



# NEST Corporation corporate plan

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2013-2016

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# 01 Foreword

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2013/14 will be an important year in NEST's development as our membership increases significantly and we prepare for the sharp rise in the number of employers who'll reach their staging dates in the years that follow.

Our vision is to help millions save confidently for their retirement and this year we'll see significant progress towards that as employers continue to enrol their workers. By the end of the period covered by this corporate plan we'll be well on our way to achieving that vision.

During the last financial year we've seen the first few very large employers automatically enrol their workers into NEST. We've seen NEST's membership rapidly increase from the modest level it was at during our volunteer phase. And we've been able to start to observe automatic enrolment in practice and learn from the early experience of employers and members using the scheme.

In 2013/14 we'll see a major change in the scale of the scheme. As we see this scaling up of operations we'll continue to need a business that supports, develops and listens to its customers and its people. As a relatively young organisation, we continue to evolve as we embed our values and organisational culture.

Our fourth corporate plan, which incorporates our 2013/14 business objectives, reflects the need to deal with the challenges we see in the present and helps us prepare for the future.

The next three years will see a once-in-a-generation shift in the UK pensions landscape with many more people engaged in saving for retirement, often for the first time. NEST is preparing for the challenge and we're committed to giving all those who use our services the support they need to make automatic enrolment a success.

A handwritten signature in cursive script that reads "Lawrence Churchill". The signature is written in black ink and is positioned above a long, thin horizontal line that serves as a decorative underline.

Lawrence Churchill CBE  
Chair  
NEST Corporation  
June 2013

## 02 Introduction

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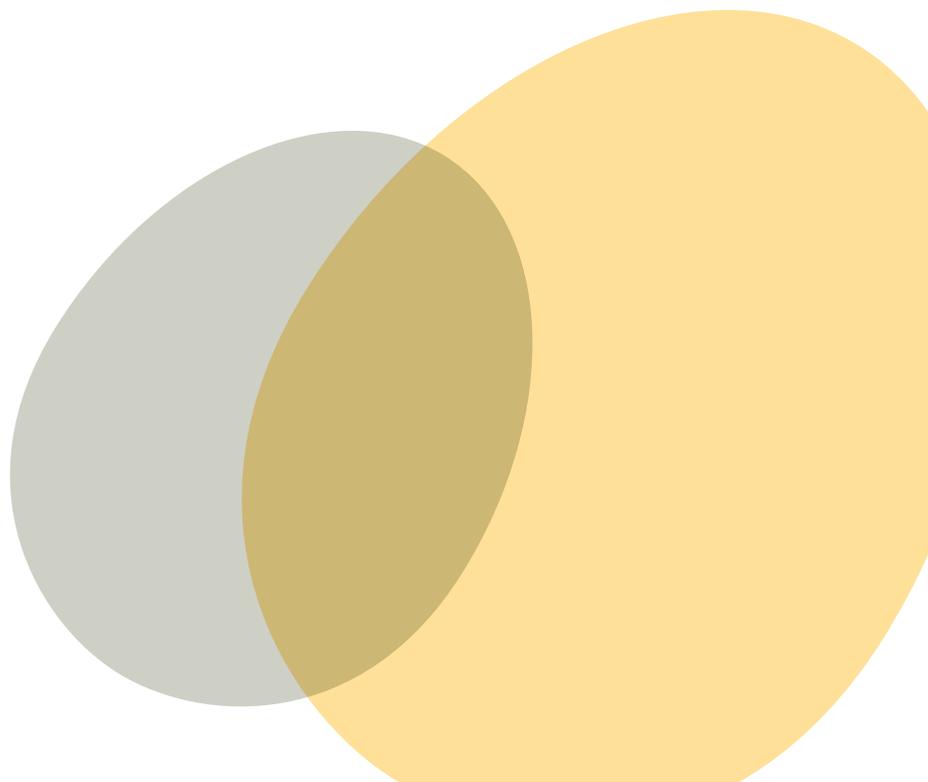
### Background

NEST (National Employment Savings Trust) is an occupational pension scheme. It's run as a trust-based scheme on a not-for-profit basis in the interests of its members. NEST Corporation is the Trustee of the NEST pension scheme and currently has a governing body of 11 Trustee Members. The Trustee Members are responsible for taking decisions based on established principles of trust law and for setting the strategic direction and objectives of the organisation.

NEST Corporation was established by government and is a non-departmental public body.

