



# Corporate plan 2019–2022

—  
Helping millions enjoy  
a better retirement



[nestpensions.org.uk](https://nestpensions.org.uk)



**At Nest we work tirelessly to make the most of our members' savings: from our award-winning responsible approach to investment, to the services we offer to employers and members to make saving easy and engaging. Our mission is to help millions enjoy a better retirement, and we are well on the way.**

**Helen Dean**  
Chief Executive Officer





# Cautionary statement

This document contains statements that are, or may be deemed to be, forward-looking statements with respect to Nest Corporation's financial condition.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'intends', 'plans' or comparable terminology.

Forward-looking statements are not guarantees of future performance and no assurances can be given with regards to their accuracy. Forward-looking statements may not be realised due to factors including, but not limited to, changes in the economies and markets in which Nest Corporation operates, changes in the regulatory and competition frameworks in which it operates or the impact of legal or other proceedings against Nest Corporation.

All forward-looking statements made in this document or made subsequently, which are attributable to Nest Corporation are expressly qualified in their entirety by the factors referred to above.

Nothing in this document should be regarded as a forecast of future financial performance.

All figures used in this document are as of March 2019.

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**Helen Dean**

# CEO's statement

Around one in five working age adults currently have savings with Nest, and we know that for all of them, that money is hard earned.



**Helen Dean**  
Chief Executive Officer

That gives us a huge responsibility to do everything we can - through our investment strategy, our customer service, and the way we run the corporation - to help our members achieve a good quality of life when they retire.

In this three-year plan, we talk about how we will continue to deliver on our mission to help millions enjoy a better retirement.

## Our beginnings

Nest was established in 2010 as part of the auto enrolment programme to help people save for their retirement. We are unlike all other pension schemes in the UK in that we have a legal obligation to accept any employer that wishes to use us.

From a standing start we have grown to become one of the largest pension schemes in the country. In the last year our membership grew by 1.5 million, to 7.9 million in total. The number of employers signed up to Nest grew by over 100,000 to 720,000, and we are now managing £5.7 billion on behalf of our members.

## Our principles

It is important that we understand the pressures our members face and what they need from Nest as their pension scheme. This member-focused approach has defined everything we do, from the way we invest, to our customer service, to the way we operate as a business. We've identified six guiding principles that define our focus on the needs of our members. We call them 'the things that make Nest, Nest'. They are our 'DNA' as an organisation. We talk about these principles in more detail on page 14.

## Our strategy for the next three years

We have five strategic priorities which guide our approach to achieving our mission: to support strong member outcomes, deliver a good service to our customers, grow the business in the right way, deliver a sustainable business model, and deliver a corporation fit for the future. Our strategic priorities are outlined in more detail on page 17. They remain the same as last year but we have particular areas of focus for the next period.

Over the last two years, the minimum level of pension contributions has been increasing – from two per cent of qualifying earnings when the auto enrolment programme began, to five per cent in April 2018, to eight per cent in April this year.

With members contributing more to their pension pots we want to empower them to take control of their financial future. That means thinking about the way we communicate with them and the tools we provide to support them to make good decisions.

We also want to ensure that our members are properly supported when they reach retirement. In the coming years many Nest members will be approaching retirement age and considering how to make the most of the savings they have built, so we are working to enhance what we can offer at retirement.

We'll be continuing to evolve our investment strategy over the next three years. We are investing in new asset classes to access opportunities for growth, and to continue to manage investment risk effectively. We will continue to act as a leader on responsible investment to generate long-run sustainable returns for our members.

At the same time we have important programmes of work underway to improve our service to all customers and to ensure Nest is run efficiently.

As well as being a pensions trust, Nest is a public corporation that operates at arm's length from the government. We are accountable to Parliament through the Department for Work and Pensions (DWP). Nest's work contributes directly to the delivery of DWP's strategic objective to 'ensure financial security for current and future pensioners'. Playing our part in delivering this policy objective gives us a broad focus on the financial wellbeing of both our membership and potential future members.

With 7.9 million people now saving with Nest, we have a great opportunity to really make a difference to how the UK saves for retirement, and I'm excited about the opportunities that lie ahead.

Helen Dean  
Chief Executive Officer



# 7.9m

people are now saving with Nest

# Highlights

Our 2018/19 highlights against our strategic priorities



## Outcomes

# 9.2%

Five-year rolling annualised returns in the Nest 2040 Retirement Fund after annual management charges (AMC) to end of March 2019.



