



NEST adviser news

Welcome to the April issue



This month you'll find more analysis, reports and news tailored specifically for the intermediary market.

The sheer number of employers needing to automatically enroll their workers over the next few years represents

a huge challenge for the whole pensions industry. Payroll specialists, employee benefits consultants and increasingly financial advisers will have an important role to play alongside schemes like NEST.

The next wave of staging will see thousands of employers enrolling their workers every month. To see how we're geared up to deal with this surge of interest read *Rising to the challenge as employer numbers peak* opposite.

We also provide analysis on where employers will be looking for support. Find out more on page 3.

I hope you enjoy this issue of NEST adviser news. We've always keen to know how we can improve it. So if you have any suggestions please complete [our survey](#) and to say thanks we'll send you a free copy of our *Advisers' guide to NEST*. It's packed with information that could help you expand your client base and the range of service you offer.

Best wishes,



Adrian Sims,
Central Account Manager

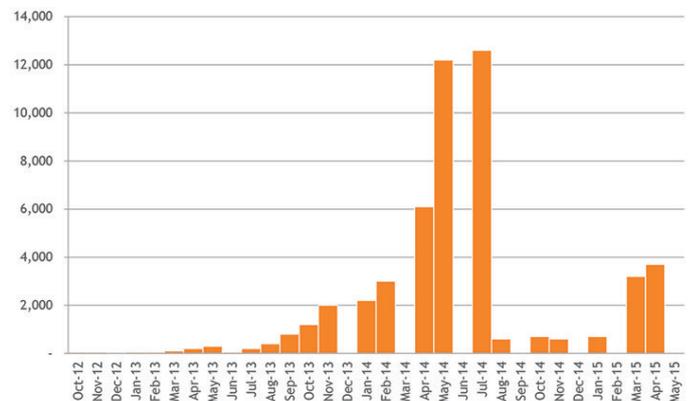
April 2013

Rising to the challenge as employer numbers peak

The challenge of supporting employers through the automatic enrolment process is set to increase significantly over the next few years.

Providers, advisers and payroll specialists will all need to prepare for the sharp rise in the number of employers having to enroll their workers. The graph below shows you how sharply this peaks in May and July 2014.

PAYE schemes - Oct 2012 to May 2015



These figures are from the Pensions Regulator reflect the numbers of PAYE schemes not the numbers of employers. Employers may have more than one PAYE scheme.

These smaller employers differ from those currently affected by the reforms in a number of ways.

Firstly, they have considerably lower rates of existing pension provision. About a third of employers with between 50 and 999 workers have no workplace pension provision at all.

They also have a lot less knowledge and experience of pensions so it's likely they'll need much more help and support.

NEST has been busy preparing for this changing landscape. For example, we're producing new guides and tools to help employers who have little experience of pensions. Our Peterborough-based contact centre is

fully scalable too. We'll be ready to handle more calls and provide information to a wide range of employers who need specific assistance on meeting their new duties with NEST. Our back-office systems managed by Tata Consultancy Services are also able to grow and develop as volumes increase.

This is an opportunity for you to plan ahead for when your clients need your help with automatic enrolment.

For more information see our [adviser homepage](#).

Useful tools — payroll guidance and templates

Having supported employers through worker enrolments for six months now, we've been able to learn some useful lessons based on their experiences.

Among them is the need to help employers link their payroll records to the NEST set-up process. This includes simplifying the way employers can submit data to us. We've also developed a tool for employers to check their files for errors before they submit them to NEST.

NEST can handle large files of data very efficiently. We accept commonly used data files that meet standard formats. This helps make it easier and more convenient for employers to give information to us. We also provide three options for how to submit enrolment and contribution details which gives employers more choice.

So far, there's been a high success rate of employers' enrolment records being accepted first time. Where large volumes are involved, however, it's not unusual for some records to be rejected. Common problems include incorrectly entered addresses and missing postcodes.

To help employers make sure their data is in the right format, NEST offers a number of tools and guides. These include:

- templates for uploading files
- a file-checking tool to test data files before they're uploaded
- instructions on how to upload files
- a detailed guide for payroll users.

We're constantly improving the information and facilities we offer. For our latest downloadable documents go to [Setting up NEST](#).

What good looks like

The Pensions Regulator (TPR) recently published a consultation on what a good defined contribution (DC) pension scheme should look like.

Listing 36 specific features it covers areas such as contributions, investments, governance, value for money and member communications. It's another step in defining standards for DC schemes and continues the trend of increasing regulatory guidance on the subject.

As part of the consultation TPR are saying they'll adopt a 'comply or explain' regime. This means that occupational DC trust-based pension schemes will be expected to disclose how they comply to explain any inconsistencies. Where trustees fall short of the standards expected, TPR will take action to put things right. This includes issuing notices, fines and even replacing trustees.

In order to advise on automatic enrolment it's crucial you read and understand these quality features and good practice standards before recommending a scheme for your clients.

With NEST you have the peace of mind of knowing that we were set up specifically for automatic enrolment and built from scratch in accordance with high industry standards. It's one less thing to worry about.



Technical tip — the truth about death benefits

A recent article in the media incorrectly suggested NEST wouldn't accept nomination forms, meaning death benefits would go directly into a member's estate.

It would also mean that if the member wasn't married, their partner wouldn't get a thing.

In fact the opposite is true. NEST always pays death benefits in accordance with a member's nomination form. Unlike other pension schemes, we won't review it or pay it to someone against the member's wishes.

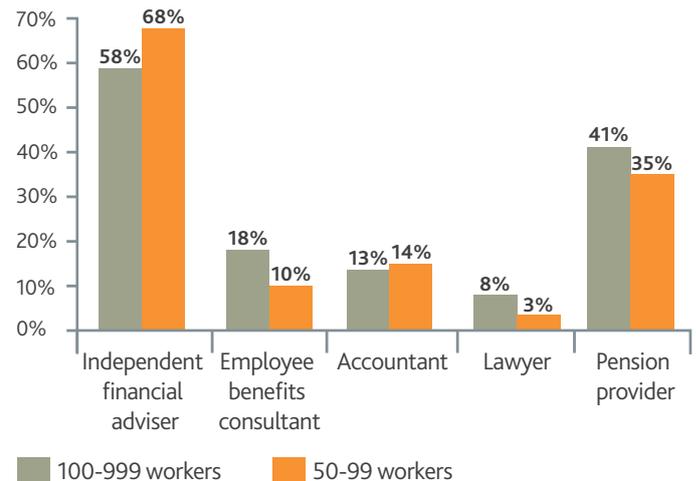
'We don't second guess members' wishes,' says Graham Vidler, director of communications and engagement at NEST. 'We'll do exactly what they ask us, regardless of their marital status.'

Our approach means we can pay benefits quickly and be sure the money's going where the member wanted it to go. If a member dies without telling us where they want their funds to go we'll usually pay them to the member's personal representative. From there the money will be distributed in line with the member's will or to their family in accordance with intestacy law. Due to the way we pay death benefits they form part of a member's estate and are potentially subject to inheritance tax if the member's estate is worth more than £325,000.

NEST research — who employers will turn to for support

We've looked at how different sized employers intend or have already started to seek advice on automatic enrolment and meeting their employer duties.

The chart below shows the majority of employers with 50 to 999 workers say they'll turn to a financial adviser for advice.



This wave of employers will start staging in 2014, mostly between April and July, when thousands of them will be automatically enrolling their workers every month.

If you'd like to find out more about NEST and how we can help you support your clients with automatic enrolment, go to our [adviser homepage](#).

Poll: do you know what providers are offering clients staging in 2014?

Go [here](#) to participate in our poll.

Research we conducted in October 2012 showed that 42 per cent of employers didn't have enough information from their providers.

Spotlight on investment — is your default fund in line with guidance?

The Department for Work and Pensions (DWP) and TPR offer guidance for advisers, employers and providers about default funds for automatic enrolment schemes.

It's guidance rather than legislation, but the DWP has said the government may regulate to protect members' interests if the guidelines aren't followed.

Here's a quick checklist of the guidelines, explaining how NEST is fully compliant with government and regulator expectations.



To find out more visit our website
nestpensions.org.uk

Does the default have a clear objective?

NEST has clear and ambitious objectives and we're confident we can achieve them.

Does the investment strategy and asset allocation take account of the likely characteristics and the needs of members?

NEST has conducted an unprecedented level of research into new savers. We've got a wealth of information and evidence about what they want, what they need and what's likely to be right for them.

Are members protected from the risks associated with investment?

NEST has a highly diversified and carefully risk-managed approach to investing. We manage risk throughout a member's time saving with us. We use sophisticated investment and risk management techniques that are delivered by world class providers.

Are members locked into the default or are there other options?

An investment approach that doesn't recognise alternatives could lead workers to complain they're being discriminated against.

NEST provides a carefully selected range of fund choices including Sharia and ethical funds for members whose personal values or beliefs make some types of investment unacceptable. We also have options for members who want to take more or less investment risk with their savings.

Are the charges appropriate and are they clear to members?

NEST's simple charge structure is equivalent to 0.5 per cent a year on assets under management over the longer term. Our annual management charge (AMC) is the same as our total expense ratio (TER). We believe we provide excellent value for money with an approach to investment that previously has only been available for higher earners and those prepared to pay high fees.

NEST events update – places are going fast

We're delighted with the response to our NEST Live spring 2013 event that takes place on 30 April. Right now we have more registrations than places available.

If we find a way to increase capacity for the event we'll get in touch with those who've registered but haven't had a place confirmed.

Even if we can't fit everyone in this time, there'll be other events announced later in the year, including webinars.

Meanwhile, why not come along to one of our Open House workshops?

The workshops have been very well received and we're pleased to have another date confirmed on 20 May that's filling up fast.

The Open House gives an overview of what the new employer duties are and will look at the related new business opportunities and services you can offer your clients, such as managing their online accounts for them if they choose NEST.

Feedback from past events has been very positive. Attendees report they've left with a better understanding of fund choices, charges, systems and administrative processes.

To register your interest for future workshops or webinars email us at events@nestcorporation.org.uk

Important changes to figures for 2013/14

Some of the figures you'll be working with have been revised for the new tax year.

The trigger for automatic enrolment is now £9,440.

The thresholds for qualifying earnings have also changed. The qualifying earnings band is now £5,668 to £41,450.

Finally, NEST's annual contribution limit has been raised to £4,500.