Understanding Nest
A workplace pension scheme for today
About this document

This document is a guide to Nest’s workplace pension scheme for employers, employee benefit consultants, pensions advisers and other intermediaries. *Understanding Nest* provides detailed information on how Nest is run, how we interact with our customers and the product we offer.
01 Introduction

What is Nest?
Nest, the National Employment Savings Trust, is a workplace pension scheme established by law to support the introduction of auto enrolment.

Nest Corporation is the Trustee body responsible for running Nest. It runs the scheme in the interests of its members rather than private shareholders.

Any UK employer can use Nest to meet its auto enrolment duties. This will help to give millions of workers access to a workplace pension scheme for the first time.

Nest is designed to be straightforward, easy to understand and simple to use.

Why was Nest established?
Before the introduction of auto enrolment, government estimates suggested that around 7 million people weren’t saving enough to give them the retirement income they want or expect.

The Pensions Act 2008 set out to address the issue by creating new legal duties for employers.

Since October 2012 employers have had to enrol their workers into a workplace pension scheme that meets or exceeds certain legal standards. Some of these workers must be automatically enrolled and others only if they ask to be enrolled.

Nest is a workplace pension scheme employers can use to meet their legal duties. Importantly, it meets the criteria for a ‘qualifying’ scheme as set out in the Pensions Act 2008.

Who is Nest for?
Any UK employer can use Nest if they want to, no matter how large or small their organisation.

How employers can use Nest
Employers can use Nest:

- as a sole scheme for all workers
- for a particular group of workers alongside an existing pension scheme
- as an entry-level scheme where there’s an existing scheme with a waiting period
- as a base scheme with another scheme to top up contributions
- as a catch-all scheme for eligible workers who haven’t joined an existing scheme.
Key features

For employers

› Nest is designed specifically for auto enrolment. We understand what employers need to do and provide a range of tools to help with the new duties.

› Nest is easy to manage online. Almost all processes can be carried out online, 24 hours a day.

› Nest is flexible enough to be an employer’s only pension scheme or work alongside other schemes they may already use.

› There are no charges for employers to set up and use Nest. We also keep charges low for all members. This means more value for money on contributions from employers and their workers.

› Employers have no ongoing administration or responsibility in respect of Nest for workers who leave their employment. With Nest every member has one retirement pot that they keep whether they change employment, stop working or become self-employed.

› Employers can delegate any part of the process to someone else. This can be an individual delegate from within their organisation or a third party like a financial adviser or payroll provider using Nest Connect.

› We communicate clearly and transparently with our members. They can get the key information they need from our website, nestpensions.org.uk, and contact centre. This means fewer questions from workers and so less time spent addressing these issues for employers.

› We’ve got a focused investment strategy. We’ve researched the needs of our members and asked them what they expect from a pension scheme. Based on this we’ve created an award-winning investment approach that caters for the whole workforce. Our clearly labelled funds are all available at the same low charge and reflect the diversity of our members.

For members

› Our research shows pension jargon could put people off thinking about their retirement. That’s why we’re committed to making saving for retirement more straightforward and easy to understand.

› Nest is a simple to use online pension scheme that members can access whenever they want.

› By logging into their online account they can check their account balance and switch their investment choice. They can also use our pension calculator to see what their pot might be worth when they take their money out of Nest. And they can change who they want to benefit from their pension when they die.

› We’ve researched the needs of our members and asked them about what they expect from a pension scheme. Based on this we’ve created an investment strategy that adjusts the amount of investment risk for our members at every stage of their time with Nest.
Nest keeps charges low for all members. Members pay the same annual management charge (AMC) of 0.3 per cent whether they’re contributing or not, whatever fund they’re contributing to and no matter how much is in their retirement pot. Our contribution charge is just 1.8 per cent.

Nest moves with the member. This means every member has one retirement pot that they can keep paying into whether they change employment, stop working or become self-employed.

For advisers

Using Nest Connect, third-parties such as payroll providers, financial advisers and accountancy firms can offer new and existing clients a pension solution by setting up a delegate organisation account.

Nest is designed specifically for auto enrolment. We understand what employers need to do and provide a range of tools that advisers can use to help their clients with the new duties.

Nest’s award-winning investment approach is designed to meet all the regulatory guidance from the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR).

Our unique target date default funds – called Nest Retirement Date Funds – aim to meet members’ needs according to the year we expect them to take their money out. We adjust risk throughout the member’s savings career according to market conditions.

Nest’s fund choices cater to a range of beliefs and appetites for risk. Offering these choices provides reassurance to employers that they’re less likely to face complaints from their workers about suitable investment options.

There are no charges for employers to set up and use Nest. We keep charges low for all members.

Every Nest member has one retirement pot for life so employers won’t have to manage the accounts of workers who’ve moved on.

Nest communicates clearly and transparently with its members and supports them as they save. They can get the key information they need from our website, nestpensions.org.uk/advisers or contact centre. This means fewer questions from workers and so less time spent addressing these issues for employers.
Awards and recognition

Nest has been awarded a Defaqto 5 Star Rating in the auto enrolment pension category. Defaqto is a leading independent financial research company. Its ratings are designed to show the level and quality of features and benefits in a financial product to help people make better financial decisions. Our 5 Star Rating indicates that Nest provides one of the highest quality offerings in the market.

We’re also one of the first schemes to produce both type 1 and type 2 Master Trust assurance reports. The Master Trust assurance framework was designed so trustees can show their control framework supports the standards set out by TPR in the Defined Contribution (DC) code. The reports offer independent recognition of the effectiveness of our governance controls and the quality of our scheme to employees and intermediaries.

We’re proud to be recognised by industry peers for innovation and quality in areas like our investment approach and communications. But don’t just take our word for it – take a look at some of our recent awards.

**Pensions Expert - Pension & Investment Awards 2018**
DC Investment Provider

**Professional Pensions Investment Awards 2018**
Target Date Fund Manager of the Year

**Pensions Insight DC Awards 2018**
Most Innovative Scheme
Investment Approach

**Corporate Adviser Awards 2018**
Ultimate Default Fund

**Investment and Pensions Europe (IPE) Awards 2018**
UK Pension Scheme

**ISG Paragon Awards Europe 2017**
Impact award

**World Pension Summit Innovations Awards 2017**
Excellence for innovation in investment

**Institutional Investor peer to peer awards 2017**
DC scheme of the year

**Pensions Age awards 2017**
Master Trust offering of the year

**Investment and Pensions Europe (IPE) awards 2016**
Best European pension fund

**Investment and Pensions Europe (IPE) awards 2016**
Best small pension fund

**MoneyAge awards 2016**
Pension provider of the year

**SME awards 2016**
Auto enrolment provider of the year

**Financial News awards for excellence in pensions 2016**
Best DC plan

**Institutional Investor peer to peer awards 2016**
Best ESG programme

**UK Pension awards 2016**
Retirement innovation of the year

**Corporate Adviser 2016**
Best Master Trust and highly commended for Ultimate default fund
What employers need to do before joining Nest

There are a number of things employers need to do before they join Nest:

- understand the new duties and plan how they’ll meet them
- know their duty date and decide if they want to bring it forward or have any waiting periods
- work out who in their workforce is eligible for auto enrolment
- decide contribution levels and earnings bases for eligible workers
- work with their payroll provider to prepare data in the correct format
- think about how they’ll use Nest alongside any other existing schemes.

Guidance from Nest and TPR will help employers with these steps. They can also seek the help of advisers and third parties.

TPR has advised employers to put providers to the test when choosing a workplace pension. They’ve provided guidance on what to think about and what to ask.

The guidance covers questions like scheme set-up, investment options and value for money for members. You can see Nest’s response on nestpensions.org.uk

To find out more visit thepensionsregulator.gov.uk

How else can Nest help?

- Our online help centre allows employers and their delegates to get straight to the information they need.
- We provide explanatory guides, tools and decision trees to help employers and advisers navigate their way through auto enrolment and Nest.
- We’ve produced plain language templates for the communications employers legally have to give their workers.
- We have pre-set contribution levels and enrolment types to make it easy for employers to comply with the new duties.
- We take care of the members’ opt-out process so employers don’t have to. Workers can opt out of Nest by web or telephone, which reduces costly paper processes. We provide tools, guides and decision trees to help employers.
02 Governance

How is Nest Corporation run?

Nest is a workplace pension scheme which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is Nest Corporation. Nest Corporation is a Public Corporation that operates at arm’s length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

As a Public Corporation Nest is not part of the government and the day-to-day decisions they make are generally independent.

Assurance recognition

Nest meets the Master Trust assurance framework. It has robust governance and controls in place in line with guidance set out by The Pensions Regulator (TPR).

The Master Trust assurance framework aims to help trustees assess whether their scheme’s standards of governance and administration meet the DC code and DC regulatory guidance. It was set up by the Institute of Chartered Accountants in England and Wales (ICAEW) in partnership with TPR.

Nest is one of the first schemes to have both type 1 and type 2 Master Trust assurance reports in place.

Key points

- Nest Corporation is the Trustee responsible for running Nest.
- The Trustee has a number of legal duties, one of which is to act in the interests of scheme members.
- It’s made up of a Chair and up to 14 Trustee Members who set the strategic direction and objectives for Nest.
- The Trustee Members are supported by an executive team that has day-to-day responsibility for managing the scheme. A number of trustee functions are carried out by various committees under delegation.
- Nest’s order and rules form the legal framework of the scheme.
- The Employers’ Panel represents the employer perspective to Nest Corporation.
- The Members’ Panel represents the members’ perspective to Nest Corporation.
Nest’s structure

Nest Corporation has a Chair and up to 14 Trustee Members. The Trustee Members make decisions based on established trust law principles including the duty to act in the interests of scheme members. They set the strategic direction and objectives for Nest and determine the overall governance structure for Nest Corporation.

The Trustee Members are supported by an executive team that has day-to-day responsibility for managing the scheme. This is explained in more detail later in this section.

The Trustee Members’ primary role is to decide, implement and support Nest’s strategic direction in order to maximise value for scheme members and beneficiaries.

Their other duties include:

- defining Nest Corporation’s vision, values and objectives to guide its operational delivery
- monitoring and evaluating the implementation of policies, strategies and business plans
- developing and maintaining Trustee Knowledge and Understanding (TKU) through tailored training and development and regular assessment of skills and performance
- deciding on business strategies and plans that underpin the overall strategy
- ensuring risk is understood and managed effectively
- engaging with and understanding the interests of stakeholders
- monitoring the agreed investment strategy
- ownership of the brand and setting the strategy
- serving on committees.

Nest Corporation’s objective is to achieve high standards of governance in all areas. The Trustee Members will be able to demonstrate this through the successful delivery of strategic objectives.
How are Trustee Members selected?

Trustee Members are currently appointed by the Secretary of State for Work and Pensions.

Trustee Members are selected based on their broad spectrum of experience, and their skills and pensions industry knowledge. Profiles of the Chair and the current Trustee Members can be found on our website under Who runs Nest?

Trustee meetings

Trustee Members meet regularly with a meeting schedule agreed on an annual basis to ensure maximum attendance.

Meeting agendas are prepared by the Chair and supported by Nest’s secretariat and executive team. They’re driven by business needs. The Trustee receives updates on issues relating to the operation of the scheme including the following key areas:

- supplier management and performance
- compliance and risk
- business improvement
- legal and regulatory change
- TKU requirements
- delegated duties.

Where appropriate, meetings will be attended by suppliers, advisers and members of Nest’s executive team.

In addition to Trustee meetings, there are regular meetings involving the various committees.

Committees

A number of Nest Corporation’s functions are carried out at committee level. These include:

- verifying and auditing accounting records and processes
- managing risk
- complying with trustee obligations
- developing our investment approach
- overseeing organisational culture.

The membership of each committee will be rotated from time to time following a review by the nominations and governance committee, and approval from the Trustee.

All Trustee Members have the right to attend committee meetings but only have voting rights if they’re a member of the relevant committee.

For details of our committee members, go to About Nest Corporation on nestpensions.org.uk

Nominations and governance committee

The nominations and governance committee is responsible for putting in place a governance structure that aims to deliver a well-run and well-controlled organisation.

The role includes the following:

- recommending corporate governance principles applicable to Nest Corporation
- ensuring sound corporate governance within the organisation by assessing whether overall governance arrangements are adequate, appropriate and operating effectively.
Audit committee
The audit committee provides an independent oversight, review and advisory role to the Trustee Members on all audit issues across Nest Corporation.
The role includes the following:

- overseeing and seeking assurance on internal control processes and making recommendations to the Trustee as appropriate
- reviewing and overseeing the effectiveness of the financial control framework, and internal financial and performance reporting
- reviewing and overseeing internal systems of policy and business management, providing a challenge where appropriate
- approving the scope of internal audit coverage, plans and strategy based on assessments of risks and priorities. Also advising the Trustee Members whether internal audit is suitably resourced to deliver the agreed objectives
- reviewing external audit strategies proposed by the National Audit Office (NAO).

Investment committee
The investment committee is a decision-making body within the parameters agreed by Trustee Members. It acts as an oversight and advisory body to the Trustee on all investment matters relating to the scheme.
The role includes the following:

- recommending the overall investment objectives and developing a supporting set of investment beliefs to improve investment decision making
- reviewing the Statement of Investment Principles (SIP) and the overall process to deliver on the investment objectives and recommend any necessary changes
- determining the governance framework for the appointment of investment managers and overseeing their appointment, replacement and removal
- agreeing the design of the default funds, recommending additional funds and overseeing the types of risk to be taken for all funds
- reviewing the investment strategy, strategic asset allocation, risk budget allocation and performance of the investment managers against agreed risk-related benchmarks and objectives
- assisting in developing investment communications for members, employers and intermediaries.
Remuneration committee

The remuneration committee provides an oversight, review and advisory role to the Trustee Members on remuneration of senior executives and staff. The remuneration of the Trustee Members themselves is laid down by the Secretary of State for Work and Pensions as set out in statute.