### Purpose of the corporate plan

This is NEST Corporation's fourth corporate plan. It covers the period from April 2013 to March 2016 and includes details of our business plan for April 2013 to March 2014. The plan identifies those areas where we'll need to be successful if we're to achieve our vision of helping millions to save confidently for their retirement. It sets out the specific business activities and indicators through which we'll measure our progress over the financial year 2013/14.



## 03

# What is NEST here to do and what does success look like?

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## The vision

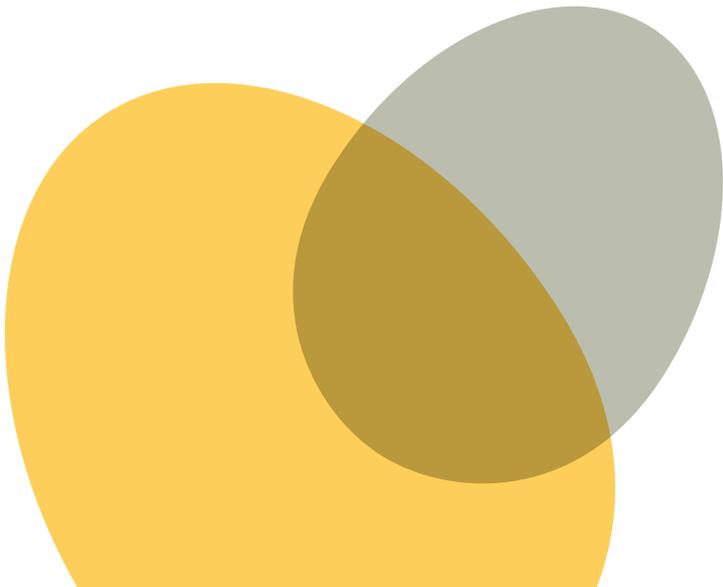
NEST Corporation's vision is to help millions to save confidently for their retirement.

NEST is designed to provide a high-quality, great-value pension scheme for the millions of people not currently saving for their retirement. Many of these people have limited or no experience of investment products or pensions and low levels of trust and confidence in pension saving and financial services. As retirement saving becomes more commonplace and savers have the opportunity to engage directly with NEST, in the long term we aim to give members the confidence to take decisions that lead to the type of outcomes they want in later life.

## The mission

To achieve this vision we'll need to keep the needs of our target market - we researched workers earning up to £35,000 when designing the product - at the heart of everything we do. We'll need to run the scheme in the interests of our members and embed our reputation for delivery and high-quality customer service while seeing a significant increase in the scale of employers and members using the scheme. In doing all of this we hope to become a respected part of the UK pensions system.

Our mission summarises these challenges – to deliver and run a trusted, well-liked and well-used pension scheme, operated in the interests of its members.



## 04 What will NEST deliver?

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### Our strategic objectives

We outlined our strategic objectives for the first time in last year's corporate plan. They set out what we think we need to deliver in order to achieve our long-term vision and mission.

The strategic objectives cover a five-year period up to the end of staging. They reflect our priorities as over one million employers approach their staging dates and the emphasis turns to delivering the scheme at scale.

We've reviewed the strategic objectives that we set last year and have concluded that they remain the correct basis for our strategy over the period.

- › Develop and run a high-quality pension scheme that meets the requirements of our customers and our regulatory obligations.
- › Attract sufficient take-up and revenues to give us a clear line of sight to a self-funding business model.
- › Deliver stable, smooth and sustainable investment returns above inflation after all charges in line with our investment objectives.
- › Maintain consensus among stakeholders that there's a role for a healthy and vibrant NEST within the UK pensions market.
- › Develop and maintain a stable and efficient organisation with sufficient skills, knowledge and corporate memory to deliver our other objectives.

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## 2013/14 business plan

Our business plan for 2013/14 flows from our strategic objectives. It outlines what we need to do this year to progress towards the achievement of our strategic objectives and helps us to target resources at the appropriate priorities. This section sets out the business objectives we aim to deliver in 2013/14 and the key business activities and indicators we'll be using to track our delivery.

### **I** **Maintain a compliant scheme that meets the needs of those employers already using NEST and those who may use NEST in future**

In 2012/13 we delivered the infrastructure and processes to enable NEST to be a compliant scheme that employers could use from the onset of employer duties. The first few large employers who have chosen to use NEST have now enrolled their workers into the scheme. However, we know that the number of employers using NEST will rise rapidly throughout 2013/14 and beyond, as increasing numbers of employers reach their staging date. During 2013/14 we need to support those employers who reach their staging date this year, while continuing to develop the online tools and services to enable a 'self-service' experience as employer volumes increase in subsequent years.

