40%
9	Strand Island Site London	0.40%
10	Facebook Inc	0.39%
11	JPMorgan Chase & Co	0.39%
12	Berkshire Hathaway	0.38%
13	The Industrial Property Fund	0.38%
14	Russian Ruble	0.36%
15	Samsung Electronics	0.36%
16	Wells Fargo & Co	0.35%
17	Indian Rupee	0.34%
18	General Electric Co	0.33%
19	AT&T Inc	0.33%
20	West Cross Industrial Park Brentford	0.32%
21	Simon Property Group Inc	0.31%
22	Bank Of America Corporation	0.30%
23	Nestle	0.30%

Number	Investments	% of Investments
24	Procter & Gamble Co	0.28%
25	Picadilly Gardens Manchester	0.26%
26	Rackhams, Birmingham	0.26%
27	Wardourst, 76/88 Wardour Street	0.26%
28	Pfizer Inc	0.26%
29	Czech Koruna	0.25%
30	Royal Dutch Shell	0.25%
31	Verizon Communications Inc	0.24%
32	Co-Operative Bank Plc 4.75% maturity 11 November 2021	0.24%
33	Chevron Corporation	0.24%
34	Apex Plaza Reading	0.24%
35	Grenfell Park, Maidenhead	0.24%
36	Roche Holdings DRC	0.23%
37	Home Depot Inc	0.23%
38	Novartis AG	0.23%
39	Walt Disney Co	0.22%
40	Brazil, Federative Republic Of (Government) 10% maturity 01 January 2025	0.22%
41	Comcast Corporation	0.22%
42	BlackRock Institutional Cash Series Sterling Liquidity Fund	0.22%
43	Merck & Co Inc	0.22%
44	Philip Morris INTL Inc	0.22%
45	Cisco Systems Inc	0.21%
46	Coca Cola Co	0.21%
47	Intel Corporation	0.21%
48	Visa Inc	0.21%
49	Procession House, Ludgate Hill, London	0.21%
50	Citigroup Inc	0.21%
51	International Business Machines	0.21%
52	HSBC Holdings	0.20%

Number	Investments	% of Investments
53	UnitedHealth Group Inc	0.20%
54	Pepsico Inc	0.19%
55	Toyota Motor	0.19%
56	Indonesian Rupiah	0.19%
57	Public Storage	0.18%
58	Into Newcastle University	0.18%
59	Jackson Square Shopping Centre	0.18%
60	Serbian Dinar	0.18%
61	Oracle Corporation	0.18%
62	Altria Group Inc	0.17%
63	Prologis Inc	0.16%
64	Croatia, Republic of (Government) 5.875% 20180709	0.16%
65	Bechtel House Hammersmith	0.15%
66	194/198 Cambridge Science Park	0.15%
67	Dolphin Centre Poole	0.15%
68	Fountains Retail Park	0.15%
69	Plaza House Camden	0.15%
70	Sainsbury's Cheltenham	0.15%
71	Sainsbury's Preston	0.15%
72	Stevenage Leisure Park	0.15%
73	Tesco Distribution Site	0.15%
74	The Light Leeds	0.15%
75	Amgen Inc	0.15%
76	HSBC Bank Plc 5.375% maturity 11 April 2030	0.15%
77	British American Tobacco	0.15%
78	Welltower Inc	0.15%
79	3M Co	0.15%
80	ING Bank N.V 0.5% maturity 4 May 2017	0.15%
81	Wal Mart Stores Inc	0.15%

Number	Investments	% of Investments
82	Provident Financial Plc 8% maturity 23 November 2019	0.15%
83	Avalonbay Communities	0.14%
84	Commonwealth Bank Of Australia	0.14%
85	Medtronic Inc	0.14%
86	Mastercard Incorporated	0.14%
87	Total (S.A)	0.14%
88	Thai Baht	0.14%
89	Schlumberger Ltd	0.14%
90	Unibail	0.14%
91	Places For People Group Ltd 5.09% maturity 31 July 2043	0.14%
92	Telereal Securitisation Plc 7.098% maturity 12 November 2033	0.13%
93	Ventas Inc	0.13%
94	Siemens	0.13%
95	Royal Bank Canada Montreal Quebec	0.13%
96	McDonalds Corporation	0.13%
97	BG Energy Capital Plc 6.5% maturity 30 November 2072	0.13%
98	GlaxoSmithKline	0.13%
99	Yorkshire Building Society 4.125% maturity 20 November 2024	0.13%
100	Equity Residential	0.13%

* Employer-related investments as defined above were held in Newcastle University, Provident Financial Plc, Tesco and McDonalds Corporation.