The role includes the following:

- ensuring that Nest Corporation remuneration strategies and organisational culture support, attract, retain and motivate the required calibre of senior management and staff
- approving the terms and conditions of employment, pensions, allowances and gratuities to be paid to the chief executive officer (CEO) and any changes to these
- approving for recommendation to the Trustee any non-consolidated awards to be made to the CEO
- providing advice to the CEO on appropriate remuneration levels for all members of the executive team and any other staff whose salary would fall within executive team pay bands at appointment
- determining Nest Corporation’s corporate responsibility policy and strategy.

Risk committee

The risk committee provides an independent review role on all aspects of risk and risk management through engagement, oversight and challenge.

The role includes the following:

- promoting a risk-aware culture and an environment that enables informed risk-taking and clear accountability
- ensuring that an appropriate risk management framework is in place across Nest, and that it’s fit for purpose and operating as intended
- ensuring that key risks to the delivery of Nest’s strategic priorities are identified and managed to an acceptable level where possible
- ensuring that appropriate measures are in place to prevent, detect and investigate financial crime within Nest and its delivery chain.

Propositions Committee

The propositions committee is responsible for overseeing the strategic development of the scheme, ensuring that the product offered by Nest meets the needs of our members, employers and target market.
Chair and CEO

Otto Thoresen, Chair, Nest, and Chair, nominations and governance committee

Otto has extensive experience in pensions, financial services and consumer issues across a range of private and public sector organisations. He was director general of the Association of British Insurers (ABI) until the end of January 2015 and served on its Board from 2005.

Previously he was chief executive with AEGON Group from 2005 to 2011 and chief finance officer between 2000 and 2005. He has also held a series of senior marketing roles at Abbey Life, Royal Life Holdings and Scottish Equitable. He was the independent reviewer of the Treasury Review of Generic Financial Advice – the Thoresen Review – published in 2008, which led to the creation of the Money Advice Service.

He’s a Trustee of Young Enterprise, which incorporates the Personal Finance Education Group (pfeg), a charity focused on supporting the delivery of enterprise and financial education in schools. He’s also a Trustee of Step Change, a charity that provides free debt advice to consumers. Other current positions held by Otto are as an adviser to Citizens Advice Edinburgh and a governor of the Pensions Policy Institute.

Otto became Chair of Nest Corporation on 1 February 2015.

Helen Dean, chief executive officer

Helen has been a leading player in delivering UK pension reform. She was appointed as chief executive officer of Nest Corporation in September 2015. Previously Helen held the roles of executive director of product and marketing and managing director of scheme development at Nest Corporation. She was also a board director of Nest’s predecessor body, the Personal Accounts Delivery Authority (PADA).

Prior to this, Helen was a senior civil servant at the UK’s Department for Work and Pensions (DWP), where among other roles she was responsible for the Informed Choice initiative. This contributed to the UK government’s decision to implement auto enrolment, and then on the policy development and legislation that established the current UK pension reform agenda.

How the Trustee works with senior management

Trustee Members decide which plans the executive team must implement in order to administer the scheme in members’ interests.

The Trustee Members delegate authority to the CEO so they can carry out these plans.

Nest Corporation has clear rules around delegated authority and how this works.

For more information about our Trustee Members or our executive team go to Who runs Nest? on nestpensions.org.uk

Executive team profiles can be found on our website in About Nest Corporation.
Compliance, audit and risk management

Compliance

The executive day-to-day responsibility for compliance monitoring lies with the head of compliance monitoring and assurance.

The role of compliance is to carry out risk-based analysis of all potential areas of regulatory risk and define an annual monitoring plan that will be approved by the audit committee.

A monthly plan is extracted from the annual approach plan, which identifies areas for detailed review.

Compliance conducts the reviews, looking at the relevant documents and processes.

A summary report of significant findings is raised to the audit committee on a quarterly basis.

Internal audit

We’ve appointed Deloitte to undertake internal audit activity.

It works to an annual audit plan, which is agreed and reviewed periodically by the audit committee.

The head of internal audit prepares a quarterly activity report for presentation to the audit committee and the audit plan is reviewed on a six-monthly basis.

Risk management

The executive director of risk has oversight of business adherence to the risk management framework and has direct reporting lines to the CEO and risk committee.

Each department within the organisation maintains its own risk log. A network of risk co-ordinators, nominated by each accountable executive, help ensure the risk logs remain up to date, engaging with the risk function on a monthly basis to discuss relevant updates.

A risk dashboard is formally reported to the executive team on a monthly basis. The latest version of the risk dashboard is also reported to the risk committee at their meetings.

A summary of the risk dashboard is presented as part of the monthly report to the Trustee.
**Order and rules**

The order and rules form the legal framework of the scheme. They are broadly equivalent to the trust deed and rules of a conventional trust-based occupational pension scheme.

The order is a statutory instrument, which is a piece of legislation passed by Parliament. It establishes the scheme, appoints Nest Corporation as Trustee of the scheme and contains the main provisions of the scheme.

The order and rules contain the specific powers and obligations of Nest Corporation as trustee of Nest, including provisions about:

- who can join the scheme as a participating employer and member
- what contributions are payable
- investment provisions
- arrangements for charges
- access to retirement savings
- how members’ retirement pots are paid out if they die before taking their money out.

Any changes to the order are subject to Parliamentary approval. Power to change the rules rests solely with Nest Corporation as Trustee, but both the Members’ Panel and Employers’ Panel need to be consulted about the changes first.

The rules can never conflict with the order, which takes precedence.

**Employers’ Panel and Members’ Panel**

Nest Corporation needs to take into account the views of scheme members and employers using the scheme.

To enable us to seek advice from participating members and employers we’ve established an Employers’ Panel and a Members’ Panel in line with the Pensions Act 2008 and the Nest order.

**The Employers’ Panel**

This panel provides advice to Nest Corporation from an employer’s perspective on the operation, development and amendment of the scheme.

This includes helping to determine if communications aimed at employers are appropriate and ensuring that specific employer concerns are raised at Trustee Member level.

The panel also provides comments to the Trustee when it’s consulted on changes to the Statement of Investment Principles (SIP). The SIP outlines Nest Corporation’s approach to how it will manage scheme members’ money.

The panel must be consulted if Nest Corporation wishes to change the scheme rules or is asked to consent to changes to the Nest order.
The Members’ Panel

This panel provides advice to Nest Corporation from a member’s perspective on the operation, development and amendment of the scheme.

The panel acts as a sounding board for ideas and suggestions proposed by Nest Corporation. It also provides recommendations on key issues and ensures that specific member concerns are raised at Trustee Member level.

The panel will be consulted on any reviews of the SIP, proposed changes to the scheme rules, and if Nest Corporation are asked to consent to changes to the Nest order.

The Members’ Panel produces an annual report for the Secretary of State for Work and Pensions. This details the extent to which the Trustee has taken into account the views of the members of the scheme and the views of the Members’ Panel when making decisions about the operation, development and amendment of the scheme.

When were the Employers’ Panel and Members’ Panel set up?

We established the panels and their Chairs in summer 2011 in line with Nest Corporation’s governance principles.

How are the panel members selected?

Nest Corporation advertises appointments publicly and chooses panel members based on merit. All appointments are made openly and transparently.

Panel members are expected to follow the principles and values of public service.

To find out more about our panel members go to About Nest Corporation on nestpensions.org.uk

Contracts

Nest has made the following key contractual awards as shown below.

Scheme administration

Single contract awarded to Tata Consultancy Services (TCS), signed on 15 March 2010.

- Initial term of 10 years
- Three year extension to 2023 approved in 2015
- Possible further two year extension available.

Fund administration


- The fund administrator manages the movement of members’ contributions from TCS to the appropriate investment managers, according to Nest’s investment strategy
- 10-year contract (option of a 5-year extension).

Investment management

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.
### Mandates and current managers

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<td>UBS Asset Management</td>
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<td>Global developed climate aware equities</td>
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Risk management

Single contract awarded to MSCI Barra International:

➤ provides a risk management data system used as part of our in-house risk attribution and management strategy.

Responsible investment policy development and delivery

Single contract awarded to Royal London Asset Management:

➤ works with our in-house team to develop policy on responsible investment. Assists with our delivery of voting and engagement and understanding the impact of Environmental, Social and corporate Governance (ESG) issues.

How we’re financed

Nest Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

Nest Corporation aims for the scheme to become self-financing while providing consistently low charges to members.
03 Intermediary experience

Since automatic enrolment launched in the pensions market, Nest has developed many effective intermediary relationships.

Now we work with over 20,000 professionals helping employers who, we believe, have a pivotal role in introducing auto enrolment and explaining our scheme. So it’s important we understand the needs of independent financial advisors, accountants and payroll organisations to support their interactions with their clients.

This section explains how we make pensions support easier. Find out more in the advisers section of our website.

Nest Connect

What is it?

Nest Connect is our free online hub for professionals offering auto enrolment services to employers. It’s designed to make it easy for financial advisers, accountants and payroll providers to offer a complete service for clients, from set up to ongoing administration of the scheme.

It’s also easy to target Nest Connect services where clients need it most through different levels of delegated access. Straightforward to use and loaded with smart features, it lets intermediaries take on as much of the setting up and running of Nest as they and their clients want.

With Nest Connect, intermediaries can offer cost effective support to any number of clients and manage them all using just one account. They’ll also be able to add extra users and divide the workload among their team in a way that suits them.

How to use it?

There are three broad types of support intermediaries can offer to help their clients with setting up a scheme, meeting compliance obligations and with ongoing administration.
Advice and oversight

At the most basic level, intermediaries can simply inform their clients about their new duties, and provide guidance on using Nest. This can be done with or without FCA authorisation.

After they’ve chosen Nest, employers can set up their scheme and do almost everything online, whenever it suits them. Intermediaries don’t have to provide any more services and their clients will appreciate having a scheme that meets all their new duties.

Helping with regular tasks

Some clients may want help deciding how best to use Nest for their organisation. They’ll need help working out who has to be enrolled, how much to contribute and how Nest fits with their payroll and HR processes. And after they’ve made the key decisions about how they’ll use Nest, there’s the business of creating their account, setting up contribution schedules and integrating the scheme with existing systems. After intermediaries have set up their clients, employers will be able to manage the ongoing administration for themselves.

Doing it all

A lot of clients won’t have the extra time or resources to sort out pension contributions for their workers in every payroll cycle. This could be a specific ongoing service that intermediaries offer. Some will also want someone to monitor their scheme to make sure it’s compliant. For example, if they’re using certification, they might also want intermediaries to handle the paperwork. Their experience in dealing with regulatory issues will add value for their clients.

Intermediary benefits include:

- Nest Connect provides a complete service to any employer, from set-up to ongoing management.
- They can easily view and manage all their client accounts in one place so they don’t need to log in every time.
- Ability to add as many people as needed from their organisation to help them manage client accounts.
- Saving time and effort with our smart online functionality, tools and templates.
Web services for payroll integration

We’ve developed web services to allow seamless data transfer between payroll software and Nest.

What is it?

Our web services allow payroll to send data, such as new member details or contribution levels, automatically to Nest. With web services, payroll workers can also retrieve data from Nest, such as opt outs, and the status of contribution schedules and so on. Intermediaries may find it useful to check with their client whether their payroll provider has adopted Nest web services.

How is it used?

In total there are nine different links covering the full range of different functions payroll needs to administer a Nest account. These use Application Programme Interfaces (APIs) so Nest and payroll can talk to one another.

The links allow intermediaries to set up a new employer, and if sending payroll data to Nest, they allow them to enrol new workers, update contributions and approve for payments.

If someone is sending Nest data to payroll, they can retrieve current set-up details, schedules, opt outs, stopped contributions and funds.

What it means for payroll organisations

The Nest web services solution allows payroll software providers to choose which of the nine links they want to make available through their software.

By eliminating the need to upload files to Nest, time and administration effort can be saved for employers and the people who deal with payroll on their behalf.

Where a payroll software provider chooses to add these links to their software, it should also help to reduce errors. This is because data is transferred electronically from payroll to the pension provider without the need for anybody to manage it.
04 Employer experience

Key points

➢ Nest is easy to manage online. Almost all processes can be carried out online, 24 hours a day.

➢ To set up their organisation with Nest, an employer will need to create an account. They can then use the secure website to complete their details and define the contribution rates and payment processes they’ll use. Then they’re ready to start enrolling workers and making contributions.

➢ Employers can manage their account from a secure area of the website. They also have access to a secure mailbox for important messages and notifications.

➢ We offer flexibility over contribution levels, payment frequencies and payment methods. We’re also flexible as to the method employers use to provide us with information on enrolled workers and contributions.

➢ Employers can choose any number of delegates to administer all aspects of the account on their behalf. These could be individuals within their organisation or external service providers.

➢ Our clear communications, intuitive website, contact centre, useful guides and templates help employers and their delegates to get started and manage Nest.
Using Nest online

We’ve designed our website to be accessible, easy to navigate and user friendly. Most processes can be done online through secure individual accounts. Key processes can also be carried out by secure file transfer.

Below you can see a screenshot of the employer homepage. This is the secure area where, after logging in, an employer can view and manage their account.

