

# An update on auto-enrolment and NEST

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# Auto enrolment – key statistics

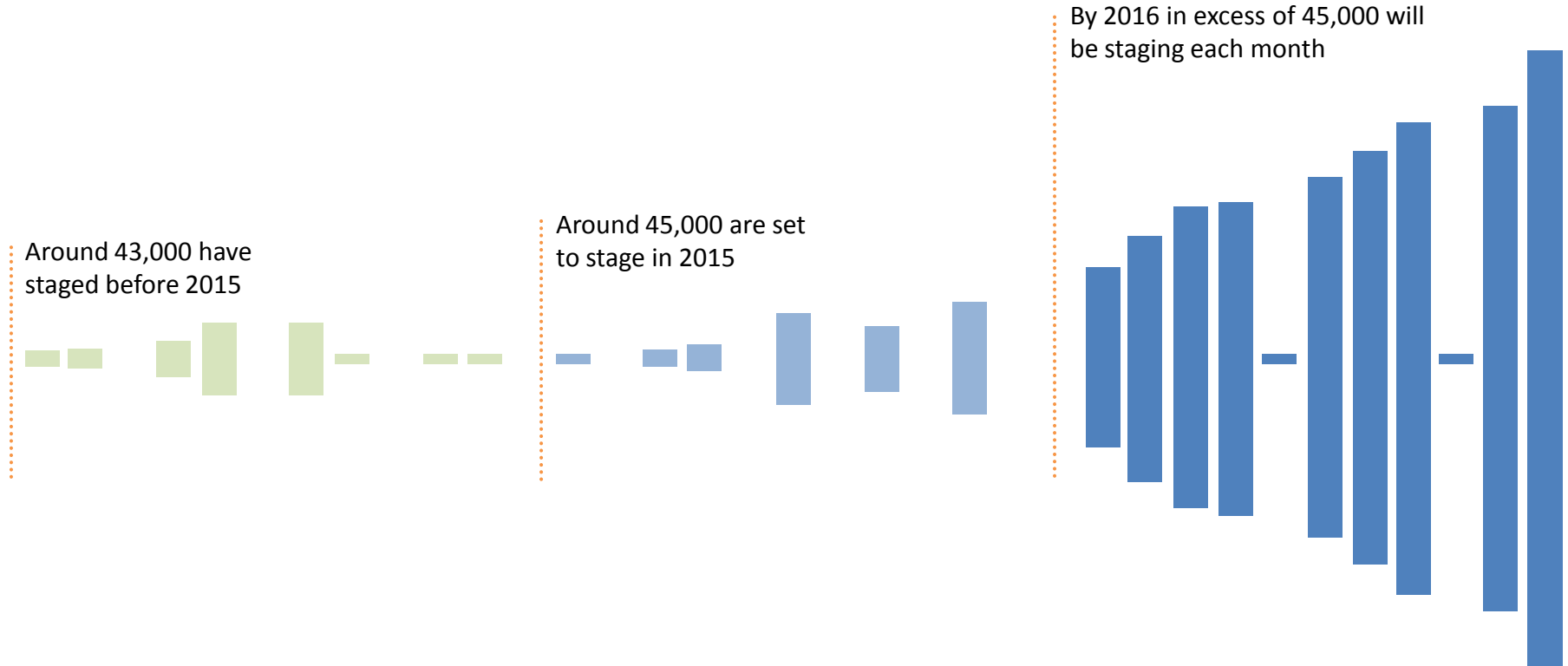
- 11 million people covered by pension reforms
- 6 to 9 million people newly saving or saving more in all forms of workplace pension schemes
- 2 to 4 million individuals saving in NEST



A new opportunity for workers to save for the future

*Source: Estimated figures from Department for Work and Pensions, Automatic enrolment fact sheet, April 2013*