Appendix two

NEST Retirement Date Funds performance

NEST Retirement Date Fund	Fund performance one year to 31 March 2017	Annualised fund performance three years to 31 March 2017	Annualised fund performance five years to 31 March 2017	Annualised fund performance since inception to 31 March 2017	Inception
	%	%	%	%	
CPI ¹	2.30	0.94	1.45	1.69	01 August 2011
NEST Starter fund ²	15.20	10.10	9.37	9.14	01 August 2011
2063 retirement fund	-	-	-	2.94	01 January 2017
2062 retirement fund	15.74	-	-	14.61	01 January 2016
2061 retirement fund	15.92	-	-	9.19	01 January 2015
2060 retirement fund	15.99	9.83	-	8.96	01 January 2014
2059 retirement fund	16.02	9.98	-	9.77	01 January 2013
2058 retirement fund	16.01	9.94	9.24	9.31	01 January 2012
2057 retirement fund	16.63	10.16	9.37	9.14	01 August 2011
2056 retirement fund	17.32	10.43	9.51	9.27	01 August 2011
2055 retirement fund	18.51	10.98	9.81	9.53	01 August 2011
2054 retirement fund	19.72	11.52	10.14	9.82	01 August 2011
2053 retirement fund	20.95	12.15	10.54	10.17	01 August 2011
2052 retirement fund	22.05	12.74	10.97	10.59	01 August 2011
2051 retirement fund	22.05	12.94	11.16	10.76	01 August 2011
2050 retirement fund	22.05	13.00	11.23	10.80	01 August 2011
2049 retirement fund	22.05	13.00	11.34	10.88	01 August 2011
2048 retirement fund	22.05	13.01	11.35	10.88	01 August 2011
2047 retirement fund	22.05	13.01	11.33	10.81	01 August 2011
2046 retirement fund	22.05	13.00	11.35	10.83	01 August 2011
2045 retirement fund	22.05	13.00	11.35	10.83	01 August 2011
2044 retirement fund	22.05	13.00	11.35	10.83	01 August 2011
2043 retirement fund	22.05	13.00	11.32	10.80	01 August 2011
2042 retirement fund	22.05	13.00	11.32	10.80	01 August 2011
2041 retirement fund	22.04	13.00	11.33	10.81	01 August 2011
2040 retirement fund	22.04	13.00	11.34	10.82	01 August 2011

NEST Retirement Date Fund	Fund performance one year to 31 March 2017	Annualised fund performance three years to 31 March 2017	Annualised fund performance five years to 31 March 2017	Annualised fund performance since inception to 31 March 2017	Inception
	%	%	%	%	
2039 retirement fund	22.05	13.00	11.33	10.81	01 August 2011
2038 retirement fund	22.04	13.00	11.34	10.82	01 August 2011
2037 retirement fund	22.04	12.99	11.33	10.81	01 August 2011
2036 retirement fund	22.04	13.00	11.33	10.81	01 August 2011
2035 retirement fund	22.02	12.99	11.32	10.80	01 August 2011
2034 retirement fund	22.03	12.99	11.33	10.81	01 August 2011
2033 retirement fund	22.04	13.00	11.34	10.82	01 August 2011
2032 retirement fund	22.04	13.00	11.32	10.80	01 August 2011
2031 retirement fund	22.04	12.99	11.30	10.78	01 August 2011
2030 retirement fund	22.05	13.00	11.33	10.81	01 August 2011
2029 retirement fund	22.04	13.00	11.33	10.81	01 August 2011
2028 retirement fund	22.06	13.00	11.27	10.76	01 August 2011
2027 retirement fund	22.06	13.00	11.37	10.84	01 August 2011
2026 retirement fund	21.24	12.74	11.18	10.68	01 August 2011
2025 retirement fund	19.84	12.30	10.91	10.44	01 August 2011
2024 retirement fund	18.49	11.74	10.62	10.18	01 August 2011
2023 retirement fund	17.15	11.12	10.18	9.80	01 August 2011
2022 retirement fund	15.82	10.33	9.50	9.16	01 August 2011
2021 retirement fund	14.49	9.63	8.91	8.68	01 August 2011
2020 retirement fund	7.66	7.52	7.51	7.48	01 August 2011
2019 retirement fund	5.66	6.62	6.79	6.88	01 August 2011
2018 retirement fund	3.17	5.46	5.92	6.14	01 August 2011
2017 retirement fund	1.33	2.00	2.65	2.77	01 August 2011
2016 retirement fund	0.48	1.10	1.79	1.93	01 August 2011
NEST Post-retirement fund ³	0.89	0.66	-	0.62	01 November 2013