The numbered items below provide descriptions of where users can:

1. pay contributions and view and correct previous payments
2. enrol workers and edit their details
3. send and view communications with Nest through the user’s secure mailbox.
4. delegate account access to other people
5. view and edit payment sources, or add new ways to pay
6. create new worker groups or change settings for existing ones
7. send files to Nest using secure file transfer
8. view and update organisation details
9. view or change account security settings
10. delegates can set up a new employer with Nest
11. access our employer help centre and further guidance on using Nest.
Getting started with Nest

Employers need to register online before they can start using Nest. They can do this by visiting nestpensions.org.uk and clicking ‘Sign up’ on the homepage.

To set up with Nest, employers will need to:
1. accept the Employer Terms and Conditions
2. enter their organisation’s details
3. set up others to help run their Nest account (optional)
4. tell us how they’ll pay contributions to Nest for their workers
5. tell us when they’ll pay contributions and what they’ll pay.

There’s more detail about each step in the pages that follow. Our online employer help centre also has more detailed information in the Set up with Nest section.

Each employer or their delegate must complete these steps to set up with Nest. The whole process is carried out through a secure area of our website.

Once employers start the process they can save what they’ve done at any time and complete it later on. We’ll hold an employer’s information for up to 90 days. If they haven’t completed the set-up process by this point, we’ll delete the information we hold. The information will need to be re-entered if they want to set up with Nest.
1. Employer Terms and Conditions

Employers must accept our Employer Terms and Conditions before they use Nest. They need to do this themselves – a third party can’t do it on their behalf. However, a third party using Nest Connect can complete all the other steps of the employer set-up process. An employer doesn’t have to agree to the terms and conditions immediately – they can do this at any stage in the set-up process, including at the very end. But they can’t start using Nest to meet their duties until they do.

Why our terms and conditions are important

It’s important that employers follow our terms and conditions to help us keep member charges low.

For example, extra running costs may be triggered in future if an employer doesn’t keep all the information they’ve sent us up to date.

Sending us accurate information and timely contribution payments are part of our terms and conditions. They’re also part of an employer’s legal duties.

The Pensions Regulator (TPR) may take action against organisations that don’t comply with their employer duties.

Our terms and conditions are available in our library at nestpensions.org.uk/library, under ‘Technical information about the scheme’.

2. Entering employer details

The second step for employers setting up with Nest is to tell us about their business. This includes the company name, number of staff and details of a primary contact within the organisation.

The primary contact is the person in the employer’s organisation who’ll be the main contact for correspondence from us. The primary contact is granted full delegate access to the employer’s account. Even if a third party is setting up the employer’s account on their behalf, the primary contact should still be the appropriate person within the employer’s organisation.
Here’s an example of the information an employer will provide:

**Employer record details**

<table>
<thead>
<tr>
<th>Field</th>
<th>Mandatory/optional</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer details</td>
<td>Optional</td>
<td>This is a dropdown box from which the employer chooses their business type. There is also a help facility with a detailed description of each category</td>
</tr>
<tr>
<td>How would you categorise your type of organisation?</td>
<td>Optional</td>
<td>Mandatory This will be the total number of workers employed by that employer. The employer will be asked to select from the following options:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 1 – 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 5 – 49</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 50 – 249</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 250 – 499</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 500 – 999</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 1,000 – 4,999</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 5,000 and above</td>
</tr>
<tr>
<td>What’s your PAYE reference?</td>
<td>Optional</td>
<td>Optional If the employer doesn’t have a PAYE reference number they need to select ‘I don’t yet have my PAYE reference’. Where an employer has multiple PAYE references these can all be entered by the user</td>
</tr>
<tr>
<td>Do you know when your organisation has to comply with its workplace pension duties?</td>
<td>Mandatory</td>
<td>If yes, enter the date from which the employer will be legally subject to employer duties Independent</td>
</tr>
<tr>
<td>What is the name of your organisation?</td>
<td>Mandatory</td>
<td>This must be the full legal name of the organisation</td>
</tr>
<tr>
<td>Is your organisation a member of a trade association or membership body?</td>
<td>Optional</td>
<td>If yes, add the details of any corporate membership of a trade and/or professional body</td>
</tr>
<tr>
<td>Who recommended Nest to you?</td>
<td>Optional</td>
<td>Optional There is a dropdown box with a range of adviser types such as Employee Benefits Consultants (EBCs) and Independent Financial Advisers (IFAs)</td>
</tr>
</tbody>
</table>
3. Delegated access

An employer can choose someone else to administer Nest on their behalf. This can be someone inside their organisation. It can also be a third party, such as a financial adviser or payroll provider, using Nest Connect.

An employer can choose how much responsibility they want to hand over. It can range from simply being able to look at the account and double check everything's okay to setting up and running the whole scheme.

**Nest Connect**

With Nest Connect, someone outside the employer’s organisation – such as an accountant, financial adviser or payroll provider – can help them manage Nest. To use Nest Connect they’ll need to create a delegate organisation account that the employer can authorise to access their account.

A third party can take on as much of the set-up and ongoing administration as an employer wants them to. They can even set up Nest for an employer completely from scratch to get them ready for their duty date. If an employer nominates a delegate to do this, they’ll get full access to the employer account and will be able to perform all the administration on their behalf. The one thing the employer will need to do themselves is make sure they agree to our terms and conditions when they join Nest.

### Employer record details continued

<table>
<thead>
<tr>
<th>Field</th>
<th>Mandatory/optional</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Mandatory</td>
<td>Contact’s full name</td>
</tr>
<tr>
<td>First name</td>
<td>Mandatory</td>
<td></td>
</tr>
<tr>
<td>Middle name</td>
<td>Mandatory</td>
<td></td>
</tr>
<tr>
<td>Surname</td>
<td>Mandatory</td>
<td></td>
</tr>
<tr>
<td>Job title</td>
<td>Mandatory</td>
<td>Contact’s job title</td>
</tr>
<tr>
<td>Email address</td>
<td>Mandatory</td>
<td>Any communication sent to the employer will be sent to this address</td>
</tr>
<tr>
<td>Phone number</td>
<td>Mandatory</td>
<td>Contact’s phone number</td>
</tr>
<tr>
<td>Address</td>
<td>Mandatory</td>
<td>Contact’s address</td>
</tr>
</tbody>
</table>

**Field** Mandatory/optional

**Description**
Individual delegates

Employers can also invite individuals within their own organisation to help them with Nest, such as someone in HR or payroll or their bookkeeper. Employers can have as many individual delegates as they need. They’ll be able to add or remove delegates as part of their day-to-day management of Nest after the initial set-up.

To act as a delegate, the person will need to be nominated by the employer. The employer sets the level of access they’d like each individual delegate to have in line with what they’d like them to work on. They can decide to delegate access at any time, either when they’re setting up, or later on when they’re up and running.

Nest will send each delegate an email with a link to activate their account and confirm they’re happy to act on the employer’s behalf.

A delegate who’s been given user access by more than one employer or member can merge their delegate accounts.

You can find more information about Nest Connect in Section 03, Intermediary experience, and online at nestpensions.org.uk/nestconnect
This table shows the access level offered by our various delegate role options.

**Delegated access role**

<table>
<thead>
<tr>
<th>Business services</th>
<th>Read-only delegate</th>
<th>Payments delegate</th>
<th>Enrolment delegate</th>
<th>General delegate</th>
<th>Schedule delegate</th>
<th>Full access delegate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrol workers into the scheme</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Make contribution payments</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Create and change contribution schedules</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Make payments other than contributions</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Update the employer’s business information</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Stop contributing</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Raise complaints and respond to decisions</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Put right late payments</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Handle situations of employer insolvency</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Give other delegates access to the employer’s account</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
</tr>
</tbody>
</table>

* A schedule delegate can input information but they can’t authorise payments.
4. Tell us how they’ll pay

The employer or delegate must also provide at least one payment source. A payment source confirms what method of payment will be used for contributions and which bank account to send any refunds. There’s no limit to the number of payment sources they can provide. This means contributions can be submitted from multiple payroll sites.

Each payment source must also have a refund account that’s with a UK bank or building society. We’ll pay any refunds to the employer into this account. Only details of a UK bank or building society account can be used. We’ll confirm a successful Direct Debit arrangement with the employer so they can be confident their contributions will get through.

Direct Debit and debit card are the two main payment methods to choose from.

Direct Debit is the easiest and most convenient method of making contribution payments to Nest. It allows users to check and approve the amounts before we take any money. Then they can simply click the ‘Make payment’ button through their online Nest account.

Using Direct Debit with Nest means employers always have control over when we take payments from their account. They can agree the amount and tell us each time they’re ready to make a payment.

It also means employers won’t have to worry about making payments with the correct payment reference numbers. This helps avoid reconciliation issues and is the easiest way to make sure employers pay contributions on time.

The employer or delegate must provide the following information to create a payment source:

- the payment method they’ll use for this payment source – Direct Debit or debit card.
- the bank account, building society or card details they’ll use to make contribution payments
- the bank account or building society they’ll use to receive refunds.

We don’t currently charge fees to employers, but the Trustee reserves the right to apply charges on individual employers whose behaviour is unfairly driving up administration costs.
5. Tell us when and what they’ll pay

The last step of setting up with Nest is for employers to tell us when they pay their workers and what contributions they’ll be making. The system asks employers to think about all their workers and any different pay cycles they may have. For example, a catering company may pay managers on a monthly cycle and waiting staff every week.

Next we ask what contributions the employer wants to make. Some employers may want to pay different rates to different groups of workers as part of their recruitment and retention strategy.

Based on this information Nest’s system will set up one or more worker groups. Employers use groups to keep track of who they need to make contributions for, how they work out their contributions and when they’ll pay them. Each group is made up of workers that share the same pay period (frequency start and end date of the period), payment due dates and contribution levels. Many employers only ever need one group for all their workers.

Once you’ve created worker groups this information is set out legally in a document called a payment schedule. Your payment schedule is a legally binding contract between you and the Nest Trustee.

Letting workers know about auto enrolment

When an employer has gone through these five steps we’ll ask them to confirm they’ll give their workers the statutory communications about their rights under the new duties. Workers can only be treated as automatically enrolled if they’ve received this information from their employer.

To make this easier we’ve produced guidance, decision trees and templates to show employers what they need to tell their workers. These can be downloaded from nestpensions.org.uk under Communication materials.
Using Nest

Once an employer has set up their Nest account they’ll be able to carry out all their tasks online. The first thing they need to do is to enrol workers into Nest.

An employer can send us enrolment information using a range of methods and from multiple sources. For example, they can delegate access to individuals from different payroll providers. This allows those payroll providers to send enrolment and contribution information about the workers they manage.

Employers can provide enrolment information in one of three ways:

- manual input through our secure website
- directly uploading a file through the website
- sending a file through a secure interface.

Microsoft Excel templates are available in the file upload area of our website. Once the employer has added the records to the template, they can upload it to our website for processing.

A range of documents is also available to assist larger employers with their systems development. These include guides giving more information about how to create and submit files to Nest.

Once a worker is enrolled we’ll send them a Member welcome pack by post, which includes their Nest ID. This also gives details of the opt-out process where applicable. See Section 05 – Member experience.

Employers don’t need to let us know if the worker already has a Nest account. We’ll check this automatically.

Using secure file transfer

Employers and delegates who want to send their contribution information through Secure File Transfer Protocol (SFTP) must register online to use this service. Once we receive the request we’ll send them information on how to set this up.

Opting out of Nest

As required by law, enrolled jobholders can opt out by submitting a valid opt-out notice to their employer.

We offer three ways for workers to opt out of Nest:

- a secure online process through our website
- an automated telephone process – available 24 hours a day
- an opt-out form available from our contact centre. We send the worker a pre-completed form that must be signed and passed back to their employer.

By agreeing to our terms and conditions, the employer agrees to Nest acting as their agent for accepting electronic opt-out notices.

Newly enrolled members receive information and guidance on opting out of Nest.

If an employer receives an opt-out form direct from a worker, they need to update the member’s record in the next contribution schedule. We then process the opt-out and any refund due.
If the member uses the online or automated telephone process, we let the employer know of the opt-out decision. To make the process simpler we collate this opt-out information on a daily basis before communicating it to the employer. We’ll also process any refunds due.

All members who have opted out in the past will be visible in the employer’s Manage workers area of nestpensions.org.uk

An employer will not be able to make contributions on behalf of opted-out workers. Any contribution schedules, including contributions for workers who have opted-out, will be rejected when the schedule is checked by the system.

Paying contributions

How much is the legal minimum for contributions?

Currently, the legal minimum level of contributions is 8 per cent of a jobholder’s qualifying earnings for employers whose legal duties have started. Of this, the employer needs to pay at least 3 per cent, though they can pay more if they want to. The member will contribute 4 per cent and they’ll also receive 1 per cent in the form of tax relief.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,136 and £50,000 for the 2019/20 tax year. This figure will be adjusted annually by the government, in line with average earnings.
Using an alternative earnings basis to calculate minimum contributions

Employers can use an earnings basis other than qualifying earnings to work out their minimum contributions if they prefer.

There are three different earnings bases you can choose from that define the earnings you’ll calculate contributions on:

- qualifying earnings
- certification
- custom earnings.

These options will help you define what the pensionable earnings are for your workers.

We’ve made it easy to choose an alternative on our website, including a custom field where employers can set their own earnings basis for calculating contributions. If an employer chooses a custom setting it’s still their responsibility to ensure they meet the legal minimum requirement for their workers.

The employer is ultimately responsible for certifying their contributions.

Nest has to issue pension savings statements to members whose contributions exceed the annual allowance set by the government. Most members will not exceed this amount, which for most people is £40,000 for 2019/20, in a tax year. However, this may be different for members who have accessed their pot flexibly.