In collaboration with our operational partners, particularly our scheme administrators Tata Consultancy Services, we'll need to balance the delivery of improvements for the employers that are already using the scheme with the need to get ready for the smaller employers that follow in future years.

#### **Key activities and indicators for this objective:**

- To meet this objective we plan to deliver a package of changes by the end of March 2014 that enables us to:
  - remain compliant with all regulatory changes
  - maintain operational viability
  - anticipate and respond to the increase in volumes of employers using the scheme.

## 2 To ensure the scheme's infrastructure and support services are right scaled throughout the period so that there's no deterioration in the operation of the scheme or negative impact on our members or employers

The number of NEST members and employers has grown rapidly in 2012/13 and is set for further rapid expansion during 2013/14 as increasing numbers of large employers start to use the scheme.

As an online scheme that will operate at scale it's essential that our web services and contact centre support are available and respond efficiently to deliver the high-quality service that our customers expect. We'll need to ensure that the scheme's services are right scaled to reflect the growing size of the membership and to maintain our high standards of customer service. We'll continue to respond promptly to any complaints we receive and analyse any trends to ensure the lessons are learnt and acted upon.

We continue to seek feedback from our customers and we'll conduct further research into our customers' early experiences of NEST.

### Key activities and indicators for this objective:

- maintain availability of web and interactive voice recognition (IVR) services 24 hours a day, 365 days a year, except during planned maintenance
- maintain contact centre availability in line with advertised hours
- answer calls to the contact centre within 60 seconds, and five seconds for the IVR system
- acknowledge all complaints in writing within five working days and respond to each within eight weeks
- continue to develop our customer experience research as we reach scale, enabling us to track and respond to trends in member and employer satisfaction with NEST.

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### 3 Deliver scale into the scheme that's consistent with our longer-term business model

2013/14 will see a relatively small number of employers reach their duty dates compared to later years. However, the scale of workers these large employers will enrol will be significant.

Some prominent large UK employers have already publicly announced that they'll be using NEST. This underlines the role NEST can play for these types of employer and shows that a significant proportion of the target market for NEST is found in larger firms. In 2013/14 we expect more large employers to start using NEST. This reflects the staging profile and the size of employer that will reach their duty dates in the next 12 months. Our operational focus over the next 12 months is therefore on providing an installation management process that successfully deals with these employers.

Smaller firms with staging dates beyond 2013/14 were one of the key drivers behind establishing NEST and we expect to attract a significant number of medium-sized and smaller employers in the later years of the staging period. We've designed the scheme with the needs of smaller employers in mind and remain focused on serving the employers that will reach their staging dates in the years to come. So this year we'll continue to work with employers, their advisers and intermediaries and their trade bodies to raise awareness and understanding of NEST and the role it can play for employers whose duty dates are later.

#### Key activities and indicators for this objective:

- successfully operate an installation management process that deals with the largest employers wanting to use NEST
- have 500,000 contributing members by the end of March 2014
- have built distribution relationships with providers, financial advisers and a range of other intermediaries that medium and smaller employers will use to help them meet their employer duties.

#### 4 Invest members' savings in line with our investment strategy

2012/13 was the first full financial year in which we've been investing our members' money. Pensions are a long-term investment and we don't want to put too much emphasis on short-term returns. We've targeted volatility in line with member needs and protected scheme members from some big falls in value during 2012/13. Most importantly, we're well on track to meet our long-term objectives.

In 2013/14 we'll continue to invest with the objective of capturing economic global growth to deliver steady and sustainable returns for all our members. We've set clear risk budgets on our retirement funds to help us consistently deliver our investment objective of returns in excess of inflation over an economic cycle. For the Foundation and Growth phases of saving within the NEST Retirement Date Funds and for most of our fund choices we'll actively manage the risk our portfolios are exposed to and report quarterly on their performance. By managing within these risk budgets we're likely to deliver on our additional investment objectives to reduce short-term volatility and extreme downside risk. For members close to retirement and for members in the NEST Pre-retirement Fund and NEST Lower Growth Fund our objectives are to manage conversion risk in accordance with how our members want to take their incomes in retirement and provide capital protection.