# The employer staging profile



# NEST in numbers

More than **2 million** members

**8 per** cent opt out

More than

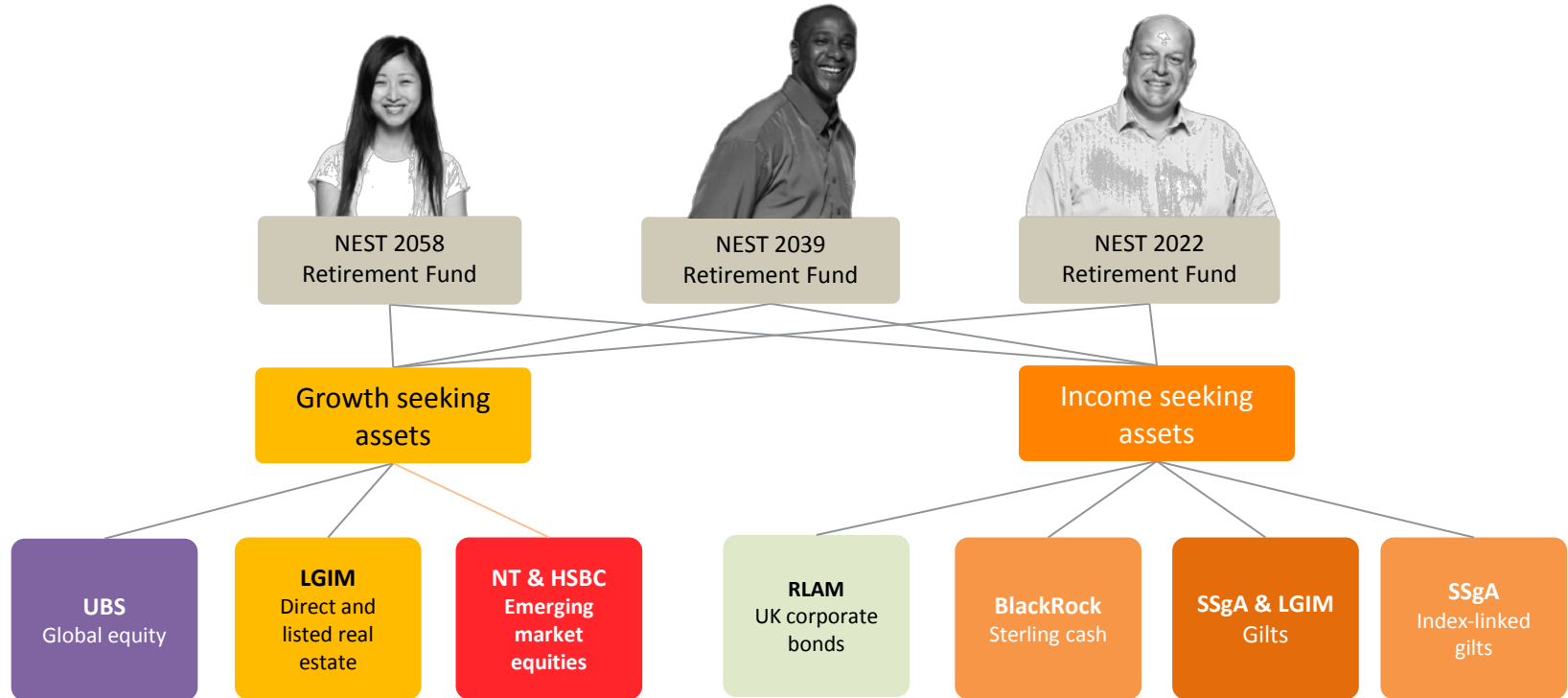
**£445 AUM**

**16,000+** employers using NEST

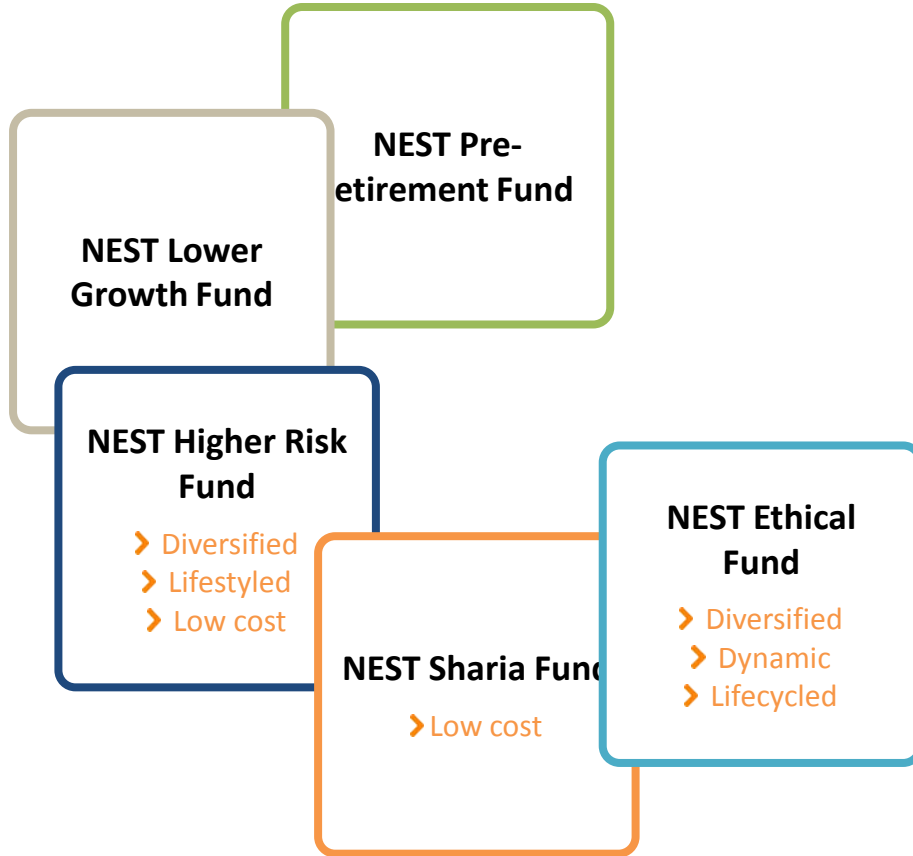
# Preparing for the challenges ahead

- We've boosted capacity
- We're making it easier for employers
- We'll continue to develop our proposition
- NEST enables advisers to manage employer accounts with delegated connect
- Integrating and automating

