Delivering value for our members
Assessing value for our members

NEST is a workplace pension scheme, run as a trust by NEST Corporation. This means that there are no shareholders or owners. We run the scheme in the interests of our members.

Our governing body includes a Chair and Trustee Members, who have a legal obligation to assess our scheme on an annual basis and report on whether NEST is providing value to our members for the charges that they pay.

This report is the result of the assessment that we carried out between October 2016 and September 2017.

What do we mean by value for members?

The Pensions Regulator (TPR), the public body who are responsible for making sure that workplace pension schemes are run properly, provide guidance on undertaking a value for member assessment.

TPR say that we need to think about a number of things when deciding whether the charges are likely to represent good value for members. We need to look at the combination of costs and charges and what the scheme provides for these. We also have to consider whether these are appropriate for all our members. In doing so, we should compare them with what other options are available on the market.

We’ve considered this along with our extensive research into the needs of our members to understand what they value the most in a scheme.

What do our members want?

We have over 6 million members and from our ongoing customer research programme, we’ve found our members want:

- a high quality service with excellent standards of governance and administration, regardless of the level of contribution or size of employer
- information on their retirement pots that’s easily accessible and understandable
- investment funds that manage risks and meet the stated investment objectives.

Our members also want:

- charges to be transparent and published
- the effects of charges to be clear
- charges to be reasonable in comparison with other schemes.

Additionally, a subset of our members want a wider range of funds to choose from.

We’ve taken all of this into consideration when assessing whether our scheme offers value for members.
Benefits of being a member of NEST

What our members think about NEST

Our latest research from our voice of the customer research programme shows that only six per cent of those surveyed indicated that they were 'unhappy' with NEST. In terms of engaging with NEST, 66 per cent of our members also said they would speak positively about NEST if asked.

Good quality scheme available to all

We’re the only scheme with a public service obligation to accept any UK employer that accepts our terms and conditions. We’ve designed our scheme specifically to meet the auto enrolment requirements. We provide the same access to a workplace pension scheme to all members, whether their employer is a small business or a multi-national and regardless of their contribution level.

We have a range of benefits that deliver value for our members’ money. These include the features of the scheme, the way it’s governed, how it’s administered and our investment approach. We’ve designed our scheme with the needs of our members in mind.

NEST is easy to use and provides our members with all the help and support they need every step of the way.

Easily accessible online account

We’ve designed our online member experience by asking real people what they wanted their experience to be. We ran extensive testing on our online service to ensure it meets members needs.

Members have an online account they can access at any time. This lets them:

- check their retirement pot and contributions
- change their retirement date
- switch funds
- make additional contributions
- edit their personal details
- take their money out at retirement
- name a beneficiary to receive their retirement pot if they pass away while saving with NEST

 Worse, members can transfer accrued pots into NEST

- transfer their pot if they want to consolidate it with another pension pot elsewhere.

We continue to listen to member feedback via online surveys and research projects and make regular improvements to their online experience based on this.
**Pot for life**

At NEST, we want to keep things easy and straightforward for our members. That’s why we provide a single retirement pot for life. We let them keep the same retirement pot, using a single login and account however many times they change jobs, stop working or become self employed.

This way members can contribute to their pot to help it grow. If a member moves to a new employer that also uses NEST, then they can make contributions to the member’s existing retirement pot.

This makes it simple for our members and it also means that we can keep the number of membership records down and our costs low.

**Easy-to-understand communications**

We’ve researched the communication needs of our members. It’s important all communications to our members are clear and easy to understand. Based on our research we developed a golden rules of communication document and phrasebook that we use as a guide when designing our member communications.

Once enrolled members can select to have communications sent to them in electronic format via their secure mailbox or in paper format. NEST also provides communications in different languages.

Throughout a member’s journey and stages of saving with NEST, we provide a range of communications. Communication occurs prior to enrolment (we provide statutory templates for their employer to use) once they have joined, each year through their annual statements and when they reach their NEST retirement date.

The communications that we provide when members approach their NEST retirement date are designed to take into account pension reforms that occurred in 2015. We write to each member six months before their NEST retirement date to give them information about the different ways they can access their pension pot based on their circumstances. We also point members towards the Pension Wise service and warn them about pension scams.

Our latest research results show that members who have logged onto their account find our communications clear and useful with only six per cent saying that our communications were unclear and not useful.
### NEST Retirement Date Funds

If a member doesn’t make a fund choice, we’ll put their money into our flagship default fund. We call this a Retirement Date Fund. These use the member’s retirement date to decide the appropriate way to invest their money at the appropriate time. This will depend on how close to retirement they are.

To begin with, we set the retirement date at the State Pension Age but a member can change this if they expect to retire at a different date.

We’ve shown below the different phases that members will go through depending where they are in their pension savings history.