##### Key activities and indicators for this objective:

- › invest all NEST retirement funds according to their risk budgets
- › ensure fund managers perform in accordance with the mandates set for them
- › ensure the NEST Ethical Fund and NEST Sharia Fund remain invested in accordance with our policies for ethical and Sharia investing
- › ensure our responsible investment policy is applied effectively and proportionately.

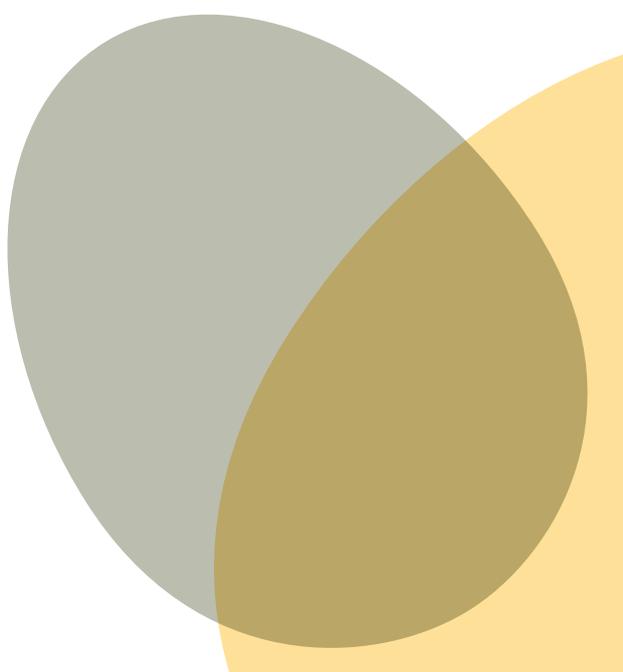
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**5 Build on NEST's reputation as an evidence-based contributor to the conversation with stakeholders and policy makers on the delivery of good quality pensions**

NEST Corporation's reputation as a voice in the relevant policy debates around workplace schemes has steadily grown over the past year. NEST Corporation will continue to enhance this by contributing to the debate on issues related to the roll-out of automatic enrolment and what this means for schemes, employers and members.

By sharing elements of our extensive research into our target group and the insights we gather from our experience of operating the scheme, we'll continue to work with stakeholders and make evidence-based contributions to policy makers to help develop best practice around the delivery of good quality pension schemes.

**Key activities and indicators for this objective:**

- › continue to engage openly and constructively with stakeholders from across the industry
  - › continue with our commitment to sharing our research and insight into automatic enrolment and its effects on workers and employers through, in particular, the annual NEST Forum and *NEST insight* events.
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## 6 Create a high-achieving organisation by nurturing a highly engaged workforce and developing our people

As NEST starts to operate at scale and we progress through staging, our people will continue to be faced with fresh challenges. This makes it even more important that we support them by nurturing a workplace culture that's supportive and encourages our people to engage with our mission and maintain the highest standards. We'll pay close attention to the things our staff tell us, both informally and through our annual staff survey. We'll develop people policies that reflect their needs, the development needs of the organisation and our corporate values.

During 2013 NEST Corporation will also relocate to new offices in central London. This relocation will need to be managed in a way that minimises the impact on our people and their ability to deliver.

### Key activities and indicators for this objective:

- › ensure that our people are provided with the facilities, IT and other logistical support to enable them to deliver our business objectives, and to ensure that this service isn't compromised as we implement our location strategy
- › deliver a high-quality core service including HR, finance, procurement and corporate secretariat that meets the needs of our people and enables us to meet our business objectives
- › continue the implementation of our employee engagement action plan.

## Summary of objectives, business activities and key indicators

The table below provides a summary of the business activities and key indicators for the 2013/14 year.