# NEST Retirement Date Funds – unique single year target date funds

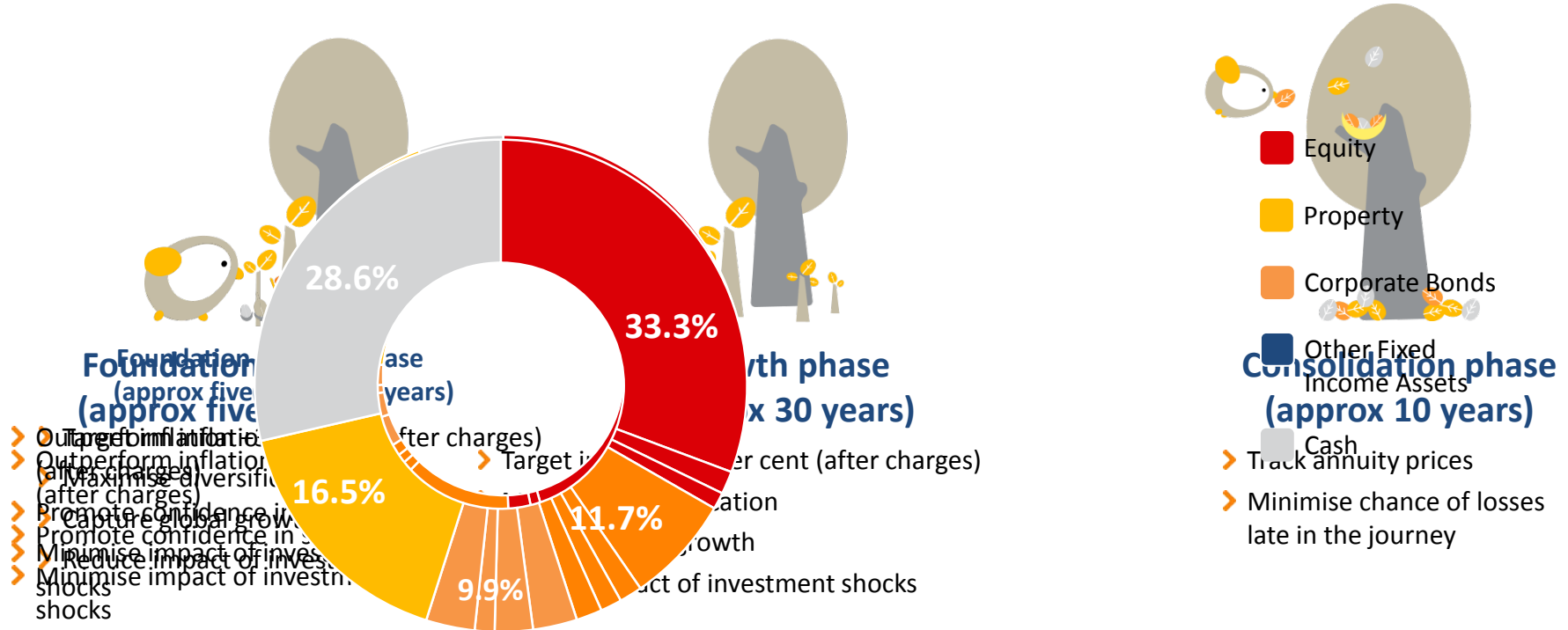


# NEST Retirement Funds – appropriate choice



