

## Briefing Paper

### It's Kick-Off for NEST and Workplace Pensions Automatic Enrolment

From October 2012 onwards, employers in the UK have a statutory duty to enrol some or all of their workers into a pension scheme that meets or exceeds certain legal standards. They also need to make a minimum contribution for many of these workers. The minimum requirements are intended to set a foundation on which to build saving for the future.

The new duties have already begun for the largest employers and will be followed by medium-sized employers over the next couple of years. Small and micro-employers will be affected last. This process of gradually applying employer duties based on the size of the employer is known as staging.

The Pensions Regulator is sending more than 200,000 letters to employers, independent financial advisers, accountants and human resources professionals advising them of their role and duties in the workplace pensions reforms. In the letter to employers, The National Employment Savings Trust (NEST) is mentioned as a pension scheme that can be used to meet their new legal duties. This universal mention makes NEST unlike all other work-based pension schemes.

NEST is a new defined contribution pension scheme specifically designed to cater for people who are largely new to pension saving and the organisations that employ them. NEST was established by Government as an easy to use, low charge scheme that has a public service obligation to accept employers of any size or sector that want to use it.<sup>1</sup> The same low charge applies to all.

A trustee body is now in place with ongoing responsibility for NEST. NEST Corporation, the trustee body, is a non-departmental public body that operates at arm's length from government and is accountable to the UK Parliament through the Department for Work and Pensions (DWP). NEST Corporation has a Chair and 10 Trustee Members. Together they form the Trustee of the scheme. As the Trustee they have to act solely in the best interests of the members of NEST when taking investment decisions.

NEST started life with no seed capital but it already invests and owns stakes in thousands of UK and overseas-listed companies and is likely to be among the very largest institutional asset owners in the UK. How companies are run, governed and perform is a concern of the members of NEST as it will be a determinant of the performance of NEST's funds and members' incomes in retirement. It will be interesting to see whether NEST takes an

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<sup>1</sup> More information about NEST can be found at:  
<http://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/key-facts-myths.PDF.pdf>

interest in helping markets in which members are invested to perform well, and whether NEST's investments perform as intended.

From the outset NEST has been committed to developing evidence based policy and delivery solutions to provide a suitable investment approach for its members. It has conducted an extensive investment consultation, published an international benchmarking report on ownership best practice, and undertaken primary research into the characteristics and aspirations of NEST members.

NEST has to do this if it is to connect with a new generation of long-term savers and help meet their aspirations in retirement. Development of this evidence base is likely to continue given that the great many small employers – those with up to 49 staff, are not staged until 1 August 2015 through to 1 April 2017.

Staging means that it will be several years before NEST and outside researchers really understand the new generation of savers and whether the Government reforms that went live this October are working as intended, with the hoped for proportion of retirement income from private pensions rising.

NEST has kindly provided CHASM with an auto-enrolment key facts document which is available at <http://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/CHASM/automatic-enrolment-and-nest.pdf>

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October 2012