BUILDING A NEST – UK EXPERIENCE

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What is NEST?

TM

nest

NATIONAL
EMPLOYMENT
SAVINGS TRUST

Key Facts

- Auto Enrolment Scheme
- Employees over age 22
- 8% contribution on a band of earnings
- Opt-out option

Timeline

- 2002 – Independent Pensions Commission
- March 2006 – National Pensions Debate
- May 2006 – Government White Paper
- December 2006 – "Personal accounts: a new way to save" published

Personal Accounts Delivery Authority - PADA

- Established June 2007
- "Helping millions save for their retirement"
- 200+ employees – annual budget £40m

PADA Consultation Papers

- January 2008 – Charging Structure
- December 2008 - Decumulation
- May 2009 – Investment Strategy

Investment Strategy

- Target group = 10 million
- Understanding of financial issues and investment risk = lower than average
- Risk appetite = low
- Fund size = £100-£300 billion

- Design a default fund – trustee function

Investment Strategy?

- Target date funds
- Less risk for younger members initially
- Some choice outside default funds

Stumbling Blocks?

- Administration
- Low charges
- Interaction with State benefits
- Implementation delivery
- Political acceptance

Timeline

- July 2010 – PADA to be replaced by NEST Corporation
- 2011 – Launch in low volumes
- 2012 – Employer duties come into effect

What can we learn?

- Learn from PADA
- Huge amount of work involved
- It isn't easy!

Thank you

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