Employers using certification can phase their contributions in gradually. You can find out more about certification in our employer help centre on nestpensions.org.uk under Set up with Nest.

Sending contribution information to Nest

To process contributions an employer must complete a contribution schedule every pay period. A contribution schedule details all the earnings and contribution information for each member.

Contribution schedules include an entry for each member enrolled, with:

- the name of the worker
- their National Insurance number or unique alternative identifier
- their pensionable earnings in that pay period
- the amount of employer and worker contributions to be paid into their pot.

When an employer enrols a worker into Nest, they enrol them into a group. This tells Nest what level of pension contributions will be received for the worker, by when and by which payment source.

To pay contributions to Nest the employer will need to complete a contribution schedule every time payments are due. A contribution schedule lists all workers who share the same payment source and the same pay period.

If you only set up one payment source and one pay period, you’ll only have one contribution schedule to complete. Contribution schedules can include workers on different contribution rates, so they may contain workers from separate groups.
We’ll send an email to employers before their contributions are due and ask them to log into our website. Once logged in they can view any outstanding contribution schedules. They can also:

- edit existing worker records
- add new worker records to a contribution schedule
- provide information on pensionable pay for the relevant pay period
- provide information on changes to workers’ circumstances that affect their contributions. This might include the worker leaving employment or going on maternity leave.

The employer can enter and amend member records on the contribution schedule by either:

- creating a new online schedule
- copying a previously submitted schedule and then editing it, or
- uploading a file through the website or transferring it through Secure File Transfer Protocol (SFTP).

An employer can send information from multiple sources. This means different payroll or HR managers with the appropriate delegated access can send their own information separately. All this information is combined in the contribution schedule.

Alternatively an employer with a number of subsidiary companies may also want to register each company separately with Nest. In this way they can separate payroll information for each subsidiary.

You can download our detailed Employer payroll guide on nestpensions.org.uk

Contribution schedule validation

Once a contribution schedule is complete, we begin a validation process. The time it takes to complete this process depends on the number of member records contained in the contribution schedule.

Once a contribution schedule has been validated and submitted for payment, Nest:

- calculates the total contributions payable
- tells the employer the amount we will collect.

We will only collect Direct Debit or debit card payments once the employer has accepted the calculated amounts by approving the schedule for payment.

How we invest members’ retirement pots

Allocating contributions to members’ retirement pots is an automatic process. The timing of payment of contributions into members’ pots will depend on the method of payment and the time of day we receive the contribution schedule.

In most cases we expect that allocation will take place the day after Nest receives the money, using that day’s unit price as appropriate.

Members who log into their online Nest account can view newly received contributions as soon as they’re allocated.

The allocation methods for the different permitted payment types are shown on the next page.

The exact timings will vary depending on the situation but the following shows how it will usually work.
Direct Debit

Where the contribution schedule is sent on working day W:

1. The Direct Debit is sent to BACS on day \( W + 1 \), BACS input day.
2. A receipt is created with receipt date \( W + 3 \).
3. Nest expects the funds to be cleared on \( W + 5 \).
4. When Nest receives cleared funds on \( W + 5 \) it allocates the amount to the member’s account on \( W + 5 \).
5. The contribution buys fund units at the unit price on \( W + 6 \).

Debit card

Where a payment is made on working day W:

1. Nest expects the funds to be cleared on \( W + 3 \).
2. Nest creates a receipt with a receipt date \( W + 2 \).
3. Nest allocates the amount to the member’s account on \( W + 4 \).
4. The contribution buys fund units with the price on \( W + 5 \).

Using an exception schedule

Sometimes an employer may want to make additional contributions for a member over and above the contribution schedule. An employer may want to do this if:

- they’ve accidentally underpaid contributions but it’s not appropriate to edit and resend the contribution schedule
- they need to make contributions for a member who’s left their employment
- they’ve enrolled a worker later than they should have and need to make an additional contribution for them
- they’re reconciling amounts paid to a worker within a year and discover that they’re less than the legal minimum annual amount.

Employers can pay additional contributions to make up any shortfall. Nest provides a special facility to do this called an exception schedule.

If the additional payment covers an employer’s financial year and this spans the current tax year and the previous tax year the employer will need to provide two exception schedules. One covers the earnings period belonging to the earlier tax year, and the second covers the current tax year.
Tax relief

As long as workers are eligible, Nest can claim tax relief on contributions on their behalf.

If the worker contribution is 8 per cent and they’re eligible for tax relief, their actual contribution will be made up of:

- 4 per cent from their pay – this is what you send us
- 1 per cent from tax relief – this is what we claim from the government.

This is based on a basic rate of 20 per cent income tax. There are special arrangements for Scottish tax payers if the Scottish basic rate is ever different to the basic rate for the rest of the UK.

Nest then collects tax relief using the Relief At Source (RAS) method. We make requests to HM Revenue & Customs (HMRC) for payment of tax relief on contributions.

Rebated tax relief is credited to the member’s pot on the day after it’s received into our bank account.

We provide guidance on how employers should calculate the appropriate level of contribution to reflect their tax relief position.

We also provide guidance on how to handle any future changes to the basic rate of tax.

Is Nest suitable for salary sacrifice?

Yes. Nest is designed to accept all contributions from employers under payment schedules which meet our requirements and the minimum requirements under legislation.

This means Nest accepts contributions regardless of whether the whole contribution is met by the employer or salary sacrifice is used.

Refunds

When a member opts out of Nest during their opt-out period, they’re legally entitled to a full refund of the contributions deducted from their pay. Nest refunds any contributions received during the opt-out period. Refunds are paid to the refund account designated by the employer. Providing we receive notification within the opt-out period, the refund will represent the value of contributions received.

Employers must tell us if they’ve received an opt-out form during the opt-out period. If they don’t tell us within six weeks of the start of the opt-out period, the contribution will be invested.

In these circumstances employers are exposed to the risk of investment loss and have a legal duty to refund the full value of the contributions to members.

A member can’t opt out after the end of the opt-out period. However, members can stop contributions at any time after the opt-out period, but they won’t receive a refund of contributions.
Support for making contributions
We provide guidance to employers on how to calculate their contributions and how to upload their data in our employer help centre, available at nestpensions.org.uk/helpcentre

Common questions on contributions

**What if the contribution information contains errors?**
Nest carries out a basic check on contribution information we receive to make sure it’s been sent correctly and in the right format. We’ll let the employer know if anything’s wrong.
The system also checks members’ details and payment information. This includes checking the amounts shown in the contribution schedule are at least as much as the contribution levels the employer agreed to when they set up their scheme. If a validation error is found, employers can send another file with the corrected information or make the corrections manually online through our secure website.

**What if the employer realises that contribution information they’ve previously sent is incorrect?**
Employers can resend information at any time. If we’ve already taken payment of incorrect contributions we make an adjustment to the records of any affected members.
We then either request an additional payment or send a refund to the employer, as appropriate. There’s more about this in the employer help centre on our website.

**How will overpaid contributions be refunded?**
We send all refunds electronically to the employer’s nominated refund bank account.

**Support for employers and delegates**
Nest is designed to be easy to use for employers of all sizes and for their delegates.
Our website is highly functional, intuitive and simple to navigate. The Nest employer help centre collects together a range of focused articles that help employers use the site and get up and running with Nest. If they need more detailed help they can use Nest live help, a web chat service where they can contact a help operator online who’ll answer their questions.
This makes setting up with Nest and completing processes easy to manage.
Some employers may need additional support to guide them through a process they’re unfamiliar with. Information and guidance can be found on our employer help centre.

Further information
The Employer set-up guide helps employers to get started with Nest.
It can be used alongside the website to show employers how to:
› sign up online
› set up the account
› delegate access
› enrol workers
› set up and submit contribution schedules.
For more information about employer set-up, please go to the employer help centre at nestpensions.org.uk
**Key points**

- After they’ve enrolled, members receive a welcome pack containing information to help them get the most out of their membership.
- The pack contains a unique Nest ID that lets them log into their online account. From here they can view their contributions, communicate with us and manage their retirement pot, 24 hours a day.
- Members can authorise another person to manage their account for them if they want to. This is called delegated access.
- Nest moves with the member. Every member has one retirement pot that they keep whether they change employment, stop working or become self-employed.
- Members can transfer money into and out of their Nest account without paying any additional charges. All they have to pay is the annual management charge that we apply to all accounts.
- As the member approaches their Nest retirement age we provide tailored information that takes into account the value of their retirement pot and explains what their options are.
- All members who have money in their pots receive an annual statement from Nest. This includes a summary of contributions paid in over the year, an estimate of the future value of their pot and the performance of the fund their money is in. It also includes a Statutory Money Purchase Illustration (SMPI). This is something we’re required to provide by law, but it’s also a useful way of telling members how we expect their retirement pot to grow in the years ahead.
- Members and non-members can find out how much they might get when they retire by using our online Pension Calculator: [nestpensions.org.uk/pensioncalculator](http://nestpensions.org.uk/pensioncalculator)
- Members can access online support from our member help centre, available on [nestpensions.org.uk](http://nestpensions.org.uk)
Using Nest online

Each member gets an online account as soon as they’re enrolled in Nest. They can log into their account at any time during their membership. Once online they can manage their account 24 hours a day and get access to easy-to-understand information.

To log into their online Nest account for the first time members will need their:

- National Insurance (NI) number
- Nest ID if they have it to hand

They can find their Nest ID on the welcome letter we sent to them.

If they don’t have their Nest ID, they can still log in with their NI number by answering a few more questions.

Members can also use their online account to communicate directly with us. Their secure mailbox holds all the messages we’ve sent them, including their annual statements.

If they prefer they can choose to receive paper communications or call our contact centre.

By logging into their online account the member can:

- find out the value of their Nest retirement pot
- get detailed information on their contributions, transactions and fund units
- make additional contributions
- switch to another Nest fund
- use our Pension Calculator to see what level of cash and retirement income they could get in the future
- tell us about one or more people, or organisations, they’d like to receive their retirement pot if they die before taking their money out of Nest
- keep their personal details updated including their beneficiary details.
Do members have to use Nest online?
No. Members don’t have to use our website if they don’t want to. They can manage their accounts by phone and by writing to us.

They can choose to get all their communications sent to them in the post by:

- filling out the communication preferences form in their welcome pack
- calling our contact centre
- logging into their online account and requesting paper communications.

Annual Statement
Members’ annual statements show the value of their retirement pot. This means the total of all contributions made to date as well as the investment performance after charges have been taken into account. It also shows where their retirement pot is invested as of the date of the statement.

Member process chart
Here’s the typical process a member will follow to use Nest.

1. Receive welcome pack from Nest
2. Opportunity to opt out for auto enrolled members
3. Contributions paid and invested
4. Keep track of retirement pot
5. Take money out of Nest
Telling new members about Nest

As part of the new workplace pension regulations, employers need to send their workers specific information about the scheme they’re offering and their rights under the auto enrolment legislation. We provide templates and guidance to help employers do this. We also provide a range of tools to help them communicate effectively about auto enrolment and Nest.

Member welcome pack

We send each member a welcome pack when they join Nest. Their welcome pack contains a personalised letter and the information they need to start using Nest online.

The welcome pack:

➤ gives members a unique Nest ID with which they can access their online account
➤ encourages them to log into their online account to check their details
➤ gives them clear, plain language information on Nest and links to more detailed information online.

If the member has been automatically enrolled, the pack will also include opt-out information in the welcome letter.

Once the member has logged into their online account they’ll find an e-copy of their welcome letter in their secure mailbox. This contains a link to our Welcome to Nest guide which sets out the necessary information on:

➤ becoming a member
➤ making additional contributions
➤ how we aim to manage and grow their money
➤ our charging structure
➤ opting out and stopping contributions
➤ taking money out of Nest.

If we believe the member already has a Nest account, the letter in their pack will ask them to confirm this. However, existing or new members of Nest do not need to take any action to continue using the scheme.
Opting out of Nest

We offer a simple opt-out process for all jobholders who are automatically enrolled into Nest.

As part of the enrolment process, employers must let us know which of the workers they’re enrolling are jobholders and therefore entitled to opt out.

In the welcome pack we’ll let members know about:

- their right to opt out
- the start and end date of the one-month opt-out window within which they can choose to opt out
- the three different ways they can opt out of Nest.

We allow three working days for a member’s welcome pack to arrive, so the opt-out period starts three working days after they’re enrolled.

As required by law, any member can choose to opt out by requesting a paper opt-out form from Nest and giving this to their employer. However, we also offer two simple electronic opt-out processes that let the member opt out without requesting a paper form.

This makes it quicker and easier for the member and also means we can stop accepting contributions for them right away. We can also manage member opt-outs in bulk, saving employers time and hassle.

Members who were auto enrolled in Nest can opt out in three ways. They can:

1. go to our opt-out page online, enter their Nest ID from their welcome pack and opt out using a simple online process. This process gives the member important information about opting out including the contributions they’ll lose out on. You can find out more about opting out in the Joining Nest section of the Nest website.

2. use our automated telephone system. Members will need to provide their Nest ID from their welcome pack and select option 4, ‘opt out’. We’ll send them an opt-out notification by email or by post within three working days.

3. call our contact centre to ask for a paper opt-out form. We’ll pre-populate the form before we send it to them. They’ll then need to sign the form and personally submit it to their employer.

If an employer gets a paper opt-out form they’ll need to update the member’s record using the next contribution schedule. We’ll then process the opt-out.

Employers should tell us that a member has opted out in a contribution schedule as soon as possible. If the employer delays, the opt-out period may end and contributions will be invested unnecessarily. If we invest a contribution and the member opts out, the contribution charge will be refunded and employers will expose themselves to possible investment loss.
If we get the opt-out electronically we let the employer know so that they can remove the worker from future contribution schedules.

All members who have opted out in the past will be visible in the employers’ ‘Manage workers’ area of nestpensions.org.uk

An employer can’t make contributions on behalf of workers who have opted out. If they try to do this, the system will reject the contribution.

**Refunds**

When a member opts out of Nest during their opt-out period, they’re legally entitled to a full refund of the contributions deducted from their pay. Nest refunds any contributions received during the opt-out period. Refunds are paid to the employer’s nominated refund account. Providing we receive notification within the opt-out period, the refund will represent the value of contributions received.

Employers must tell us if they’ve received an opt-out form during the opt-out period. If they don’t tell us within six weeks of the start of the opt-out period, the contribution will be invested.

In these circumstances employers are exposed to the risk of investment loss and have a legal duty to refund the full value of the contributions to members.

**Contributions to the member’s pot**

Current legal minimum contributions are 8 per cent. Of this the employer needs to pay at least 3 per cent. The worker pays 4 per cent and receives 1 per cent in the form of tax relief.

More detail on contributions can be found in Section 04 – Employer experience.

**Tax relief**

Most members of registered pension schemes are entitled to income tax relief on their personal contributions. Nest uses the Relief At Source (RAS) method to claim tax relief on behalf of members.

This means we claim basic rate income tax relief from HM Revenue & Customs (HMRC) on every eligible member’s contributions. Most members who pay a higher rate of income tax can reclaim the difference between basic and higher rate tax through their self-assessment tax return. They can also contact HMRC and ask for their tax code to be readjusted.

We send a monthly claim to HMRC for tax relief and add the relief to the members’ accounts when it’s received. The member sees two payments on their account record:

- the first payment when contributions are received
- the second payment when tax relief is paid and invested. This could be between seven and 11 weeks later, depending on when the contribution was paid.
Direct member contributions

Once an individual is enrolled they can start making additional contributions to Nest, even if they don’t currently work for an employer using the scheme. Where the member is eligible, we automatically claim tax relief on direct contributions.

Members can make either regular or one-off additional contributions. They can use their online account to set up regular additional contributions using Direct Debit from a UK bank or building society account. They can make one-off additional contributions by Direct Debit or debit card.

Third parties such as partners or spouses can also make one-off contributions online.

Taking money out of Nest

What options are available to a member when they take their money out of Nest?

We offer the same options to our members as most other occupational defined contribution schemes. These options depend on:

- the age of the member, and
- the size of their Nest retirement pot.

The pension reforms announced in the 2014 Budget gave people in defined contribution schemes more options for taking money from their pension pot.

Summary of options

- A member aged at least 55 can buy a retirement income by choosing an option with an insurance company. If they choose to, they can take up to a quarter of their pot as tax free cash, and use the remainder to buy a retirement income.

- Members aged at least 55 will be able to take all or some of their pot as cash and keep the remainder invested. Usually, a quarter of the cash will be tax free.

- Members can transfer their pots out of Nest or certain pots into Nest. There are lots of different factors to consider when deciding whether or not to transfer pensions. It’s important to be aware that transferring money into or out of Nest may not be in everybody’s interests.

To find out more, please see Transferring your pension pot at nestpensions.org.uk

- If a member suffers from serious ill health or is unable to work due to illness, they may be able to open their retirement pot before age 55. We ask for evidence from a registered medical practitioner to process this request.

- In many cases where a member dies before taking their money out of Nest, a cash lump sum equal to the value of their account may be paid to the member’s beneficiaries.

- In some cases, we may pay the lump sum to the member’s estate or where the size of the retirement pot is £5,000 or less we may pay it to certain relatives of the member.
If a member dies under age 75, no tax is payable as long as the payment is made within two years of notification. If a death is on or after age 75 years, the payment will usually be taxed as income of the recipient in the same way as employment income. If a member keeps making contributions after age 75, they won’t receive tax relief on those contributions.

Members can either make a nomination or make an expression of wish to tell us who they’d like their pot to be paid to in the event of their death. If the member nominates a beneficiary their pot will usually form part of their estate for inheritance tax purposes. If the member makes an expression of wish, their pot won’t usually form part of their estate for inheritance tax purposes.

How do members take their money out of Nest?

We believe it’s important that when a member takes their money out of Nest, they get the support they need to make a retirement decision.

Members need the right information at the right time and a simple retirement process designed with their needs in mind.

We write to members six months before their Nest retirement date. The Nest retirement date is the date when we expect them to take their money out of Nest. The pack we send them includes:

- personalised information on their available retirement options
- the process they need to follow
- the forms and information they need to make a retirement decision.

Nest’s retirement pack is specifically designed to help members through the decision-making process.

We write to all members again six weeks before their Nest retirement date to remind them that they need to make a decision and provide updated retirement options.

If we can’t get in contact with a member we’ll try and trace them, as described towards the end of this section.

What is Nest’s retirement pack?

Our retirement pack helps members decide what they want to do with their savings. This includes asking members to think about:

- what other sources of retirement income they might have, for example personal pensions or state pensions
- whether they have a spouse or partner who is financially dependent on them
- the length of time they’re likely to spend in retirement.

Members can explore a range of options and use the information to help them reach a decision.

Members might also want to consider taking independent advice and guidance at this stage which could help them with their decision on what to do with their Nest savings.
Our retirement pack is designed to be simple to use and follows plain language guidance. The same information and functionality is available on our website through a fully interactive retirement tool.

Further information on where to go for independent advice and guidance is available at pensionwise.gov.uk pensionsadvisoryservice.org.uk and moneyadviceservice.org.uk

Common members’ questions

What happens if Nest has lost contact with a member?

We try to find any members we’ve lost contact with. If the trace is unsuccessful, the process is repeated before the date we expect the member to take their money out of Nest.

If we trace the member, they can consider their options in the same way any other member would.

If we cannot find the member, we continue to hold the retirement pot within the scheme.

If the member – or, in the case of the death of the member – the beneficiary, gets back in touch with us, we will:

- provide the member with the retirement options we outlined earlier, or
- usually pay the beneficiary or the member’s estate.

Under Nest’s rules, if a member hasn’t taken their benefits and we can’t find the member at the point they reach age 105, their pot is forfeited.

Help and support

Our member help centre, available on our website can answer any questions members may have about logging in for the first time and using their online account.

Will a member still be able to use Nest if they change employers?

Yes. When a member leaves their employer they remain a member of Nest. They can keep contributing to Nest even if they become self-employed or if their new employer doesn’t offer Nest. This means that employers don’t have to worry about ongoing administration when members leave their organisation.

As more employers choose to offer Nest it will become increasingly easy for members to continue using our scheme if they join a new employer.

What happens if a member stops working before their Nest retirement age?

Under the scheme rules, a member of Nest who stops working will continue to be a member of Nest and can continue to pay contributions into their pot.

Unlike some other workplace pension schemes, members who leave their employer within two years won’t be able to take a refund of their contributions.

Members can transfer their pots out of Nest or certain pots into Nest. There are lots of different factors to consider when deciding whether or not to transfer pensions. It’s important to be aware that transferring money into or out of Nest may not be in everybody’s interests.

To find out more, please see Transferring your pension pot at nestpensions.org.uk
What happens to a member’s retirement pot if they die before taking benefits from Nest?

If a member dies before taking their money out of Nest, in most cases, we’ll pay a cash lump sum equal to the value of the member’s retirement pot.

If the member has nominated a beneficiary or beneficiaries, we’ll pay the pot to all of the nominated beneficiaries unless they’ve died or we can’t contact them, in which case we’ll usually pay their share to the member’s estate.

If the member makes an expression of wish, we’ll decide whether to pay their pot to some or all of the beneficiaries they tell us about, or to their estate, taking into account the member’s personal circumstances at the time of their death.

If the member hasn’t made an expression of wish or any nominations, or the beneficiaries can’t be found or have died, we may pay the cash lump sum to the deceased member’s estate. If the sum is not more than £5,000 we may pay this amount to one or more of the member’s relatives.

To find out more about what happens to a member’s retirement pot if they die before taking their money out of Nest, see our rules in the Order and rules section of nestpensions.org.uk

Divorce and pension sharing

When Nest receives a pension sharing order the ex-spouse can either keep their money within Nest or transfer it to another registered pension scheme. If the ex-spouse doesn’t make a choice, the money is kept in Nest in an account in the ex-spouse’s name.

Where the money is kept in Nest the ex-spouse has the same rights as all other members. They can make further contributions and can access the same services as any other members, for example when it comes to taking their money out of Nest.

If an existing member of the scheme receives money due to a pension sharing order, whether it derives from Nest or another pension scheme, they have the option to move the money into their Nest account.

The scheme doesn’t charge divorcing parties for processing pension sharing or earmarking orders. However, this is at the discretion of Nest Corporation and could be subject to change in the future.

Member process channels

Most processes can be carried out online. Some can also be done in writing or by phone. There’s more about this in the table on the next page.

Members can let someone else act on their behalf when dealing with Nest. We call this person a delegate. Members can grant different levels of access to their delegate depending on the range of activities they would like the delegate to perform. These include amending personal details, making or changing contributions and switching investments.
### Member process support channels

<table>
<thead>
<tr>
<th>Process</th>
<th>Preferred channel</th>
<th>Alternate channel(s)</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change personal details</td>
<td>Secure website</td>
<td>Written notification</td>
<td>Members can access their personal details through our website and make the following changes: • personal contact information • marital status • delegate details.</td>
</tr>
<tr>
<td>Change fund choice(s)</td>
<td>Secure website</td>
<td>Written notification</td>
<td>Members can view details of their chosen fund, obtain information on fund performance and make changes to their fund choice. Please see Section 6 – Investment for more information on investment options.</td>
</tr>
<tr>
<td>Choose Nest retirement date</td>
<td>Secure website</td>
<td>Written notification</td>
<td>In most cases the default Nest retirement date is set when the member reaches 65 or the date they reach State Pension age, as appropriate. Members can choose to select an alternative Nest retirement date that is between ages 55 and 105. Where a member’s funds are invested in a target dated or lifestyle fund this will be changed as appropriate.</td>
</tr>
<tr>
<td>Change a beneficiary</td>
<td>Secure website</td>
<td>Written notification</td>
<td>A beneficiary can be an individual, corporate body, charity, trust, club or society. A member can have more than one beneficiary and allocate a percentage of their Nest pot to each. These percentages must add up to 100 per cent. See earlier in this section for more information on the payment of Nest savings on death.</td>
</tr>
<tr>
<td>Choose paper communications</td>
<td>Secure website</td>
<td>Written notification</td>
<td>Our preferred channel of communication is online. Members can choose to sign up online when they receive their welcome pack.</td>
</tr>
<tr>
<td>Process</td>
<td>Preferred channel</td>
<td>Alternate channel(s)</td>
<td>Details</td>
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</tr>
<tr>
<td>Check retirement pot</td>
<td>Secure website</td>
<td>Telephone request, written request</td>
<td>Members can see the following: current fund value, unit statement, contribution history, transaction history. Members can access information on all employers who are currently contributing, or who have previously contributed to their account. When viewing contribution history, members can define the contribution period and contributor. When viewing a transaction history, members can view the following: contribution process, tax relief, transfer in, transfer out, switch out, switch in, payment out.</td>
</tr>
<tr>
<td>Pay direct contributions</td>
<td>Secure website</td>
<td>N/A</td>
<td>Members can make their own contributions either by debit card or Direct Debit.</td>
</tr>
<tr>
<td>Cease contributions through an employer</td>
<td>Secure website</td>
<td>N/A</td>
<td>Members can request that contributions cease from any employer currently paying into their Nest retirement pot.</td>
</tr>
<tr>
<td>Give other delegates access to the account</td>
<td>Secure website</td>
<td>Telephone request, written request for form to be completed by delegate</td>
<td>Members can delegate account access to a third party and assign authority to them to perform online functions on their behalf.</td>
</tr>
<tr>
<td>Opt out</td>
<td>Secure website</td>
<td>Automated telephone system, telephone request for form to be completed by member</td>
<td>Members can opt out through our website or their online account. They can also use our automated telephone service or request a paper opt-out form. If they opt out online or through the automated system we can stop accepting contributions for them immediately.</td>
</tr>
</tbody>
</table>
Complaints

We have a simple yet robust complaints handling process.

Complaint cases are initially dealt with by a dedicated team of case workers who aim to resolve it as quickly as possible, within 20 working days.

As required by law, the scheme also has a two-stage dispute procedure. The first stage is handled by Tata Consultancy Services (TCS) and the second stage by Nest Corporation.

Further information on how we handle complaints and disputes is available at nestpensions.org.uk/complaints
We want to help our members have a better retirement, whenever and whatever they save. We think they deserve to get more back from what they save by having a pension that’s carefully looked after by experts. The way Nest invests is about growing members’ money and offering high quality at one low cost.

**How we deliver quality investment for all**

- We believe our members benefit from having an in-house investment team to look after their money. We don’t hand over responsibility for investment decisions to another organisation.
- We carefully spread our members’ money over diverse investments from around the world using funds from leading fund managers. These include Amundi, BlackRock, BMO, HSBC, Legal & General Investment Managers, Royal London, State Street Global Advisors, Northern Trust and UBS.
- We believe an important part of growing members’ money is investing it responsibly and sustainably. This means considering how the companies and economies we invest in are run, and their impact on people and the planet, in our investment processes.
- We have clear investment objectives and beliefs that set out what we want to achieve for members and how we’re going to achieve it.
- We make investment decisions based on evidence, research and analysis. This includes detailed research into what members need and expect from us.