## Service<sup>1</sup>

# 71%

Employer satisfaction  
(+2% point increase from 2017/18)

# 92%

The percentage of employers that feel positive about Nest  
(+3% point increase from 2017/18)



## Growth

# 1.5m

Annual growth in membership

# Over 100,000

Annual growth in employers

<sup>1</sup> Figures from Nest employer research

## Our recent awards





### Sustainability

**£5.7bn**

Assets under management

**£2.8bn**

Total annual contributions



### Corporation<sup>2</sup>

**88%**

The percentage of employees motivated by Nest's purpose

(+15% points above industry benchmark)

**92%**

The percentage of employees that care about the future of Nest

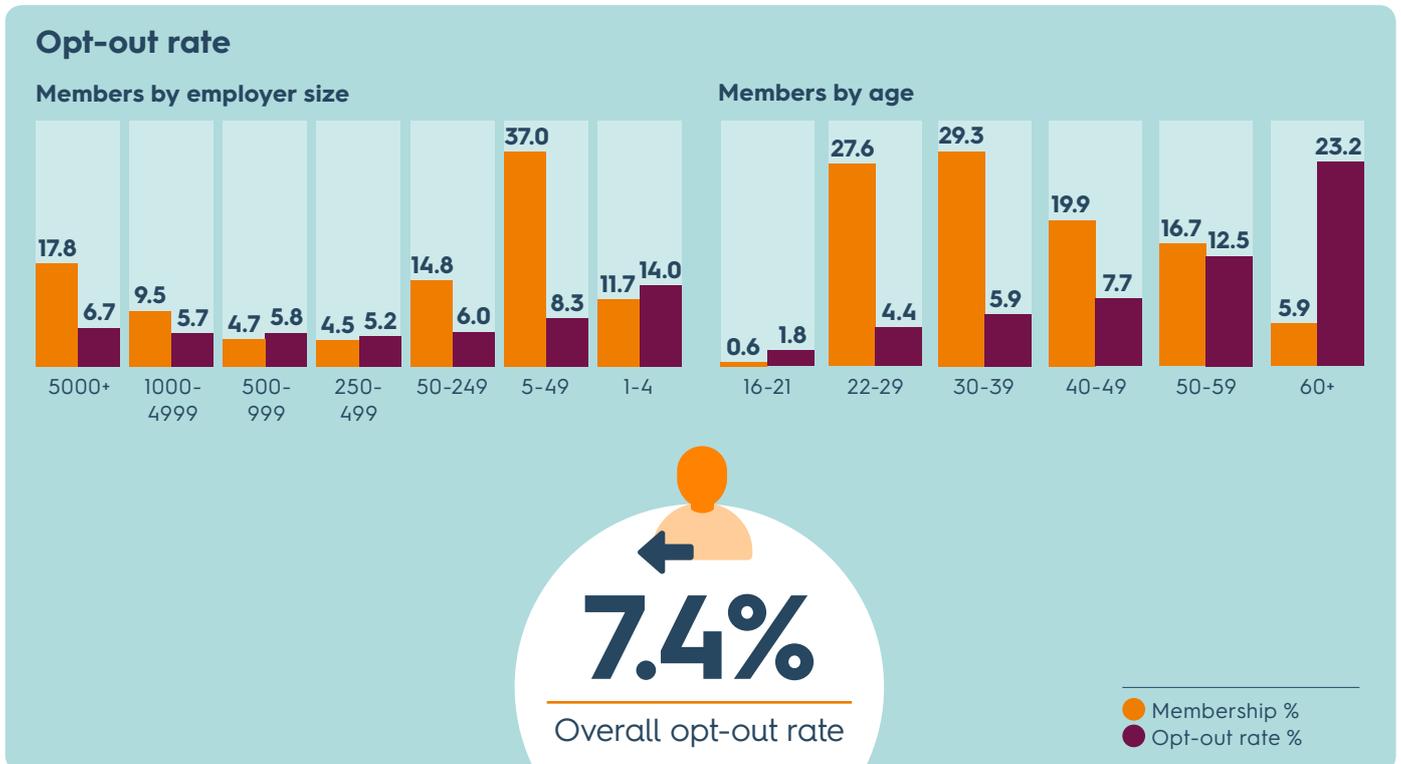
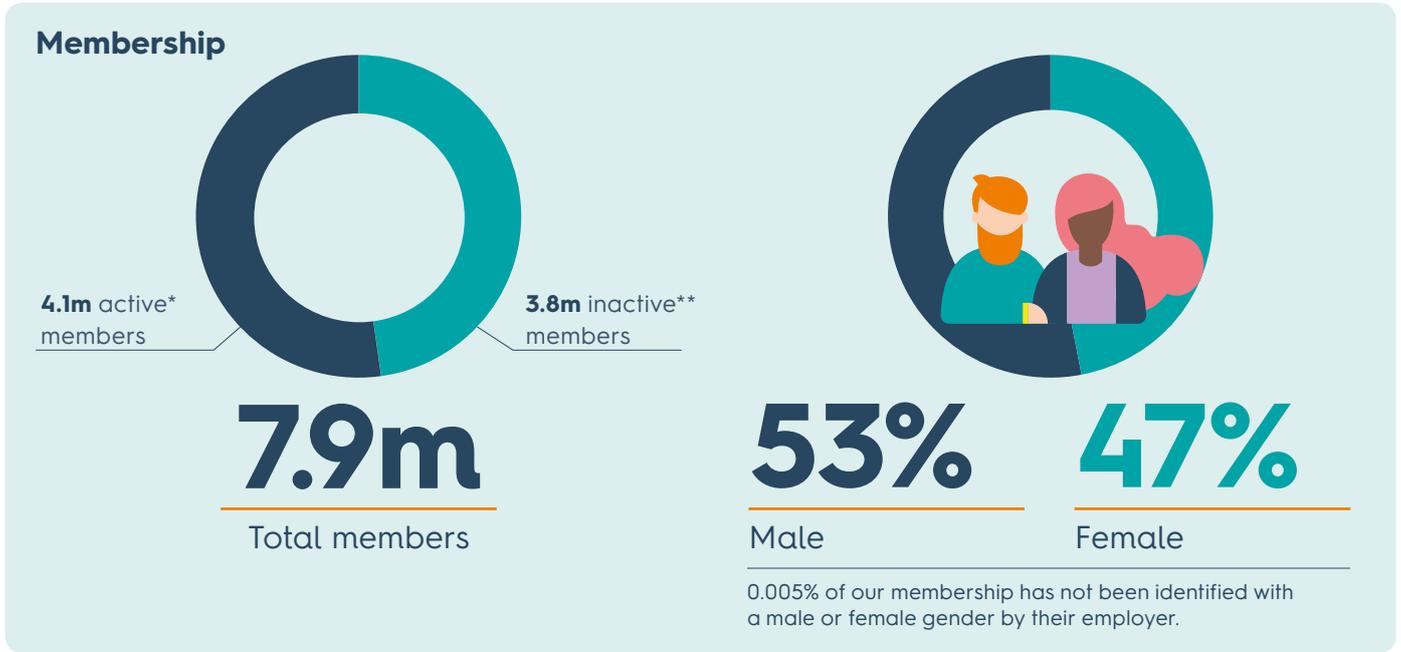
(+2% points above industry benchmark)