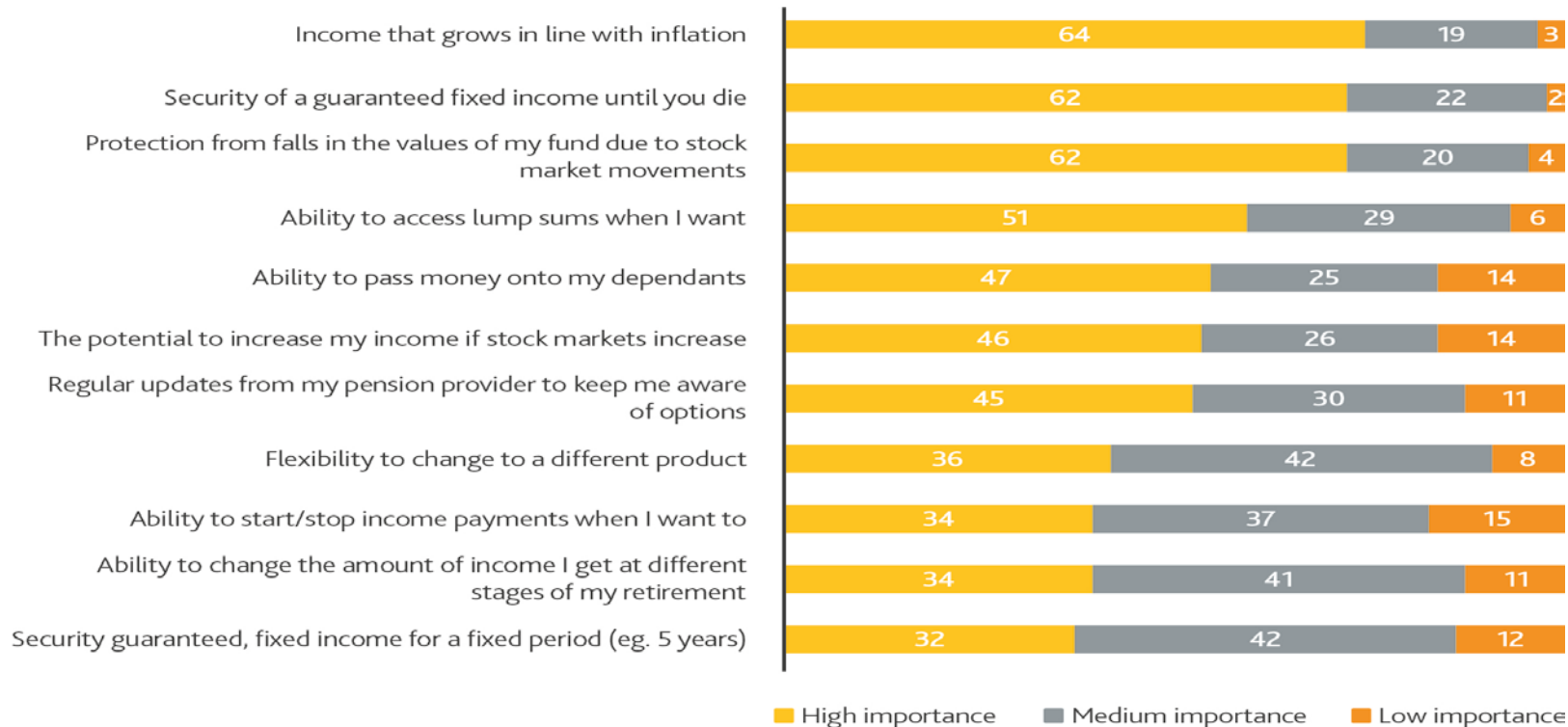
# NEST Retirement Date Funds – objectives

- Target investment returns well in excess of inflation after all charges over the long term