¹ Our overall target for the NEST Retirement Date Funds is to outperform inflation

² This fund is for individuals between the ages of 16 to 22 who have an expected retirement date beyond the range of available NEST Retirement Date Funds.

³ This fund is for those members whose NEST Retirement Date Fund has matured and been closed, and the members have yet to take their retirement benefits.

Appendix three

Transaction costs for the year ended 31 March 2017

These transaction costs have been disclosed in accordance with the Chair's governance statement on pages 41 and 42.

Default fund – NEST Retirement Date Fund	Transaction costs	Default fund – NEST Retirement Date Fund	Transaction costs
NEST Starter Fund	0.034%	2040 Retirement Fund	0.049%
2016 Retirement Fund	0.000%	2041 Retirement Fund	0.049%
2017 Retirement Fund	0.002%	2042 Retirement Fund	0.049%
2018 Retirement Fund	0.006%	2043 Retirement Fund	0.049%
2019 Retirement Fund	0.011%	2044 Retirement Fund	0.049%
2020 Retirement Fund	0.016%	2045 Retirement Fund	0.049%
2021 Retirement Fund	0.035%	2046 Retirement Fund	0.049%
2022 Retirement Fund	0.037%	2047 Retirement Fund	0.049%
2023 Retirement Fund	0.040%	2048 Retirement Fund	0.049%
2024 Retirement Fund	0.042%	2049 Retirement Fund	0.049%
2025 Retirement Fund	0.045%	2050 Retirement Fund	0.049%
2026 Retirement Fund	0.047%	2051 Retirement Fund	0.049%
2027 Retirement Fund	0.049%	2052 Retirement Fund	0.049%
2028 Retirement Fund	0.049%	2053 Retirement Fund	0.047%
2029 Retirement Fund	0.049%	2054 Retirement Fund	0.044%
2030 Retirement Fund	0.049%	2055 Retirement Fund	0.041%
2031 Retirement Fund	0.049%	2056 Retirement Fund	0.038%
2032 Retirement Fund	0.049%	2057 Retirement Fund	0.036%
2033 Retirement Fund	0.049%	2058 Retirement Fund	0.035%
2034 Retirement Fund	0.049%	2059 Retirement Fund	0.034%
2035 Retirement Fund	0.049%	2060 Retirement Fund	0.034%
2036 Retirement Fund	0.049%	2061 Retirement Fund	0.034%
2037 Retirement Fund	0.049%	2062 Retirement Fund	0.034%
2038 Retirement Fund	0.049%	2063 Retirement Fund	0.034%
2039 Retirement Fund	0.049%	NEST Post-retirement Fund	0.000%

Default fund – NEST Retirement Date Fund	Transaction costs
NEST fund choices	
NEST ethical growth fund	0.086%
NEST sharia fund	0.020%
NEST higher risk fund	0.057%
NEST lower growth fund	0.000%
NEST pre-retirement fund	0.000%

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Riverside House
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SE1 9HA

Email [**stakeholder@nestcorporation.org.uk**](mailto:stakeholder@nestcorporation.org.uk)

Find out more online at [**nestpensions.org.uk**](http://nestpensions.org.uk)