#### Foundation phase (approx five years)
- outperform inflation (after charges)
- promote confidence in saving
- minimise impact of investment shocks.

#### Growth phase (approx 30 years)
- target inflation +3 per cent (after charges)
- maximise diversification
- capture global growth
- reduce impact of investment shocks.

#### Consolidation phase (approx 10 years)
- reflects new pension freedoms
- de-risking to cash or moving to a less risky set of investments
- reduce volatility as retirement approaches.

### Benefits of being a member of NEST

Delivering value for our members

### A good quality, well-managed scheme

Delivering value for our members

### Our charges

Delivering value for our members

### How we compare with other schemes

Delivering value for our members

### Do we provide value for members?

Delivering value for our members

### Additional fund choices

Our research into designing our investment approach showed that a certain subset of our members want a wider range of funds to choose from.

If a member joins in their 20s they will go into the foundation phase. If a member joins in their late 50s they will go into the consolidation phase.

If a member wishes to choose an alternative to the default fund, we have a choice of funds that may better suit their faiths, beliefs and attitudes to risk. We’ve named these so that they’re easy for our members to understand. They’re called:

- NEST Higher Risk Fund
- NEST Ethical Fund
- NEST Sharia Fund
- NEST Lower Growth Fund
- NEST Pre-retirement Fund
Support at retirement

Our retirement options aim to meet our members’ needs and reflect the pension freedoms the government introduced in April 2015.

All members aged 55 and over can:

- take some or all of their pot as cash
- use all of their pot to buy a retirement income
- take some as cash and use the rest to buy a retirement income
- keep their money invested until they know what they want to do with it.

We have more information on our retirement options in the document Taking your money out of NEST.

Choice of how to manage the account

Members can choose to manage their account online or through our contact centre. If they aren’t comfortable using the internet, we can send all communications to them through the post. They can also have someone they trust to manage their account for them.

Help and guidance

We’re committed to making this as easy as possible for our members. We provide help and guidance via an online member help centre. Members can also get in touch with us through our telephone contact centre or by webchat. We also point our members to other sources of guidance and advice, including the Money Advice Service, The Pensions Advisory Service and Pension Wise.

Six in ten of our members surveyed in the voice of the customer research programme were happy with the help that they received from NEST.
“We love eating out. We love travelling. So our retirement will be as much of that as we can sensibly afford.”

Adrian Towers
General manager,
Guiseley football club
A good quality, well-managed scheme

At NEST, we’re proud of having a well-governed scheme. We were pleased that we met the Institute of Chartered Accountants in England and Wales and TPR’s standard assessment process for this.

The AAF 02/07 master trust assurance framework is a voluntary, independently audited assessment of how we operate against a series of control objectives related to governance and administration standards. In the most recent assessment, dated March 2017, our reporting accountants confirmed that we met all of these objectives during the reporting period. We’ll continue to undertake the master trust assurance framework assessment each year.

We’ve also achieved Pensions Quality Mark (PQM) READY status, a quality standard for pension schemes who have been deemed to have independent governance, reasonable charges and strong communications.

The Secretary of State for Work and Pensions consults the Chair on the skills and experience the Trustee Members need. They are then appointed. The Trustee Members have a broad range of knowledge and understanding and undergo regular training. They are independent when they are appointed.

Employers’ Panel and Members’ Panel

The panels help us take the views and considerations of employers and members into account and act as a sounding board for ideas and suggestions that we propose. When asked by the Trustee, they give us assistance and advice about the operation, development or amendment of the scheme. They provide recommendations on key matters ensuring that specific concerns are raised at Trustee level.

A well-administered scheme

We outsource the administration of our scheme to Tata Consultancy Services (TCS) and our investment operations to State Street Bank (SSB). We have strict controls in place designed to ensure that these services are managed and delivered effectively.

We constantly monitor service against our service level agreements with both TCS and SSB to maintain service standards. Both TCS and SSB provide independent assurance of their internal controls.
### Information security and record-keeping

We take the protection of your data very seriously. We have information security management systems that look at the protection of data, security controls, as well as back-up solutions. These are reviewed annually and have been independently certified as compliant with ISO27001 standards.

Our scheme admin partner, TCS, also conducts an annual review on the quality of the data they hold.

### Our investment approach

The Trustee is ultimately responsible for the governance and investment of the scheme’s assets. But it may delegate to an appropriate committee and investment managers.

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.

Our members benefit from having an in-house investment team to look after their money. The Trustee has established an investment committee to consider and make decisions and provide oversight on investment issues.

The Trustee has set an overarching investment objective for NEST’s default funds. This is ‘to target investment returns in excess of inflation after all charges over the long term’.

Our target date funds have been delivering this since they started. We have more information on our fund performance in our quarterly investment reports on our website.

We have clear investment objectives and beliefs that set out what we want to achieve for members and how this is going to be achieved.