Strategic objective	2013/14 business objectives	2013/14 business activities and key indicators
<p>Deliver and run a high-quality pension scheme that meets the requirements of our customers and our regulatory obligations</p>	<p>Maintain a compliant scheme that meets the needs of those employers already using NEST and those who may use NEST in future</p>	<p>Deliver a package of changes by the end of March 2014 that enables us to:</p> <ul style="list-style-type: none"> <li>• remain compliant with all regulatory changes</li> <li>• maintain operational viability</li> <li>• anticipate and respond to the increase in volumes of employers using the scheme</li> </ul>
	<p>To ensure the scheme's infrastructure and support services are right scaled throughout the period so that there's no deterioration in the operation of the scheme or negative impact on our members or employers</p>	<ul style="list-style-type: none"> <li>• maintain availability of web and IVR services 24 hours a day, 365 days a year, except for during planned maintenance</li> <li>• maintain contact centre availability in line with advertised hours</li> <li>• answer calls to the contract centre within 60 seconds, and five seconds for the IVR system</li> <li>• acknowledge all complaints in writing within five working days and respond within eight weeks</li> <li>• continue to develop our customer experience research as we reach scale, enabling us to track and respond to trends in member and employer satisfaction with NEST</li> </ul>
<p>Attract sufficient take-up and revenues to give us a clear line of sight to a self-funding business model</p>	<p>Deliver scale into the scheme that's consistent with our longer-term business model</p>	<ul style="list-style-type: none"> <li>• successfully operate an installation management process that deals with the largest employers wanting to use NEST</li> <li>• to have 500,000 contributing members by the end of March 2014</li> <li>• have built distribution relationships with providers, financial advisers and a range of other intermediaries that medium and smaller employers will use to help them meet their employer duties</li> </ul>
<p>Deliver stable, smooth and sustainable investment returns above inflation after all charges in line with our investment objectives</p>	<p>Invest members' savings in line with our investment strategy</p>	<ul style="list-style-type: none"> <li>• invest all NEST retirement funds according to their risk budgets</li> <li>• ensure fund managers perform in accordance with the mandates set for them</li> <li>• ensure the NEST Ethical Fund and NEST Sharia Fund remain invested in accordance with our policies for ethical and sharia investing</li> <li>• ensure our responsible investment policy is applied effectively and proportionately</li> </ul>

Strategic objective	2012/13 business objectives	2013/14 business activities and key indicators
Maintain consensus among stakeholders that there's a role for a healthy and vibrant NEST within the UK pensions market	Build on NEST's reputation as an evidence-based contributor to the conversation with stakeholders and policy makers on the delivery of good quality pensions	<ul style="list-style-type: none"> <li>• continue to engage openly and constructively with stakeholders from across the industry</li> <li>• continue with our commitment to sharing our research and insight into automatic enrolment and its effects on workers and employers through, in particular, the annual NEST Forum and <i>NEST insight</i> events</li> </ul>
Develop and maintain a stable and efficient organisation with sufficient skills, knowledge and corporate memory to deliver our other objectives	Create a high-achieving organisation by nurturing a highly engaged workforce and developing our people	<ul style="list-style-type: none"> <li>• ensure that NEST people are provided with the facilities, IT and other logistical support to enable them to deliver our business objectives, and to ensure that this service is not compromised as NEST implements its location strategy</li> <li>• deliver a high-quality core service including HR, finance, procurement and corporate secretariat that meets the needs of our people and enables us to meet our business objectives</li> <li>• continue the implementation of our employee engagement action plan</li> </ul>

## 05 How will NEST deliver?

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### NEST people - value statements

NEST's people are the key to delivering its mission. NEST's value statements capture what it means to be part of NEST. They're complementary to our brand values of ease, transparency and empowerment.

#### **We know why we're here**

Acting in the interests of members is a fiduciary duty of NEST Corporation as Trustee of NEST, but more than this it needs to be at the heart of our corporate culture if we're to be successful. Our staff survey shows that our people are highly engaged with NEST Corporation's mission of 'helping millions save confidently for their retirement'.

#### **We believe in the value of what we do**

The government's pension reforms will revolutionise the pensions landscape and NEST has a key role to play as part of those reforms. It's important that our people are passionate about the role they'll play in delivering the scheme and can relate this back to how it fits to the success of NEST and the difference this will make to members of the scheme. We focus on making sure that every one of our colleagues understands how their role contributes to NEST.

#### **We care about delivering**

For the scheme to be a success we need our people to care about delivering a service to our members that's high-quality, delivered with integrity, and contributes to members' confidence in how the scheme is run.

#### **We know we can only be successful by working together and with others**

NEST people work collaboratively with internal colleagues, operational partners such as TCS and external stakeholders of all kinds. The diversity of experience and knowledge we can draw on will help us to deliver innovative solutions that are designed with members and employers in mind.

