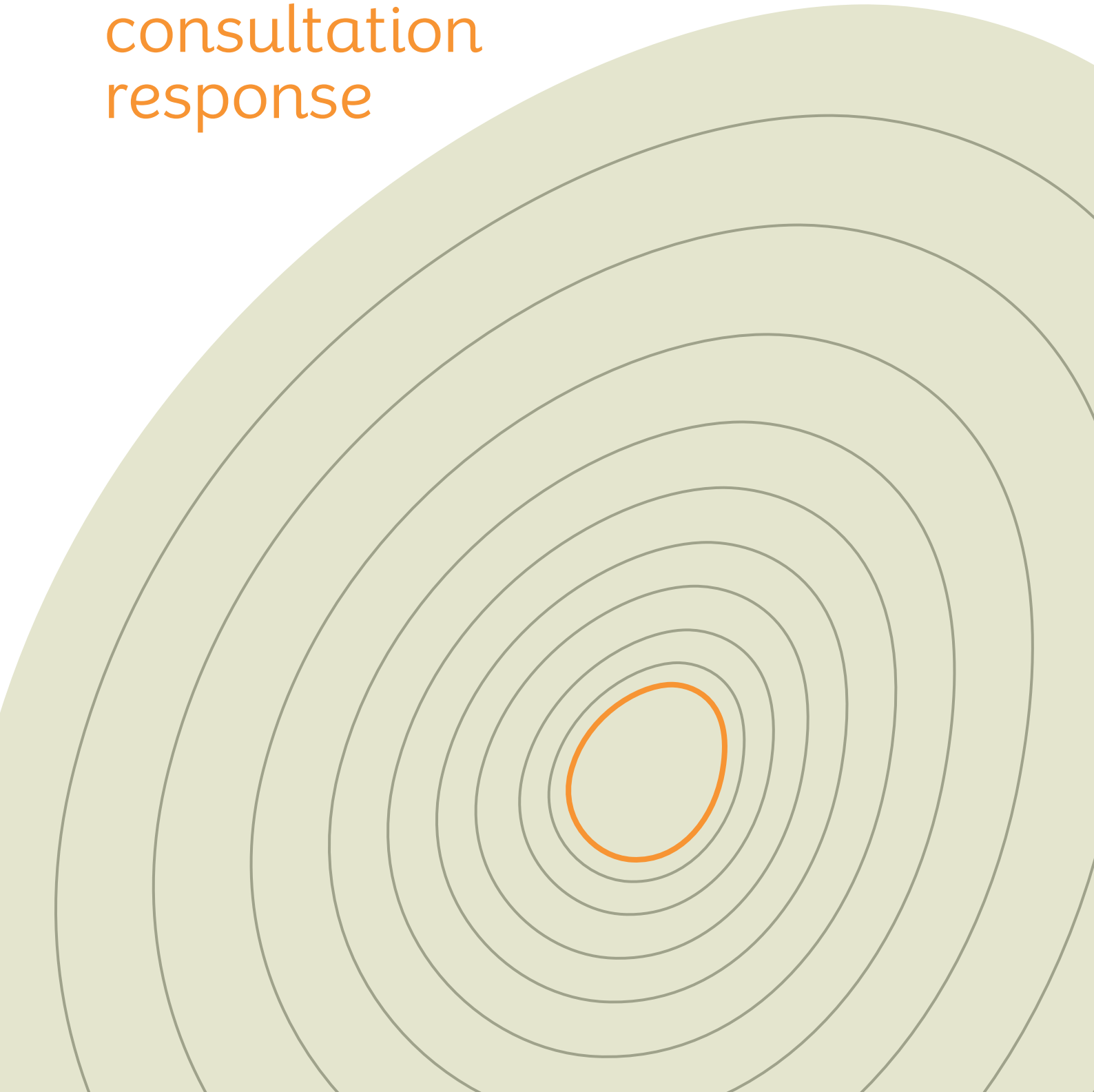




NEST rules consultation response



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Foreword

On 12 November 2010 we began a public consultation on two proposed changes we wanted to make to NEST's rules.

The proposed changes are summarised in this response document along with a general summary of the comments we received. We have considered all your views and comments, which were broadly supportive of what we were seeking to achieve by amending our rules. Our responses to these are set out in this document.

The two rule changes we consulted on will be incorporated and the revised NEST scheme rules will be published in April 2011.

I want to thank those who took time to consider our proposed changes and for comments received on the issues we consulted on.



Lawrence Churchill

Lawrence Churchill, CBE
Chair
NEST Corporation
24 March 2011

Changes to rules on Benefit Age

Summary

Members can choose to tell us when they plan to take their money out of NEST if they want to. This can be between their 55th birthday and just before they reach age 75, and is currently known as their Nominal Benefit Age.

The first proposed rule change applies where a member chooses a Nominal Benefit Age between their 55th birthday and below age 65, or State Pension age (as appropriate). If they do not take their money at this point and do not choose a new Nominal Benefit Age, we suggested that we should automatically adjust the Benefit Age of that member to 65 or State Pension age (as appropriate).

In addition we proposed to revise the rules to deal with situations where people join NEST over age 65 or State Pension age and do not tell us when they intend to take their money out. In these circumstances we proposed to set the Nominal Benefit Age at the day before the member reaches age 75.