**Key points**

- Nest’s default strategy consists of nearly 50 single year target date funds designed for the year the members invested in it are expected to retire.
- We provide a diverse fund range. This offers choice to members who want to take more or less investment risk, or want something different because of their beliefs or faith.
- Our multi-phase default investment approach targets different risk and return objectives, matched to a member’s place in the saving lifecycle.
- Our dynamic risk management process is designed to account for different economic conditions.
- We integrate Environmental, Social and Governance (ESG) factors into our investment processes.
- Our in-house investment team creates Nest’s member funds by investing in a diverse range of global assets through leading fund managers.
- All our investment decisions and operations are monitored through a robust governance process.
Investment objectives

Nest’s Statement of Investment Principles (SIP), which can be found in the Investment section of Nest’s website, includes the following information on our investment objectives and beliefs.

Nest’s Trustee has set an overarching investment objective of Nest Retirement Date Funds:

- to target investment returns in excess of inflation after all charges, over the long term.

We’ve set out how we achieve this through the different stages of investment below. It’s under the heading ‘Three phases of investment’.

The Trustee’s measure of inflation is the Consumer Price Index (CPI). The investment objective provides a clear and measurable target that seeks to preserve and grow scheme members’ pots by more than CPI over the long term.

In order to achieve this objective Nest’s Trustee has established:

- effective and efficient investment policies and processes
- a rigorous approach to risk management and risk budgeting
- a rigorous approach to the management of investment costs.

The SIP includes further details around how we deliver against our objectives and principles. Our quarterly investment reports, available on nestpensions.org.uk, show how this works in practice.

Investment beliefs

Nest’s Trustee has set out its investment beliefs to provide a transparent framework for consistent decision making. These beliefs act as a guide to enable effective delivery of all investment functions:

1. As long-term investors, incorporating environmental, social and governance (ESG) factors is integral to the investment management process.

2. Taking investment risk is usually rewarded in the long term.

3. Diversification is the key tool for managing risk.

4. Risk-based asset allocation is the biggest driver of long-term performance.

5. Taking account of asset values and asset prices, economic conditions and long-term market developments enhances long-term performance and informs strategic decisions.

6. Indexed management, where available, is often more efficient than active management.

7. Good governance, including an appropriately resourced in-house investment function, is in the best interests of NEST members.

Nest’s investment beliefs are subject to an evidence-based review at least every three years.
Nest Retirement Date Funds

More than 90 per cent of people automatically enrolled into a pension scheme stay in the fund they’re first put into, known as the ‘default’. This means the default has to be of the highest quality and right for a broad range of people, whether they’re 22 or 62.

Nest Retirement Date Funds are the default option for savers who are automatically enrolled with Nest.

There are nearly 50 Nest Retirement Date Funds, each designed for the year the members invested in it are expected to retire. For example, the 2045 Nest Retirement Fund is tailor-made for members retiring in 2045.

When a worker enrols with Nest, their money will be invested in a Nest Retirement Date Fund based on the year they’re expected to retire. For example, if this is 2055 we’ll invest the member’s retirement pot in the Nest 2055 Retirement Fund.

Nest Retirement Date Funds are what’s known as single-year target date funds and are unique in the UK.

Investing carefully for every member

Nest aims to maximise members’ pots by taking the right investment risk on their behalf at different times in their life.

What’s right when they first start saving won’t be the same as what’s appropriate as they get closer to retirement.

Members and their employers have the reassurance that Nest Retirement Date Funds invest appropriately at each stage of a member’s life.

In these funds, we always spread members’ money over a broad range of global investments. These include shares, bonds and property. Exactly where members’ money will be invested depends on how far members are from their retirement.

We’re able to adjust the portfolio of each fund over time. This takes account of changing economic and market conditions along the way. Other funds that invest in a single asset class, such as shares, might experience big ups and downs in value. Those that adjust asset allocations automatically according to a fixed schedule risk locking in losses. Our aim is to give members a smoother and more tailor-made ride.

The youngest members who put their money in our Nest Retirement Date Funds will go through three phases. Each phase has a different objective that focuses on the needs of the member at specific times in their savings career.

We have a glide path that sets out the levels of investment risk we expect to take at each phase.
Three phases of investing

1. Foundation phase (approximately five years)

The foundation phase is for people who join Nest when they’re still many years away from retirement. The aim is to help members develop the pension saving habit and establish their retirement pot. We help do this by investing in ways that aim to avoid sharp falls in their pot value and steadily grow their pot.

In this phase we aim to:

- keep pace with the cost of living
- significantly reduce the likelihood of extreme investment shocks
- take appropriate risk at appropriate times, taking account of current economic and market conditions
- expect a long-term volatility average of 7 per cent per annum.

2. Growth phase (approximately 30 years)

This phase focuses on growing a member’s retirement pot much more quickly. The aim is to do this by at least 3 per cent more than inflation after charges. There’s more chance of short-term ups and downs, but it’s the right time to take more risks while members are still some years from retirement. We still aim to protect their money from big market shocks.

In this phase we aim to:

- invest in more growth-seeking assets
- target investment returns greater than inflation plus 3 per cent and cover all scheme charges
- aim for steady growth in real terms over the life of the fund
- expect a long-term volatility average of 11 per cent per annum.

3. Consolidation phase (approximately 10 years)

The final phase aims to get the retirement pot ready for members to use. This phase typically begins 10 years before the Nest Retirement Date. At this point, we’ll start gradually moving the pot out of higher risk assets to help protect it from the possibility of big falls in value close to retirement.

The primary objective of this phase for the Nest 2021 Retirement Fund and beyond is to outperform inflation after all charges while aiming to gradually reduce volatility as the retirement date approaches.

For the Nest 2020 Retirement Fund and those maturing before 2020, the objective is to manage the risks associated with converting a member’s savings into a cash lump sum.

Moving between phases

Our lifecycle isn’t a rigid set and forget regime. We dynamically manage the transition between phases to take account of our view of the financial markets, the economic environment and our latest understanding of our members. This helps us judge the best time to begin reducing or increasing the investment risk.

In this way we can take advantage of the good times on our members’ behalf while helping protect them from the bad times.
**Nest Starter Fund**

If members join before they’re eligible to be automatically enrolled at age 22, then they’ll be invested in the Nest Starter Fund. This is invested in similar way to funds in the foundation phase of the Nest Retirement Date Funds.

**Nest Post-retirement Fund**

If members don’t take their money out of Nest when we’re expecting them to, unless they tell us differently, we’ll make an assumption that their retirement age will be 75. We make the same assumption if they join Nest after their State Pension age. In these cases, we put the member’s money in our Post-retirement Fund. This may not be the best place for their money if they plan to keep their money in Nest for a number of years. If they let us know when they want to take their money out, we can invest their pot in the Nest Retirement Date Fund for that year.

If members choose a retirement date between age 55 and State Pension age, and don’t retire on this date, they could also end up invested in the Post-retirement Fund. This is because the Nest Retirement Date Fund they were invested in would have matured and closed down. At this point we move the money over to the Post-retirement Fund.

If a member plans to retire before or after their expected retirement year, it’s important they let us know. This allows us to ensure we’re investing members’ money in the right fund.

Members can change their retirement year by logging into their online account.

**Why we use a target date approach**

Nest’s unique target date fund approach allows us to carefully manage money in different ways depending both on the member’s age and the economic and market outlook. Using a target date fund approach to provide our member funds also helps us keep down the costs of investing. These can eat away at savers’ pots when they save in a pension scheme.

Target date funds allow schemes like Nest to adapt to changes quickly by reviewing our investment strategy. For example, in light of the new pension freedoms introduced in April 2015, Nest has adapted the way it invests members’ money to better reflect the new regulations. You can find out more on this at [nestpensions.org.uk](http://nestpensions.org.uk)

**Nest Retirement Date Funds structure**

We’ve structured our default Nest Retirement Date Funds in a way that allows us to minimise our trading costs. They’re made up of synthetic sub-funds we call tier 2 funds. Each of these tier 2 funds is a mix of assets designed to focus on growth, income, annuity matching or cash. Tier 2 funds are made up of units in our underlying building block funds provided by our fund managers. The diagram on the next page shows how the funds work in action.
Contributions come from employers and members.

TCS collects contributions.

State Street Bank buys units in underlying funds based on Nest’s asset allocation decisions.

State Street Bank calculates AMC and Nest Retirement Date Fund unit prices.

Member’s retirement pot held as units in their Nest retirement fund.

TCS receives unit prices to value retirement pots.

Nest Retirement Date Funds and Other fund choices.

State Street Bank calculates AMC and Nest Retirement Date Fund unit prices.

Underlying funds:
- Amundi
- BlackRock
- BMO
- HSBC
- LGIM
- Northern Trust
- RLAM
- State Street Global Advisors
- UBS
- CoreCommodity
- JPMorgan
Fund choice

In addition to our Nest Retirement Date Funds, Nest offers five additional fund choices for members with different faiths, beliefs and attitudes to risk. Our fund choices provide reassurance to members by empowering them to make a choice, so they won’t feel locked in or discriminated against. This means less confusion about the choices available to workers, so employers face fewer questions. Nest fund choices are clearly named and explained, so members who want to make a choice can easily understand their options.

**Nest Higher Risk Fund**

For members who are prepared to take more investment risk to try to make their retirement pot grow more.

This fund aims to:

- take more investment risk than the Nest Retirement Date Funds in pursuit of higher potential returns
- expect a long-term volatility average of 17 per cent while reducing the likelihood of extreme investment shocks
- gradually de-risk members’ investments as they approach retirement by diversifying the portfolio across a range of return-seeking asset classes.

**Nest Ethical Fund**

For members with specific concerns about the impact organisations have on the environment and society in areas like human rights and environmental damage. It follows three phases of investment in a similar way to the Nest Retirement Date Funds.

This fund aims to:

- invest in a mix of gilts, corporate bonds, equities and property screened for their compliance with ethical standards. It aims for steady growth in real terms over a member’s time with us
- maximise the pension income and any cash lump sum our members receive by taking the appropriate risk on their behalf based on how long they have until retirement.

**Nest Sharia Fund**

For members who want an approach to investing as it relates to Islamic Law.

This fund aims to:

- expect a long-term volatility average of 22 per cent
- grow a member’s pot in real terms over the course of their savings career.
Nest Lower Growth Fund

For members who are very cautious while investing. Their retirement pot will be exposed to less investment risk than the Nest Retirement Date Funds. In the long term, however, it will probably grow less than other fund choices and possibly less than the cost of living.

This fund aims to:

- preserve the nominal value of contributions and grow the fund in line with low-risk money market investments
- achieve an investment return that’s in line with or better than wholesale money market short-term interest rates after charges
- expect a long-term volatility average of 0.5 per cent.

Nest Pre-retirement Fund

For members who start saving with Nest when they’re near their retirement date and know they want to buy an annuity instead of taking all their pot as cash.

This fund aims to:

- invest in 75 per cent annuity-tracking and 25 per cent liquidity-matching assets
- expect a long-term volatility average of 4 per cent.

For more information on fund choices, go to *Other fund choices* on nestpensions.org.uk

Funds for diverse risk profiles

This chart indicates how we expect Nest’s funds to compare by risk over the long term. The categories of one, very low risk, to seven, very high risk, correspond to those set out by the European Securities and Markets Authority.

At the lower end of the scale, the funds will see fewer ups and downs but will also have less chance of growing quickly. Funds at the higher end offer more chance of high growth but could experience sharp falls in value.
Nest’s funds are designed by our expert in-house team. The team makes careful decisions to create the funds by blending a diverse range of building block funds. These building blocks are all managed by professional and regulated fund managers.

For our mandates and current managers, please see the table on page 18, Section 02, Governance.

**Responsible investment**

Nest believes that, as long-term investors, incorporating ESG factors is integral to the investment management process. This means we think about things such as how companies and markets operate and how they treat people and the environment when we make decisions on investing members’ money.

This is important because many of our members will be saving through Nest for decades. Many of these issues are likely to have a material impact on the performance of the companies and other assets we invest in over long time frames. We have four main objectives that follow from our ESG investment belief. These objectives help guide and prioritise our activities:

- **Better risk adjusted return**
  
  We want to target an improvement in ESG performance where there is evidence this can lower the risk we need to take to achieve a return.

- **Better functioning markets**
  
  We want to improve how markets operate and are regulated in jurisdictions where we invest.

- **Support long-term wealth creation**
  
  We want to encourage companies and markets we invest in to deliver sustainable and stable performance to support good returns for our members over many years.
Manage reputational risks

We want to protect Nest’s reputation and grow trust with our members by encouraging companies to act in ways our members can feel confident about. Companies that aren’t properly run, or don’t consider the environment or people in a way our members would expect, damage how members feel about investing with them.

Our approach and principles are set out at a high level in the SIP. Our trustees review our approach regularly as the scheme evolves and develops. Key to our ongoing development will be to increasingly involve our growing membership to understand what their expectations and needs are when investing their savings over many decades.

You can find out more detail on how Nest acts as a responsible investor and the impact we’re having at nestpensions.org.uk by reading our report Building new norms.

In-house investment team

The investment team manages our members’ money from day to day. They monitor the performance of our fund managers, consider the opportunities available in different asset classes and assess our responsible investment requirements.

We hold asset allocation meetings every quarter where the investment team reviews all of the information and makes recommendations. This gives us broad weightings for the main asset types we invest in – equities and other growth assets, emerging market debt, corporate and other bonds, property, cash and gilts.