We make strategic investment decisions based on evidence, research and analysis. This includes detailed research into what members need and expect.

We carefully spread members’ money over diverse investments from around the world using funds from leading investment managers. We have a robust process in place to monitor performance and risk and to take action if there are any issues.

We believe that an important part of growing members’ money is investing it responsibly and sustainably. This means considering how the companies we invest in are run. We also think about their impact on people and the planet as part of how we manage our investments.

We have more details on the design of our investment approach in our Statement of Investment Principles (SIP), which can be found on our website. It outlines the principles and policies governing investment decisions made by or on behalf of the Trustee for the management of NEST’s assets.

Since we launched, the investment community has repeatedly recognised us for our innovative approach to investment. We have more information on this on our website.
“A good retirement, for me, would be being comfortable in my own home, eating good food and being around the people I love – maybe a holiday every now and again.”

Perry Goodwin
Veterinary care assistant,
Spring Lodge Veterinary Hospital
The services and benefits we’ve outlined are covered by our charges. These are made up of:

- a contribution charge of 1.8 per cent. We deduct this from all contributions, but not transfers in, a member makes to the scheme.
- an annual management charge (AMC) of 0.3 per cent, applied to all assets under management.
- There is also the cost of buying and selling investments on your behalf, which are known as transaction costs. We aim to keep these to a minimum.

For more about portfolio transaction costs, see appendix three of our pension scheme report and accounts.

Our charges will have different effects on different members depending on their savings history.

Our charge structure is broadly equivalent to a 0.5 per cent AMC over the lifetime of someone saving in NEST. Our charges are within the 0.75 per cent cap on members’ charges for schemes used for auto enrolment.

We have more information in our Information about costs and charges document.

How our charges work

An example of our contribution charge and annual management charge can be seen opposite.

Suppose £25 is being added to a member’s pot each month. Our contribution charge is 1.8% so of this £25, we take a contribution charge of 45p.

We also take a small percentage off the value of a member’s retirement pot over the year. This is known as an annual management charge. This amount is 0.3 per cent.

Suppose a member’s retirement pot is worth £1,000. This means we charge £3 over the year.

In the example opposite where £25 is paid every month and the total amount of money in the member’s pot at the beginning of the year is £1,000, the total that the member would pay in charges in the year would be £8.40.
How we compare with other schemes

At NEST, we don’t have all the information on how other schemes work. Although we can’t run a full comparison, we do as much as we can with the data we do have.

Also, not all schemes provide the same service to everyone. At NEST, we don’t put any restrictions on who can be enrolled in our scheme. But other providers may restrict membership and vary what they offer workers depending on the size of the company they work for or on other factors.

**A tailor-made product**

At NEST, we’ve put a great deal of effort into understanding the needs of our members and creating the right product for them. Schemes such as ours with well diversified, risk-managed funds are usually only available to higher earners. We believe that our funds represent a good quality, sophisticated approach. They’re run by experts using excellent research and analysis but are available at a mass market price.

**A market leader**

We’ve earned a reputation as an innovator and we’ll continue to find ways to make our products and services better for our members. We’ve been a force for downward pressure on charges in the market. For the benefit of our members, we’re committed to continue evidence-based improvement and sharing best practice and intelligence with the rest of the market.

**Economies of scale**

We’re expected to become one of the largest schemes of our type in the world. This means we can provide a sophisticated investment approach and negotiate good deals with our partners.

“The easier auto enrolment is for us, the better. That’s why we chose NEST - it’s straightforward to use.”

Leigh Skillett, Status Heating
“My idea of a good retirement is to be comfortable. I think that’s vital so I can enjoy the time I’ve got with my family.”

Terry Rogers
Little Acorns and Stepping Stones Ltd
Do we provide value for members?

When deciding whether our scheme offers value for members, we’ve considered what our members value most. We’ve also looked at our benefits and costs against other similar schemes.

Our assessment of value for members is based on the following considerations:

- We deliver what our members want and need.
- Our communications to members are clear and easy to understand and provide the information, help and support members might need across their savings journey.
- Our price structure is right for members overall even though it will affect members with different saving patterns differently.
- Members benefit from a high quality, award-winning investment.

- We’ve excellent standards of governance and administration as shown by the AAF 02/07 master trust assurance and PQM READY status.
- Our price is reasonable when compared with the terms our members might get from other schemes available to them.

As such we believe that our efforts in understanding the needs of our members and the service we provide represents good value.

Our investment approach of well-diversified and risk managed funds has traditionally only been offered to people of a certain affluence, willing to pay higher charges. We believe that the service offered to our members, the majority of whom will save small amounts over a long period of time represents a good quality, sophisticated approach at a fair price.

“The NEST communications are very clean, very easy to understand and very eye-catching in terms of the design and the simplicity.”

Brigid Miles, Rank Group