We also proposed renaming Nominal Benefit Age as Benefit Age, and that we would set out how Benefit Age is determined in the body of the rules, rather than in the definitions section.

Consultation questions

How effective would the proposed solution be in addressing the issues we have identified?

Summary of comments received

We received four responses to this question. All respondents agreed on the need to have an automatic default at age 65 or State Pension age (as appropriate) while still retaining flexibility for members to nominate their own Benefit Age if they want to do so.

Is there an alternative solution which might be more effective?

Summary of comments received

Of the six responses we received, none suggested an alternative solution that would clearly be more effective. The general views were that NEST should ensure that members receive good communications on this topic.

Our response

NEST will ensure that members receive effective and timely communications. Having considered all of the comments received, NEST Corporation has decided to introduce the rule change as consulted on.

Changes to rules around employer participation

Summary

When an organisation uses NEST it becomes a participating employer. As the rules stand, employers could stop using NEST whenever they want to, but would still be classed as participating employers.

Our proposed rule change would allow employers who formally stop using NEST to be classed as former participating employers.

Consultation questions

Do you agree with the proposed way of enabling employers to formally end their participation in NEST?

Summary of comments received

We received four responses to this question. All agreed that it was sensible that the current rules should be changed to allow an employer to formally end their participation in NEST.

Respondents considered that communication with employers was important so that they understood what ending participation would mean for them.

Is a 28 day notice period reasonable? If not, what would be a more suitable notice period?

Summary of comments received

All four respondents stated that a 28 day notice period is appropriate and consistent with what other pension schemes require. Respondents considered some flexibility to be helpful and asked whether a specific form of notice could be made available to ensure consistency in the documentation NEST received from employers.

Our response

The proposed new rule, as set out in the consultation, introduces flexibility. It sets out that an employer's participation will terminate 28 days after a notice is received by the Trustee but a shorter notice period can be agreed by the trustee. In addition employers can choose to give a longer notice period if they wish.

NEST Corporation has fully considered all of the comments received. As a 28 day notice period is considered reasonable and is in line with current industry practice, we will implement this change into our rules. We will also introduce an online process with relevant information for participating employers who want to formally stop using NEST.

Next steps

Having fully considered all of the responses, NEST Corporation will be changing the scheme rules. This is in accordance with the Technical Annexes that were included in the consultation document we published on 12 October 2010. We propose to have the rules changed in April 2011.

How to obtain a copy of the consultation response

You can download a copy of this consultation response document online at: www.nestpensions.org.uk

We have hard copies available on request and will also consider requests for alternative formats.

You can submit your request by email or by post.



Annex A

Respondents to the consultation

The Pensions Management Institute

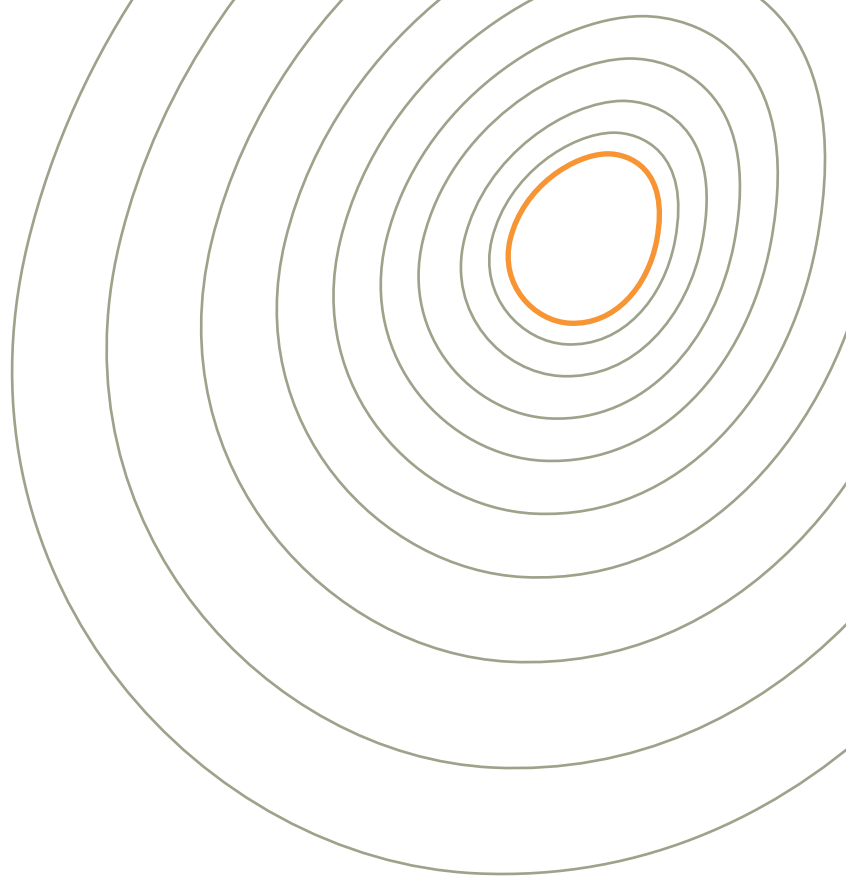
The Law Society of Scotland

The Society of Pension Consultants

Mayer Brown International LLP

The Institute of Chartered Accountants of Scotland

Mercer Limited



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Published: March 2011