## 06 Resource summary

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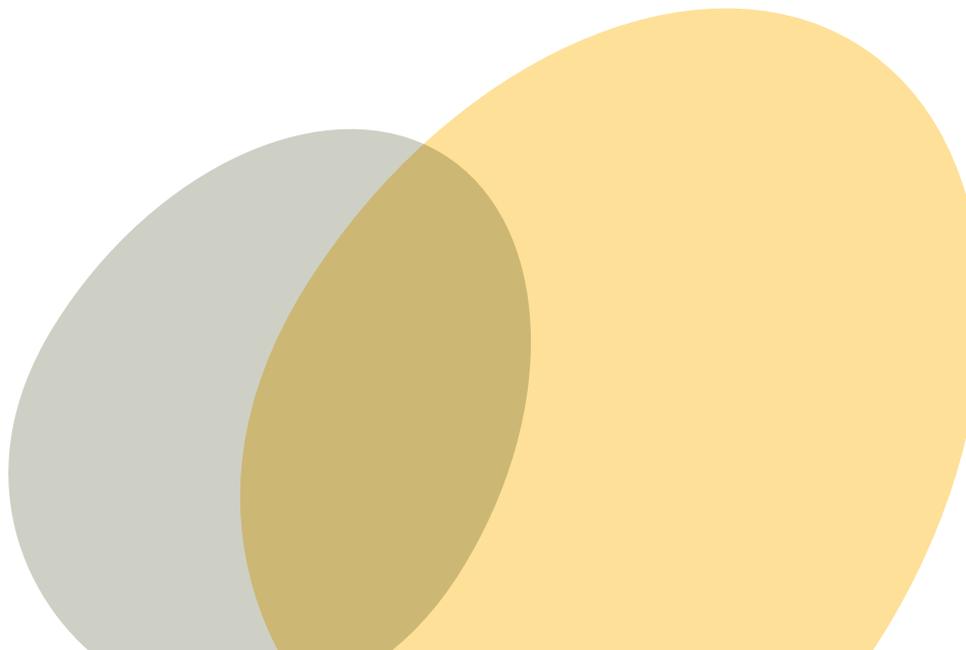
While we work to deliver our strategic objectives, it's essential to keep a clear line of sight between our spending and the interests of our members. When we spend money in pursuit of these objectives we must do so prudently, and recognise that our costs are ultimately borne by scheme members.

The following section provides information on the resources required to deliver business activities for 2013/14 as well as information on resource planning for the period April 2013 to March 2016.

### Funding

NEST Corporation is funded principally by a series of loans from the DWP and also by grant-in-aid in respect of activities required due to its status as a public corporation. Annual budget allocations are agreed before the start of the financial year and NEST Corporation's funding requirement is kept under review throughout the year.

The loans and accumulated interest will be repaid through income generated by member charges. NEST pays a rate of interest on each loan that's intended to reflect the rate of borrowing that would apply were the loan issued on a commercial basis. Separately, in recognition of the public service obligation that NEST has to enrol all employers who wish to join and use NEST to meet their employer duty obligations, the DWP pays a grant to NEST sufficient, in effect, to reduce the rate of borrowing to the government rate.



## Financial resources

The key elements of the financial plan are set out below:

	Figures from 2012/13 corporate plan £(m)	2012/13 provisional outturn (subject to audit) £(m)	2013/14 plans £(m)	2014/15 plans £(m)	2015/16 plans £(m)
<b>Expenditure</b>					
Scheme administration (including change requests, fund administration, fund management, and The Pension Regulator levy)	22.8	13.5	23.3	35.2	42.1
Costs of running NEST Corporation	33.5	32.8	37.3	35.3	36.0
Depreciation	8.8	10.2	10.9	10.9	10.9
Interest on loans	13.2	13.1	17.3	21.9	28.4
<b>Resource expenditure</b>	<b>78.3</b>	<b>69.5</b>	<b>88.8</b>	<b>103.2</b>	<b>117.3</b>
<b>Income</b>					
Income from member charges	0.3	0.1	2.4	6.4	8.7
Grant in respect of public service obligation	7.1	7.1	9.8	10.8	13.8
Grant-in-aid for non-chargeable expenditure	1.0	0.9	0.8	0.8	0.8
<b>Total income</b>	<b>8.4</b>	<b>8.0</b>	<b>13.1</b>	<b>18.0</b>	<b>23.2</b>
<b>Total comprehensive expenditure for the year</b>	<b>69.9</b>	<b>61.5</b>	<b>75.8</b>	<b>85.2</b>	<b>94.1</b>
<b>Capital expenditure</b>	<b>10.3</b>	<b>10.9</b>	<b>8.5</b>	<b>8.5</b>	<b>5.6</b>

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## Analysis

Resource expenditure and income is lower than previously anticipated. This is mainly due to significant uncertainty in member volumes and assumptions relating to the timing of bringing members into the scheme at the point the previous estimates were made.