The investment committee

All investment decisions are overseen by the Trustee through the investment committee, a group of Trustee Members that meets quarterly to formally review investment operations and decisions. They decide on the recommendations of the chief investment officer (CIO) on:

- investment objectives
- risk budgets
- strategic asset allocations
- the parameters of dynamic risk management
- approach to active ownership
- evolution of fund choices
- fund manager selection and monitoring
- investment communications for members, and employers’ investment costs.

This committee also monitors fund performance and operation to make sure that the Trustee is fulfilling its legal duties.

Members’ Panel and Employers’ Panel

The Trustee also gets the views of members and employers using Nest through the Members’ Panel and Employers’ Panel. These two groups provide members’ and employers’ perspectives on investment to the Trustee and have a statutory role in reviewing the SIP on our website.

These checks and balances provide Nest with a high level of oversight in its investment operations.
Investment operations

Nest’s scheme administrator Tata Consultancy Services (TCS) collects contributions for all our members. They pass consolidated trade data on to fund administrator State Street Bank to invest in Nest funds on behalf of our members.

Our investment operations team is responsible for advising State Street Bank of the changes to the asset allocation and making sure that the changes have been made as directed in a timely way.

The investment operations team also monitors the activity of our suppliers to make sure they’re providing the level of service we expect. Every day they check that the asset allocations implemented by State Street Bank match our strategy and make sure that unit prices and members’ accounts are correctly valued. We also monitor the activity of our underlying fund managers to check that they continue to provide the right mix of assets and a high level of service.

We recognise, however, that pricing errors can happen so we have a process to assess and correct them quickly. All pricing errors of more than 10 basis points are recorded, reviewed and reported to our investment reporting and compliance committee. As well as correcting the error, they investigate how it happened to make sure there are no problems with our systems or processes.

We’ll pay members compensation where the pricing error affects the value of their retirement pot by more than 50 basis points, subject to a minimum loss of monetary amounts. We’ll also correct any over-valuations of units so that all our members are treated fairly and in line with industry best practice.
Tata Consultancy Services (TCS) is the scheme administrator. It has an excellent track record in pension administration and IT.

TCS has more than 30 years’ experience in the UK insurance sector with 90 insurance clients including seven of the top UK insurers.

Its key responsibilities are:
- enrolling members
- collecting contributions
- managing accounts and accessing savings
- employer participation
- passing funds to the fund administrator.

The initial contract between TCS and Nest runs for 10 years until 30 June 2020, and has now been extended for a further three years to 30 June 2023.

**Staff and resources**

Many of the staff involved in the administration of Nest hold professional qualifications. These include CF1, AF1 and AF2 financial services qualifications. These employees help to define scheme operating processes and prepare training materials for new staff.

To manage the expected growth in Nest membership, TCS conducts continual forecasting and shares capacity plans with Nest via its Customer Service Governance Group updating Nest operations monthly until at least 2019.

Key points

- TCS, part of the Tata Group, employs over 380,000 IT consultants in 49 countries around the world. The organisation has 88 delivery centres in 18 countries and currently has more than 9,000 advisers in the UK.
- The Tata Group has 100 operating companies across seven industry sectors and with operations in 85 countries employs over 456,000 employees worldwide. Tata has had a UK presence since 1907, and is one of the largest foreign investors in UK industry.
- Website and automated telephone systems are normally available 24 hours a day, 365 days a year.
- TCS’s work is measured for quality and accuracy using an Integrated Quality Management System (IQMS).
- System development and back office administration functions are largely conducted offshore in India.
Hiring and training of resources

TCS has a proven global hiring operation which can take on and train staff quickly and effectively.

TCS has also put together a resource plan, organisation structure and set of job roles which are focused on making sure that hiring can be smoothly phased in to cope with increased demand.

All new staff are trained in both TCS and Nest policies and procedures, compliance and information security policies and other mandatory areas. Once this induction is complete they’ll start training on Nest’s specific requirements.

During this stage of their training, all staff involved in the delivery of Nest’s administration services take a comprehensive course based on our official training manual. This manual is approved by both TCS pension experts and Nest Corporation.

All staff must show an excellent understanding of essential processes before they can shadow more experienced employees. Only after this can they work alone.

The training programme for new starters lasts approximately one month.

TCS also has a technical team to help the main contact centre with any queries they can’t resolve on first contact.

This highly trained team deals with technical pension queries as well as infrastructure-related queries. In effect this team acts as the escalation point for the contact centre.

Key roles

**Director of operations**

The director of operations reports to the executive director of product and marketing.

Their key responsibilities include managing the delivery of the service to Nest. The director is responsible for front office and back office operations, the strategic on-boarding activities and service proposition changes.

The people who report to the director of operations include the following:

**Head of service delivery**

The head of service delivery works as a part of the operations management team and manages the operational day-to-day activity across the teams.

Key responsibilities include:

- ensuring key performance indicators (KPIs) and service level agreements (SLAs) are met and exceeded where possible
- ensuring all quality control processes are followed
- performing risk assessments as required and identifying and implementing solutions and controls
- handling and taking necessary action in response to ad hoc escalations and queries
- reviewing capacity plans and managing volume spikes
- reviewing process errors and corrective action points.
Head of front office operations

The head of front office operations works as a part of the operations management team and manages the operational day-to-day activity within the contact centres and web chat teams.

Key responsibilities include:
- ensuring all contact centre and web chat KPIs and SLAs are met and exceeded where possible
- identifying and executing improvements to the contact centre and web chat teams’ operational efficiency and service
- delivering an excellent service to all customers in line with industry best practice while following all regulatory and legal obligations
- ensuring the ongoing provision of a seamless service for employers, members and advisers
- ensuring compliance with The Pensions Regulator’s, anti-money laundering, Data Protection Act and Inland Revenue’s regulations
- ensuring all customers are treated fairly.

Head of back office operations

The head of back office operations is responsible for the overall performance of the back office service delivery teams.

Key responsibilities include:
- leading the offshore processing team and ensuring all KPIs and SLAs are met and exceeded where possible
- overseeing management of the cash and reconciliation processes
- managing the operational acceptance testing for all operational change before it’s introduced into the live operational environment
- ensuring there are sufficient staff resources and the staff are appropriately skilled
- monitoring and ensuring conformance to compliance requirements related to processes
- managing internal and external audits and deploying necessary risk controls including leading the business continuity process
- identifying and executing improvements to the back office teams’ operational efficiency and service.
Contact centre manager

The contact centre manager reports to the head of front office operations. They work as part of the customer services operations management team and manage the operational day-to-day activity within the contact centre. Key responsibilities include:

- making sure the contact centre meets, and where possible exceeds, all its KPIs and SLAs
- identifying and executing improvements to the contact centre’s operational efficiency and service
- delivering an excellent service to all customers in line with industry best practice while following all regulatory and legal obligations
- ensuring the ongoing provision of a seamless service for employers, members and advisers
- ensuring compliance with The Pensions Regulator’s, anti-money laundering, Data Protection Act and Inland Revenue’s regulations
- ensuring all customers are treated fairly.

Offshore service delivery managers

The offshore delivery managers report to the head of back office operations. Each manager is responsible for the overall performance of the service delivery team at their offshore location.

Key responsibilities include:

- leading the offshore processing team
- overseeing performance of the training team
- ensuring there are sufficient staff resources and the staff are appropriately skilled
- monitoring and ensuring TCS conforms to compliance requirements related to processes
- managing internal and external audits and deploying necessary risk controls
- leading the business continuity process.
Service levels

The vast majority of scheme services are available online and supported by our contact centre.

Online and telephone services performance is measured in:

- seconds for simple step processes, for example updating personal details or requesting fund switches
- up to one minute for processing small files of up to 50 records uploaded through the website
- hours for large batch processing.

Website and automated telephone systems are normally available 24 hours a day, 365 days a year. Contact centre availability is:

- 8am to 8pm seven days a week
- 10am to 4pm on bank holidays
- closed five days a year: Christmas Day, Boxing Day, New Year’s Day, Easter Sunday and Easter Monday.

Response times are:

- calls answered by automated telephone system within five seconds
- calls forwarded to contact centre answered within 60 seconds.

Most services can be completed by the user alone, through our automated telephone system or online.

Service timelines

<table>
<thead>
<tr>
<th>Service</th>
<th>Expected service level*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verifying medical evidence – incapacity cases</td>
<td>10 days</td>
</tr>
<tr>
<td>Serious ill health cases – each stage</td>
<td>3 days</td>
</tr>
<tr>
<td>Death cases – all stages</td>
<td>3 days</td>
</tr>
<tr>
<td>Internal dispute resolution – stage one</td>
<td>20 days</td>
</tr>
<tr>
<td>Employer dispute resolution – stage one</td>
<td>20 days</td>
</tr>
<tr>
<td>Divorce cases – each stage</td>
<td>10 days</td>
</tr>
<tr>
<td>General queries (queries submitted online will be acknowledged within 1 day)</td>
<td>10 days</td>
</tr>
<tr>
<td>Complaint acknowledgements</td>
<td>5 days</td>
</tr>
<tr>
<td>Complaint resolutions</td>
<td>20 days**</td>
</tr>
<tr>
<td>Annuity purchase</td>
<td>5 days</td>
</tr>
<tr>
<td>Opt-out refund payment</td>
<td>5 days</td>
</tr>
<tr>
<td>Transfer out</td>
<td>4 days</td>
</tr>
<tr>
<td>Trivial commutation payment</td>
<td>5 days</td>
</tr>
<tr>
<td>Payment of pension commencement lump sum for ill health</td>
<td>5 days</td>
</tr>
</tbody>
</table>

* All times are measured in working days and all service levels are subject to ongoing review.

** We aim to resolve all complaints as soon as possible, within 20 working days. If we’re unable to do so, we’ll send regular updates to keep complainants informed of progress.
When the paper option is chosen, manual processing is involved and these are expected to be resolved within a matter of days depending on the particular service.

For example, if the member wants to amend his or her details by paper, the information is updated on the system within four days of receipt.

Processes that can’t be completed online or through our automated telephone system have different SLAs as shown in the table below.

A number of services require a verification process. The service level for this varies depending on the service and the quantity of data received.

Projections of what contributions might be worth at retirement or an indication of what income a member’s retirement pot might provide are available online.

Money received as cleared funds before the daily cut-off point will be aggregated into that day’s investment trades.

Nest Corporation has access to a comprehensive range of management information which highlights how TCS is performing against individual SLAs.

TCS constantly monitors SLAs and is obliged to take action where appropriate.

<table>
<thead>
<tr>
<th>Service</th>
<th>Expected service level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing Direct Debit/credit bank payment information</td>
<td>1 day</td>
</tr>
<tr>
<td>Member enrolment file upload &gt;=1,000 members</td>
<td>1 day</td>
</tr>
<tr>
<td>Contribution schedule processing &gt;=1,000 members</td>
<td>1 day</td>
</tr>
</tbody>
</table>

* All times are measured in working days and all service levels are subject to ongoing review.
Integrated quality management system

TCS’s work is measured for quality and accuracy using an Integrated Quality Management System (IQMS).

IQMS is made up of policies, procedures, standards, tools, methods and practices. It’s built with a focus on service and solution delivery, customer management, security management and people processes.

The system includes a measurement programme to continuously monitor and improve its effectiveness.

It focuses on all aspects of:

- service management
- project management
- process management
- knowledge management
- technology management
- customer management
- product and service delivery
- security management
- business continuity
- competency management.

TCS manages quality assurance through a comprehensive sampling process. Sample transactions are selected across all administrators and reviewed by an experienced checker every week. The number of samples chosen is determined by previous performance.

Sampling is higher for new starters or where an administrator moves onto a new process. The review process is a mix of side-by-side evaluation and post-completion checks.

The administrator receives verbal feedback, which is recorded in an error log. The error log is one of several processes used to monitor the overall quality of service. Others include:

- review reports
- audit reports
- project management reviews
- customer feedback
- complaints
- any other non-compliance input.

TCS also has a programme of continual improvement for all areas of Nest’s operational process. This is run proactively and includes customer satisfaction surveys.

Workflow

TCS operates a customised workflow management system that’s integrated within the core administration platform known as BaNCS. This workflow management system is central to the running of the service and has been configured to ensure the smooth transition of work items.

TCS uses a document imaging system called Documentum, for content management. Documentum by EMC is an industry-leading content management platform which is integrated with the BaNCS platform to ensure that any documents are seamlessly captured, imaged and indexed.
Charging structure

Nest is a low-cost workplace pension scheme.

Members pay a combination charge made up of two parts.

They pay an annual management charge (AMC) of 0.3 per cent on the total value of a member’s fund each year, calculated on a daily basis. The AMC is taken out of each Nest member’s investment fund and reflected in the daily unit price.

A contribution charge of 1.8 per cent is taken off each new contribution into a member’s retirement pot.

Members who aren’t making contributions into their pot won’t pay the contribution charge.

We offer our members low charges from the outset. They’re broadly equivalent to the low charges enjoyed today by members of large workplace schemes.

Charges are calculated on the same basis for all members who save in Nest, no matter who they’re employed by, how much they earn and how much they pay in.

Is there a charge for switching funds?

No. There’s no charge for switching funds and there’s no limit on the number of fund switches. However, we expect that most members won’t want to switch funds.

This will be periodically reviewed by Nest Corporation.

Key points

- Nest is a great value workplace pension scheme that’s designed for millions of people across the UK who have no access to pension saving.
- There’s an annual management charge (AMC) of 0.3 per cent on the total value of a member’s fund and an additional charge of 1.8 per cent on each contribution. This is broadly equivalent to an overall management charge of 0.5 per cent AMC.
- The Trustee is ultimately responsible for determining the charge levels.

Do members pay any direct charges other than the AMC and contribution charge?

No. There are no plans to charge for any other services, such as processing pension sharing on divorce settlements or members who choose alternatives to Nest Retirement Date Funds. However, this will ultimately be at the discretion of the Trustee and could be subject to change in the future.

How do our charges compare with other schemes?

Nest Corporation’s analysis shows that our charge of a 0.3 per cent AMC combined with a small contribution charge of 1.8 per cent is broadly similar to a 0.5 per cent AMC.

This is a charge level which is normally only enjoyed by those in large workplace schemes.

Our future charges will depend on market conditions, volumes and the Trustee’s decision.
Reduction in yield

One way of showing how charges affect future savings is through Reduction In Yield (RIY).

Figure 1 below shows the impact of Nest charges against typical charges that apply to other pension plans over different periods.

We aim to have an AMC of 0.3 per cent and no contribution charge at all. This would improve our RIY even further.

The chart below is based on the following assumptions:

- FCA basis
- £50 per month, paid throughout the term
- Mid-fund growth assumption of 5 per cent
- 1.8 per cent contribution charge throughout the term.

Figure 1: The effect of Nest charges compared with the standard stakeholder pension and pension plans with AMCs of 1 per cent and 0.5 per cent
Who decides the charging method?

The government sets the charging method for an initial period as shown in the scheme order. This means the current charging method was set by the Secretary of State for Work and Pensions. The level of charges within that structure was set by Nest.

Once this initial period is over, Nest Corporation will determine the method and level of the scheme charges.

When we’ve repaid the government loan we expect to reduce charges further. The Pensions Commission’s ambition for Nest was that charges would be no more than a 0.3 per cent AMC.

Before making any changes to the charging level or method, Nest must consult with the Members’ Panel.

The Secretary of State for Work and Pensions can make changes to the charge levels in specific circumstances until Nest becomes self-financing.
09 IT and security

Key points

- The BaNCS Insurance Core Platform forms the basis of almost all Nest administration processes. It’s used globally by Tata Consultancy Services (TCS) in the insurance and financial services sector.
- TCS has significant experience and capability in providing effective business continuity and disaster recovery.
- TCS and Nest use information security management systems which are regularly reviewed.
- Personal data can only be accessed from outside the UK through a closed and restricted platform that prevents transfer of data to non-UK systems.
- Nest has a comprehensive access control policy to ensure that access to systems, sites and data is properly authenticated.

The BaNCS Insurance Core Platform forms the basis of almost all Nest administration processes. This IT platform is proprietary software used globally by TCS in the insurance and financial services sector.

BaNCS holds all member and employer data including fund values. It uses sophisticated calculation tools for determining members’ savings projections and manages the workflow. BaNCS is updated through a purpose-built direct website interface.

The system has been developed with scalability in mind so that as volumes increase, the infrastructure supporting the solution increases to handle it.

TCS will monitor and report on its operation to ensure that its capacity is managed efficiently.

Business continuity and disaster recovery

TCS has significant experience and capability in providing effective business continuity and disaster recovery (BCDR).

There are two separate Vodafone data centres which hold mirror images of the Nest database. Data requests are load-balanced between these servers for enhanced performance. This arrangement greatly reduces the risk of data loss.

Each of the data centres provides capacity to support all of Nest’s services in the event of a disaster. Nest’s contact centre has been designed to ensure that Nest services keep working if a major event occurs.

The offshore business processing administration function is equally resilient. It’s been split between two delivery centres providing full business continuity for Nest services.

There’s a comprehensive communications plan detailing what happens if a disaster occurs.
The BCDR plan has two primary objectives:

- **Recovery Point Objective (RPO).** This is the maximum acceptable level of data loss following a BCDR incident. It represents the point in time before an incident to which lost data can be recovered given the most recent back-up copy of the data.

- **Recovery Time Objective (RTO).** This is the period of time within which business and/or technology capabilities must be restored following a BCDR incident.

The table below shows the values of these objectives for core Nest functions.

**Recovery point and recovery time objectives**

<table>
<thead>
<tr>
<th>Business service</th>
<th>RTO (recovery time)</th>
<th>RPO (data loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public area of the Nest website, including issuing of a message relating to the BCDR incident</td>
<td>&lt;15 minutes</td>
<td>N/A</td>
</tr>
<tr>
<td>Automated telephone system message relating to the BCDR incident</td>
<td>&lt;15 minutes</td>
<td>N/A</td>
</tr>
<tr>
<td>Restricted area of the Nest website providing as a minimum:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• employer set-up function</td>
<td>&lt;2 hours</td>
<td>&lt;1 minute</td>
</tr>
<tr>
<td>• member enrolment function</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• contribution schedule processing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full automated telephone service</td>
<td>&lt;2 hours</td>
<td>&lt;1 minute</td>
</tr>
<tr>
<td>Contact centre to handle non-automated telephone calls</td>
<td>&lt;8 hours</td>
<td>&lt;1 minute</td>
</tr>
<tr>
<td>Paper-based services</td>
<td>&lt;24 hours</td>
<td>&lt;24 hours</td>
</tr>
<tr>
<td>Fund administrator services</td>
<td>&lt;12 hours</td>
<td>&lt;1 minute</td>
</tr>
<tr>
<td>All other scheme services and functions</td>
<td>&lt;48 hours</td>
<td>&lt;1 minute for electronic interfaces/data and &lt;24 hours for paper-based services</td>
</tr>
</tbody>
</table>
A manual workaround will be used if full automated capabilities are not recoverable within the specified RTO. This will allow the scheme administrator and the fund administrator to continue to communicate with customers.

TCS also maintains a crisis management organisation which has senior corporate management commitment. Each location has a Crisis Management Team (CMT) consisting of senior management, project leaders, security experts, infrastructure engineers, administration managers and HR executives.

All CMT members are assigned a set of responsibilities and have standard procedures to follow in the before, during and after disaster states. Each member has structured training on various disaster scenarios so is well prepared for an immediate response.

The CMT will arrange and coordinate scheduled and unscheduled tests of the BCDR plan to ensure effectiveness and compliance. Testing is repeated on at least a quarterly basis.

The PDCA (Plan, Do, Check, Act) model is followed for testing and records are kept of all testing activities.

**Information security**

**Information security management systems**

Both Nest Corporation and TCS have implemented an Information Security Management System (ISMS). These look after the protection of data, security controls and provide back-up solutions for Nest information. They are based on Plan, Do, Check, Act methodology.

Nest reviews its ISMS on at least an annual basis to reflect:

- changes in industry best practice
- changes to systems, services or sites
- changes to legal requirements
- new, perceived or changed threats to date, systems, sites or services.

Nest has a strictly observed incident reporting process to help us assess the impact of any information security incidents and respond to them. When an incident is reported it triggers the creation of a correction and corrective improvement action plan.

This plan will comprise:

- proposed actions to address the issues reported
- clearly defined deliverables and timescales.

As part of its ISMS, Nest has also implemented a comprehensive security policy governing the security of all scheme services, data, sites and systems. The security policy is reviewed and updated on at least an annual basis.
All sub-contractors appointed on behalf of Nest must follow this security policy.

Nest also has a detailed security plan which contains procedures and controls that are designed to:

- prevent loss of integrity of data
- prevent loss of confidentiality of data
- prevent loss of availability of Nest services and systems
- provide secure services.

The security plan includes comprehensive testing of security controls on at least an annual basis.

Nest ensures that all staff working for or on behalf of the scheme take security awareness training. This training covers details of threats, risks and mitigating actions that may impact on the security and integrity of information and systems.

Specific measures such as controlled access are in place to ensure the security of all sites where data is stored or processed. Nest also uses monitoring and alerting software to protect our data.

Nest Corporation, TCS and any other service providers involved in the operation of the scheme coordinate all aspects of information security internally.

An information security manager leads these processes and has overall responsibility for security of information, systems and locations.

The ISMS has been certified as compliant with ISO 27001 standards.

**Offshore support**

Personal data is only accessed from outside the UK through a closed and restricted platform that prevents transfer of that data to non-UK systems. Data accessed in this way cannot be copied to a local drive or printed locally.

All personal data is stored exclusively at one of two data centres in the UK.

All data transmitted externally is encrypted in line with Federal Information Processing Standard Publication 140-2 (FIPS 140-2) using a range of technologies.

The integrity of transmitted data is verified at the point of issue and receipt to ensure no data is corrupted in transit.

**Access to data**

Nest has a comprehensive access control policy to ensure that access to systems, sites and data is properly authenticated and the level of access given is appropriate to the user's role.

All access rights and the processes for granting them are documented and reviewed on a regular basis.

Administration staff are trained to ensure that they understand the security requirements that relate to their role, functions and responsibilities. This training includes the correct use of passwords and IT equipment.

Nest uses recognised intrusion detection systems to prevent unauthorised access to data.
External users have access through a certificate-based mutual authentication mechanism with validation required for each session. Verisign software is used to perform this process.

Third parties can only access and modify data that they’re authorised to use.

Confidentiality and/or Non-Disclosure Agreements (NDAs) are signed by all contractor personnel and contractor parties before they’re allowed into sites from which Nest data can be accessed.

Website

Members and employers are only able to access their online account after entering a username and password. These are set up during the registration process. Users are also required to set up a PIN and security questions during registration which are needed to reset a forgotten password.

As an additional security measure, large employers have to use both their PIN and password while using the scheme website.

Employers and members can only change certain aspects of a member’s personal information once the member has been enrolled. Changes to key information such as a member’s date of birth will only be processed when the contact centre receives proof.

Employers can choose internal and external delegates to manage different aspects of their account if they want to. This delegate access is controlled by the employer.

All delegates have their own authentication details which they must enter to access the employer’s online account or to communicate with the contact centre.

Members can also delegate access to their online account. This is controlled by the member. These delegates also have their own authentication details which are needed to access the member’s online account or to communicate with the contact centre.

Contact centre and automated telephone system

All callers must be verified before being given access to confidential data. Callers are asked a series of security questions by contact centre operators and will be verified against set parameters when using the automated telephone system.

Data storage

All scheme data is stored at one of two dedicated data centres in Swindon and London. The data centres have been built to Tier 3 standards and have N+1 redundancy for power, cooling and fire protection.

All calls made to the contact centre are recorded for quality and training purposes. The recordings are stored on dedicated encrypted servers and can be accessed only by authorised personnel.
Data retrieval

Data is only retrieved, used or disclosed to carry out processes which are essential to the delivery of Nest’s contractual, statutory and regulatory obligations.

TCS only retrieves, uses or discloses data if asked to by the person to whom the personal data relates or a third party acting on their behalf. The individual must demonstrate that it has the authority and capacity to do so to TCS’s satisfaction.

TCS never publishes or divulges any personal data to third parties unless it’s told to do so in writing by Nest or by the member whose data it relates to. It may retrieve and use data to investigate or resolve problems with Nest’s written agreement.

TCS assists and co-operates with Nest to help Nest comply with its information disclosure obligations. To retrieve used and disclosed data, TCS will need a legally enforceable request. This should come from a judicial, administrative, governmental or other competent authority. The authority must have the appropriate jurisdiction over TCS.

Data integrity

Nest follows TPR’s record-keeping guidance and will review the quality of data held from time to time.

Members have a single record within Nest which may cover periods with more than one employer. When a new employer provides different information for an existing member this will be validated with the member. It’s the member’s responsibility to advise us of any change in personal details.

Testing

The scheme administration platform goes through a rigorous programme of testing to ensure it’s fully functional and can cope with the predicted user volumes.

These tests include the following:

- unit tests to validate the operation of individual units of the administration software against the detailed functional and technical designs
- functional component tests to validate the operation of a set of units when combined to form a functional group or component
- external interface tests to validate that links between the various external service providers such as fund managers and annuity providers work correctly
- non-functional component tests to validate the performance of the administration platform, such as:
  - performance tests
  - resilience and exception handling tests
  - traceability and auditability tests
  - operations and monitoring tests
  - security tests
  - stress tests.

The full programme of testing was completed before Nest was launched. Additional testing is carried out on a regular basis, and always following updates or changes. Full testing also takes place before any major software release.
Governance and release management

After changes to the scheme administration platform have been tested, Nest and TCS go through a number of critical steps to ensure these changes are fully understood.

The decision to proceed is considered from both a technical and business perspective to mitigate any associated risk. A number of key planning activities take place. These include:

- ensuring all testing has been completed and any known issues documented
- ensuring key resources are available to support the changes
- ensuring training has been provided to contact centre staff in advance of the release
- deciding whether any communications need to be prepared for stakeholders
- identifying what steps would need to be taken to reverse the changes and what impact this would have.

Once the plan is complete it’s tested several times as dry run exercises. This ensures that all required actions are in place and in the correct sequence. A recommendation based on this plan and the results of the testing phase is made to the internal governance group. This group will then make a decision as to whether to allow the changes to be made to the live environment.

Once the group approves the recommendation, TCS makes the changes. When the new code is deployed, a set of tests are run on the live environment before external users are allowed to access the system.

This health check gives Nest and TCS assurance that the changes have been made successfully and the websites are ready to use.

Occasionally an issue may arise. In these instances Nest has processes in place with TCS to enable changes to be made quickly to minimise disruption to users.

An assessment of the issue and a proposal on how to fix it is presented to an internal Nest group which has both technical and business knowledge. A representative from each of these teams must approve an emergency change before it’s implemented.

Once the issue has been resolved TCS complete their root cause analysis and present a solution for a long-term resolution and any necessary workarounds. Reduction in yield