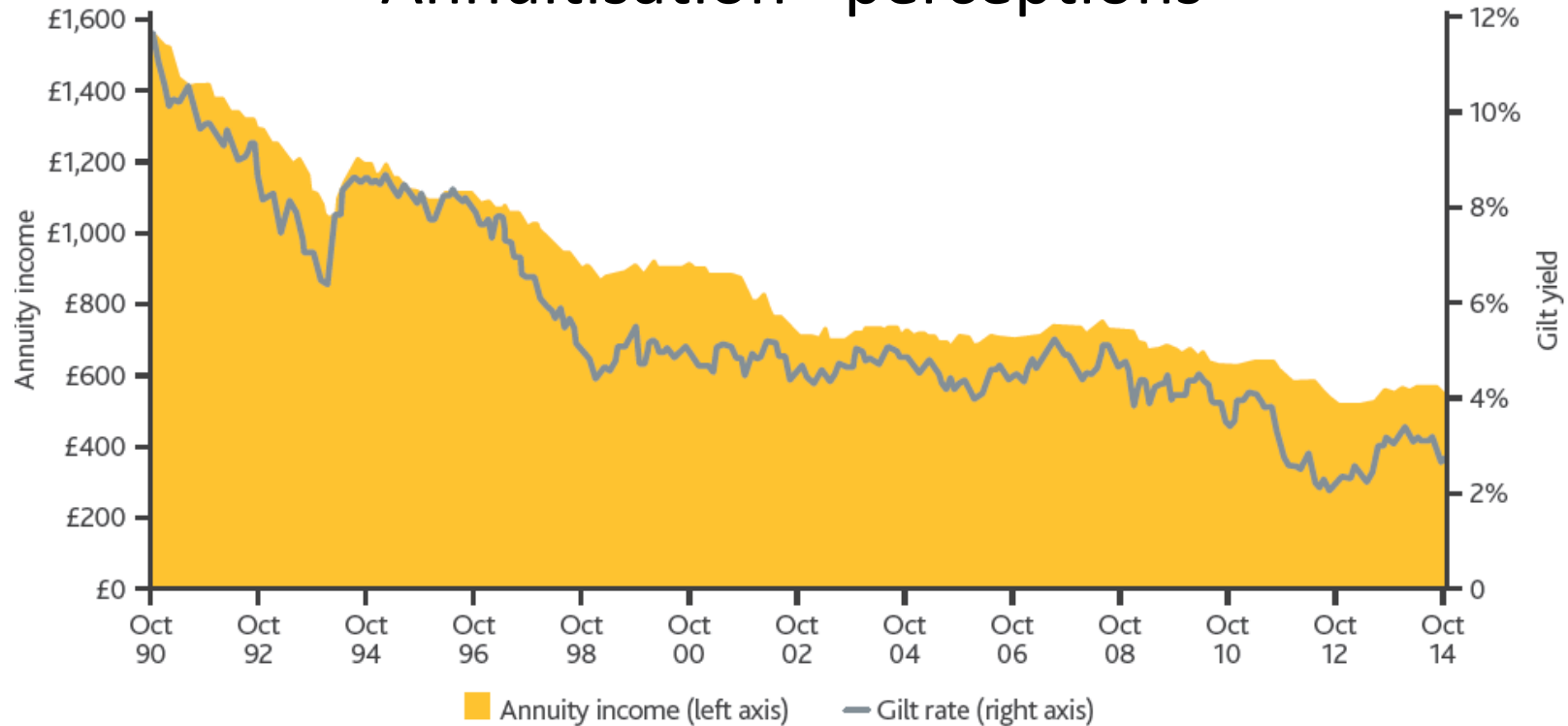




# What do people want



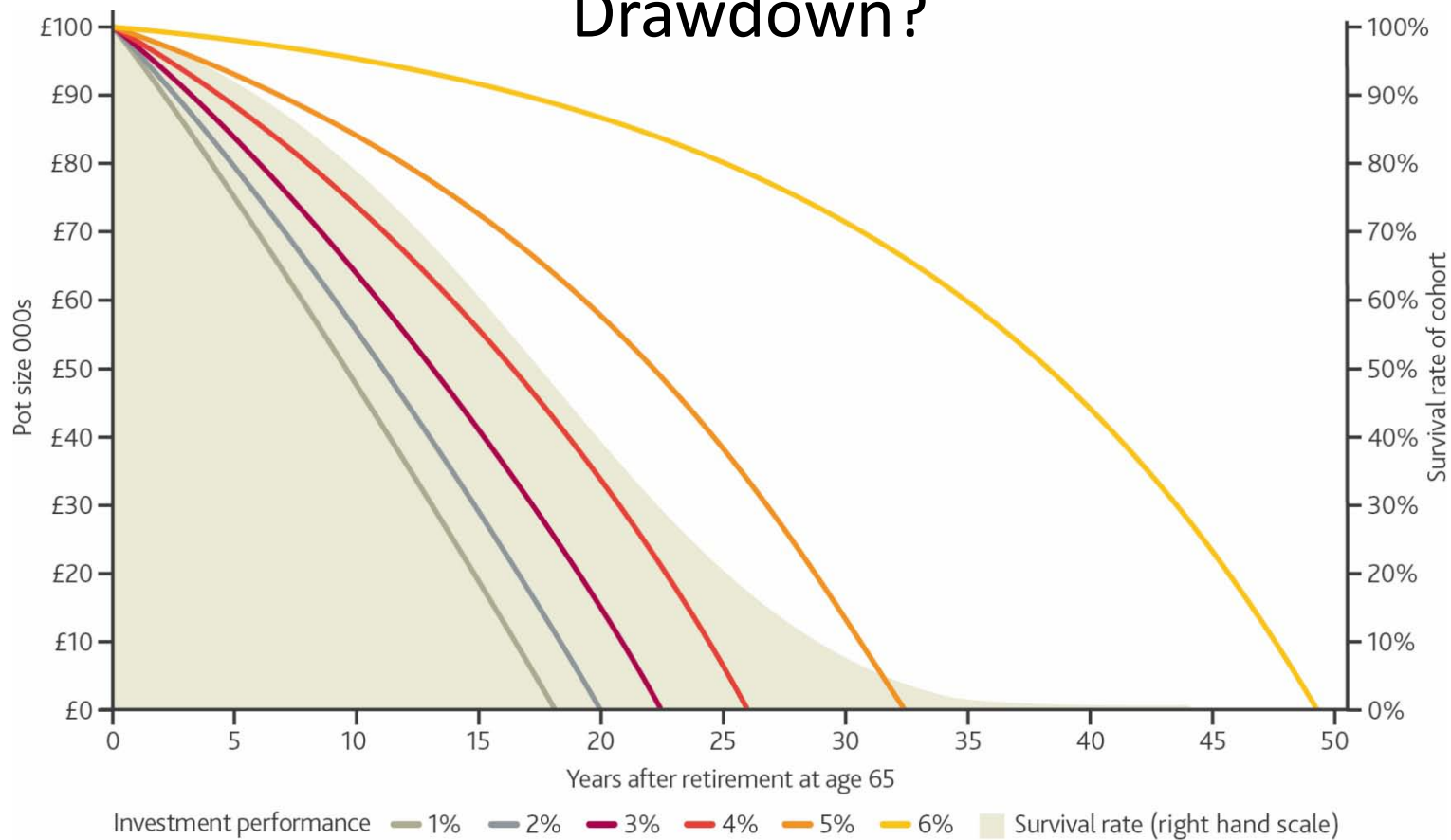
# Annuitisation - perceptions



\* Rate for man aged 65, £10,000 purchase, single life and level

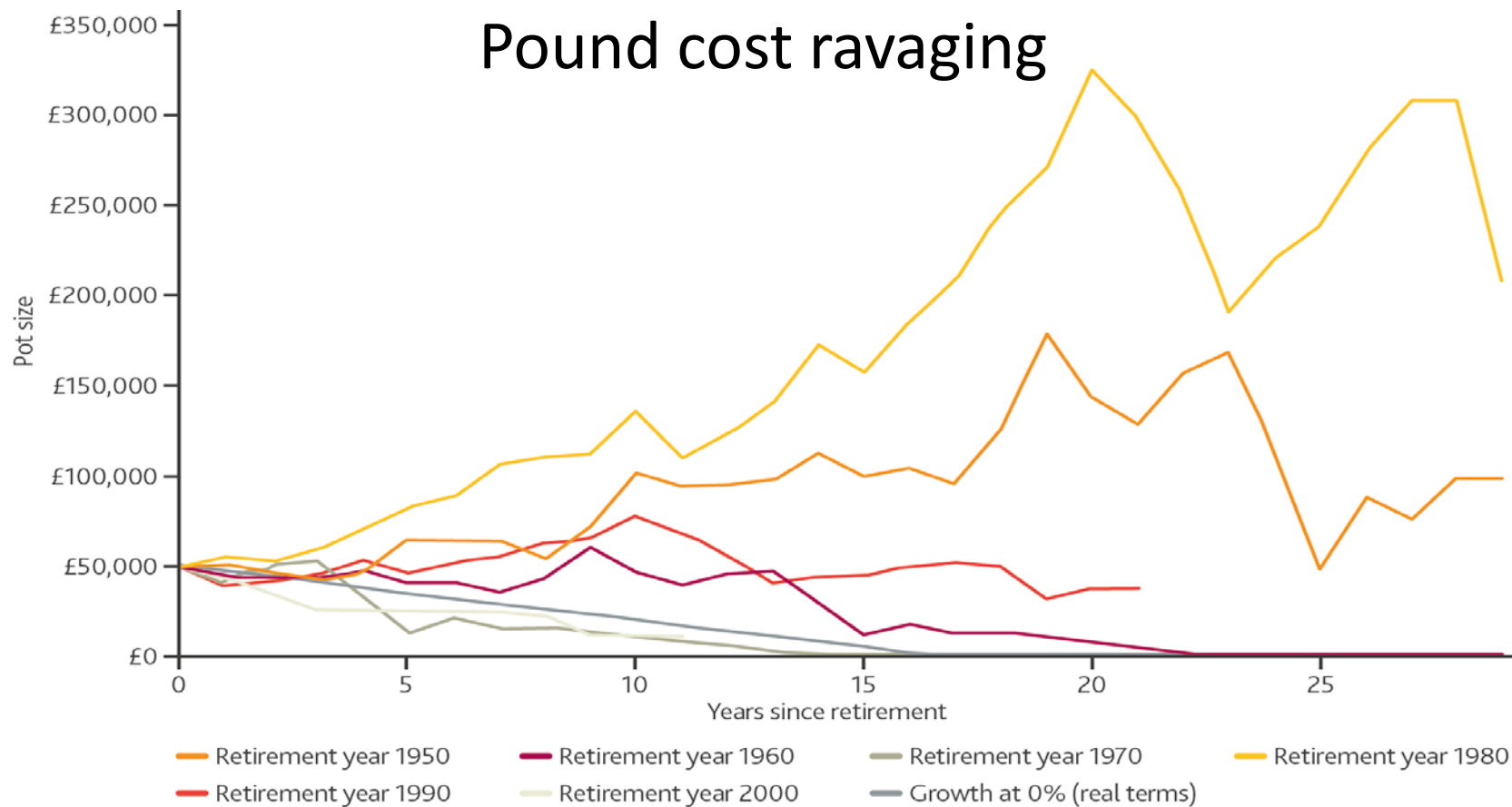
Source: W. Burrows, Key Retirement

# Drawdown?

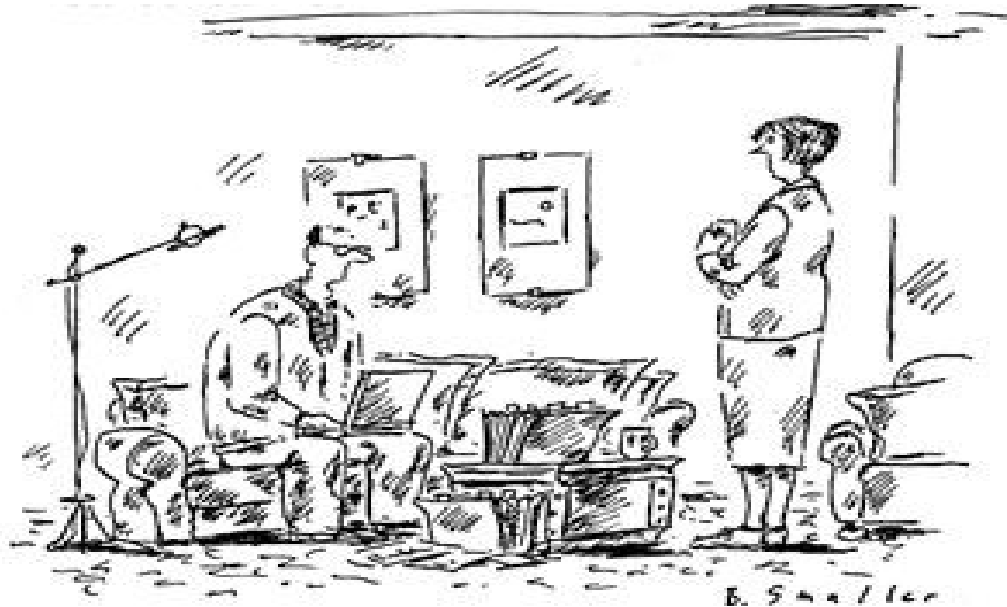


6% nominal income taken at beginning of each year

# Pound cost ravaging

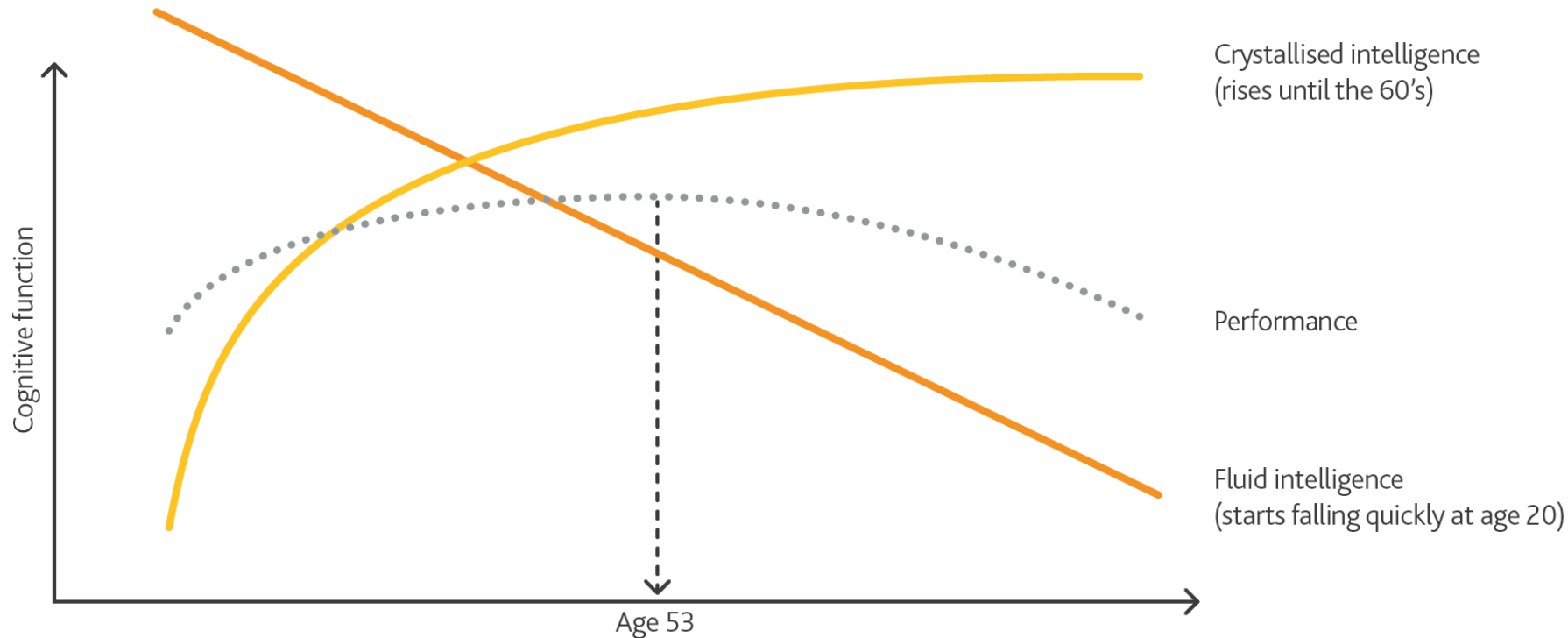


# Big decisions for individuals to make



*“If we take a late retirement and an early death, we’ll just squeak by.”*

# Age-based decision making



# Key features for retirement products

- **Simplicity** - defaults should aim to broadly meet a range of needs for most of the people most of the time.
- **Value** - defaults need to provide good quality and value for money. Value for money is a likely consequence of solutions being designed to deliver good outcomes for the majority, as opposed to being highly bespoke and more expensive to deliver. Solutions that work for the majority will also benefit from economies of scale.
- **Freedom to opt out** - default arrangements should not lock individuals in, but flexibility may be more of a priority in the earlier years of retirement than it is in the later years.
- **Clear choice architecture** – the default is one option located within a set of straightforward alternatives that won't overwhelm savers.

# Six principles for default design

1. *Living longer than expected and running out of money is the key risk in retirement and a critical input into retirement income solutions*
2. *Savers should expect to spend most or all of their pension pots during their retirement*
3. *Income should be stable and sustainable*
4. *Managing investment risk is crucial as volatility can be especially harmful in income drawdown-type arrangements*
5. *Providers should look to offer flexibility and portability wherever possible*
6. *Inflation risk should be managed but not necessarily hedged*