Overall the total comprehensive expenditure for 2012/13 is £8.4m lower than previous estimates. We're improving our estimates based on our experience to date. However given the range of factors that can affect NEST's revenues and costs, for example employer choice of scheme, numbers of eligible workers, opt-out rates and level of contributions, they remain subject to revision in future years as more reliable information becomes available. Capital expenditure was higher than originally anticipated – this is mainly due to reallocation of spending between scheme administration costs and capital following the finalisation of our accounting policies at the end of the first year of operation.

Expenditure in 2013/14 is expected to be £75.8m. The increase from 2012/13 is driven by a combination of scheme administration costs being higher as the size of the scheme grows and higher NEST Corporation costs. The higher NEST Corporation costs are primarily due to one-off costs associated with an office location move combined with a peak of resource requirements as we simultaneously support large employers joining NEST and continue to work on developing the product and processes for future customers. There are also higher interest costs as the size of the loan grows.

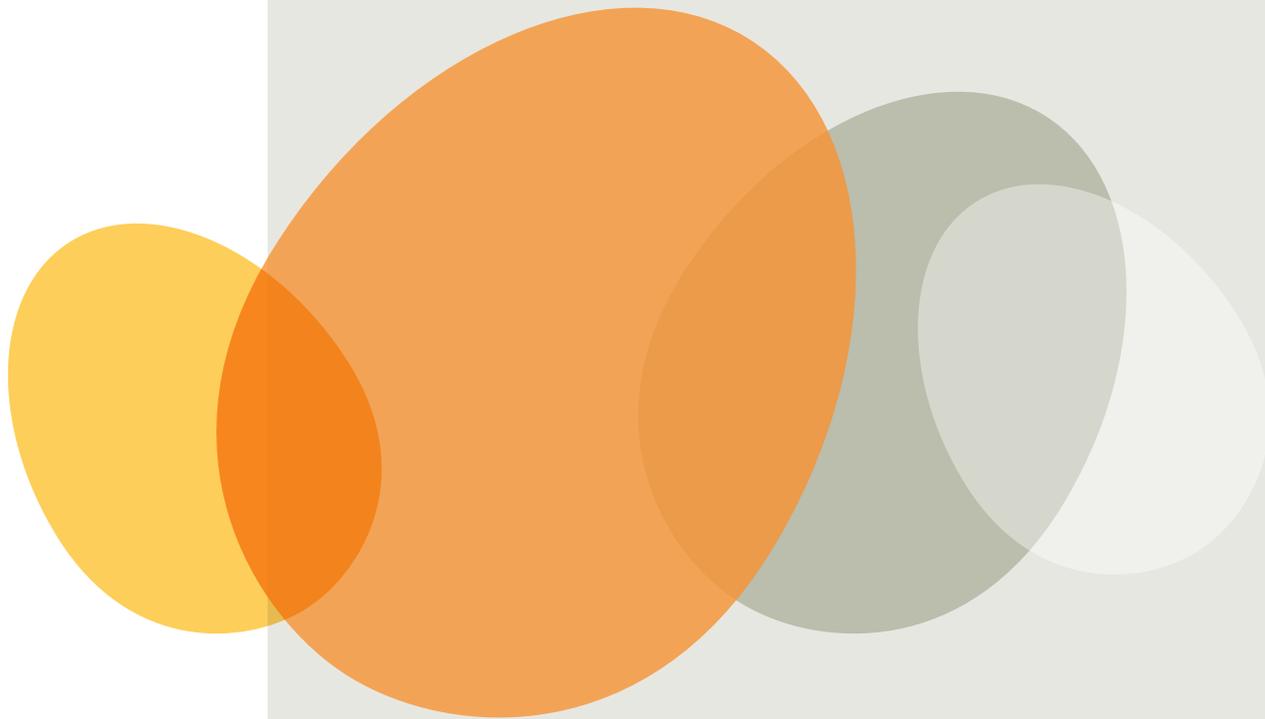
Income in 2013/14 is expected to be £13.1m, £5.1m higher than 2012/13. This is driven by a combination of higher income from member charges as the size of the scheme grows and increases in expected grant in relation to the public service obligation as the size of the loan grows.

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Find out more online at  
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