<sup>2</sup> Figures taken from Nest annual staff survey



# Key figures

as at 31 March 2019



\* Active members are either employed workers enrolled into Nest by their employer or self-employed workers who have enrolled themselves into Nest. This excludes members that may have either left the employer that enrolled them, chosen to stop contributing or been transferred to a different provider by their employer.

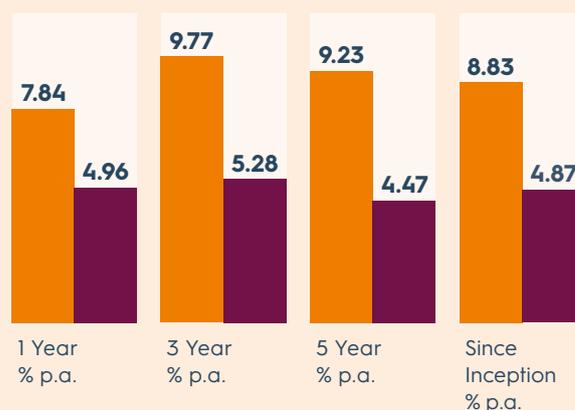
\*\* Inactive members are members of the Nest scheme who have not died, retired or opted out. However, they have either left their employment or they have chosen to stop contributing.



**£5.7bn**

Assets under management as at 31 March 2019

**Annualised fund performance for the Nest 2040 Retirement Fund to 31 March 2019**



● Your Nest 2040 Retirement Fund ● UK CPI +3%

Inception date: August 2011  
All figures are net of AMC

**Number of employers signed up to Nest\***



\* These are employers who have completed employer participation, the process an employer goes through in order to first set up their Nest scheme. Most employers will do this through the scheme website, however it can also be completed via web services.





artisan food and

# The things that make Nest, Nest

We've identified six principles that guide the way we work for our members.



## Built around customers' needs and behaviours

We'll build products based on research and an expert understanding of customer needs and behaviours. We'll use technology and best-in-class communication techniques to engage our members in a timely, relevant and personal manner.



## Not for profit

We aspire to operate as a not-for-profit business over the long term. Once the loan from government is repaid, it's our aim that any surpluses generated should be reinvested in the interests of members.



## Excellence in investments and governance

We'll provide excellence in investment practice and governance. We'll design and oversee expert investment strategies, and invest responsibly and sustainably.



## A broader social purpose

We're here to help millions enjoy a better retirement. That responsibility is to our members, but also to a broader population of mass market defined contribution savers and those who could benefit from saving but may currently fall outside of auto enrolment.



## Low charges, and open to all employers

We'll leverage our scale to keep charges to members as low as possible, and we'll be open to any employer that wants to use us.



## An organisation that lives our values

We know that happy, motivated employees will be better able to look after our members, so we'll champion our scheme values to make Nest a great place to work.

# Nest's social purpose

We know many of our members are saving because they've been automatically enrolled and have not made an active choice to save. And we know that for many, the money they save comes out of a limited budget.

That gives us a responsibility to be open to everyone, and to help our members achieve a better later life through high quality investment and services, expert governance and low charges.

That is what we were set up to do. It's what motivates us, and it'll always be the most important part of our mission.

We also want to promote best practice and value for money, and to help improve the way the wider pensions industry works for everyone.

And we want to consider how to help people who may not currently be automatically enrolled but who might benefit from saving, like people on irregular incomes or the self-employed, to get into the habit of saving for retirement.

We're developing a better understanding of these groups to help solve some of the challenges they face. Our in-house research unit, Nest Insight, uses anonymised data to carry out research in collaboration with international partners. Our findings are made freely available to the global academic and public policy communities to help improve the retirement outcomes of pension savers worldwide.

And we work with the government and public policy communities to advise on policy and regulatory changes that would benefit mass market savers.

By delivering our social purpose - our responsibility to our members and others like them - we'll have even more impact in our mission to help millions enjoy a better retirement.



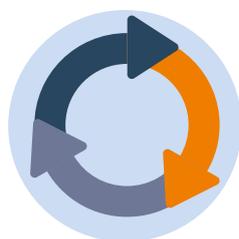
# Our strategic priorities

Our strategic priorities describe how we'll work towards our mission over the next three years.



## Support strong member outcomes

We'll grow members' assets sustainably and keep their data safe. We'll deliver a targeted approach to engagement, including at retirement, while continuing to ensure that the right retirement options exist to meet their needs. We'll undertake research and policy work that supports the needs of our members and those like them.



## Deliver a sustainable business model

We will agree and implement a new approach to service delivery following the expiry of our current scheme administration contract. We will maintain a cost efficient business model to ensure we can repay the loan from government.



## Deliver a good service to our customers

We'll deliver a sustainable, high quality service to our customers – members, employers and intermediaries.



## Deliver a corporation fit for the future

We'll develop the corporation to ensure we continue to have skilled and motivated employees, and strong standards of governance and management.



## Grow the business, in the right way

We'll ensure that we have a broad customer base while remaining fully focused on the needs of our low to moderate income target market.

# What we'll do to deliver our strategic priorities

Our strategic priorities describe how we will work towards our mission over the next three years. In this section, we outline what we will do to achieve each of our strategic priorities.

## Support strong member outcomes

### Grow members' assets in a manner fit for our growing membership

Our investment performance has exceeded objectives. The performance of Nest Retirement Date Funds in the growth phase, after annual management charges, over five years to March 2019 was approximately 9.2 per cent annualised. The objective for these funds was to exceed CPI + 3 per cent after charges over the long term.

Nest members already have access to a range of underlying types of assets through the funds their savings are invested in. We will be expanding these over the next three years, to access new opportunities for growth and to continue to manage investment risk effectively for our members.

One of our central investment beliefs is that as a long-term investor, it's important that we incorporate environmental, social and governance factors into the investment management process to generate long-run returns for members. