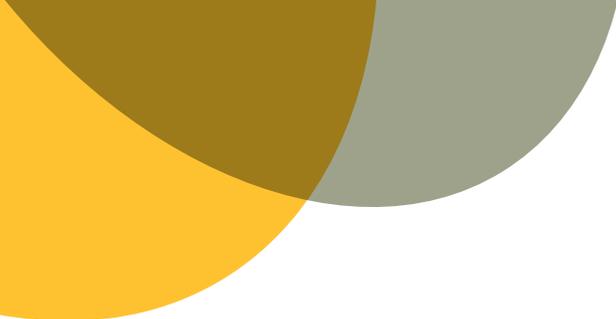




Low charges for
future members of NEST





Background

The Pensions Act 2008 establishes new duties on employers that start to be introduced from 2012.

These duties mean that for the first time employers will have to enrol their workers into a workplace pension scheme that meets or exceeds certain legal standards. Some of these workers will be automatically enrolled into this scheme and others only if they ask to be enrolled.

NEST is a low-cost pension scheme that employers can choose to meet their new duties.

NEST is also designed to have low charges so that more of its members' savings will go towards their income in retirement.

This leaflet explains how NEST will deliver low charges for our future members.

For more information on workplace pension reforms please go to <http://www.dwp.gov.uk/policy/pensions-reform>

What is NEST Corporation?

NEST Corporation is the trustee body responsible for running NEST.¹

It's a non-departmental public body that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

¹ On 5 July 2010 NEST Corporation took over from the Personal Accounts Delivery Authority (PADA), which was wound up.

What is NEST's charging structure and how will it work?

NEST will charge:

- an annual management charge (AMC) on the total value of a member's fund each year of 0.3 per cent. On a total fund of £10,000, for example, a 0.3 per cent AMC would be £30
- a charge of around 1.8 per cent on each new contribution into NEST, known as a contribution charge, until the set-up costs of the scheme have been met. If, for example, a total contribution including tax relief of £100 is made into a member's retirement pot then 1.8 per cent, or £1.80, would be deducted and £98.20 would be invested.

Over time an AMC has a much bigger impact than a contribution charge on the amount of charges paid. An AMC is taken on the whole of a member's fund each year. This means that as the size of the fund grows, so does the amount taken via the AMC.

In contrast the contribution charge is only levied on new money paid into a member's pot.

How do NEST's charges compare with existing low charge schemes?

NEST Corporation analysis² shows that NEST's charge level is broadly equivalent to a 0.5 per cent AMC, a typical low charge in larger workplace pension schemes today.

Any differences between NEST's charge level and a scheme with a 0.5 per cent AMC are small. Many types of saver would be slightly better off with NEST's charge level than they would be with a 0.5 per cent AMC, though some savers who are closer to retirement may have marginally worse outcomes (see graph).

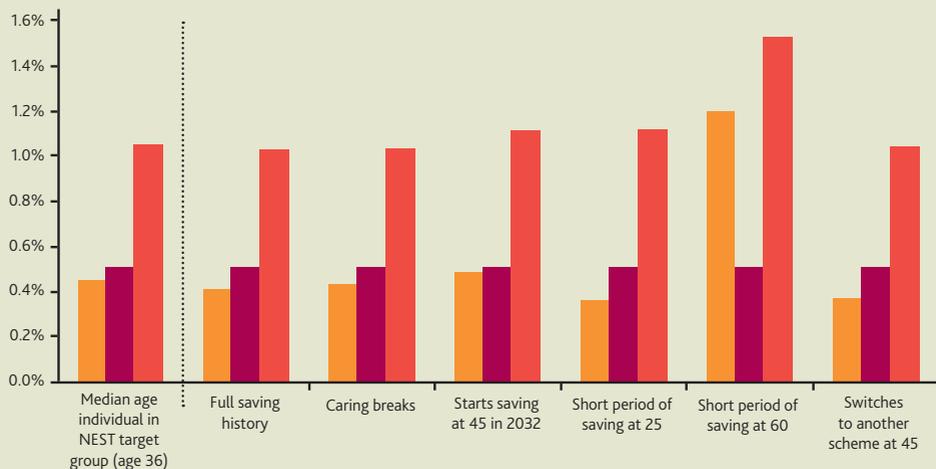
² The assumptions used in this analysis are explained on page nine, note iii of NEST's briefing note *Why does NEST's combination charge meet its low charge objective?* which is available at www.nestpensions.org.uk

Reduction in yield

■ NEST charge

■ Example large employer scheme

■ Stakeholder cap



	NEST indicative charge	Example large employer scheme (0.5 % AMC)	Stakeholder cap
Median age individual in NEST target group (age 36)	0.44%	0.51%	1.04%
Full saving history	0.40%	0.51%	1.03%
Caring breaks	0.42%	0.51%	1.02%
Starts saving at 45 in 2032	0.47%	0.51%	1.11%
Short period of saving at 25	0.35%	0.51%	1.11%
Short period of saving at 60	1.20%	0.51%	1.52%
Switches to another scheme at 45	0.37%	0.51%	1.04%

How does NEST's charge compare with what its target group can currently access?

Currently schemes with charges around 0.5 per cent AMC are usually only available to higher earners or members of large workplace pension schemes. If they have access to workplace pension provision at all, NEST's target group³ is typically offered products with significantly higher charges at around the stakeholder cap.⁴

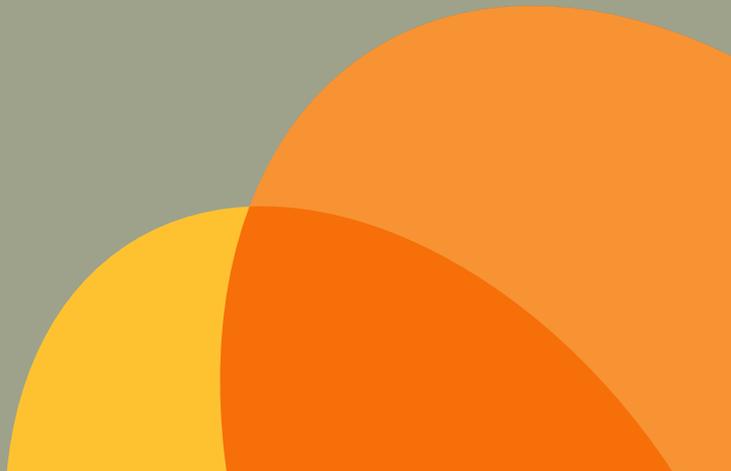
The graph on the previous page shows that charges at NEST's level are significantly lower than charges at the stakeholder cap for almost all illustrative members.

³ NEST's target group is those individuals aged 22 to State Pension Age, who work full or part time, earning at least £5,035 a year in 2008 terms for a single job, and are not members of a qualifying employer-sponsored pension scheme, that is, a scheme that meets the requirements of the Pensions Act 2008.

⁴ This cap requires pension providers to charge no more than 1.5 per cent of a member's funds under management for the first ten years, falling to 1 per cent thereafter.

More information

Please contact our Distribution Team for more information about NEST at intermediary.enquiries@nestcorporation.org.uk or visit www.nestpensions.org.uk



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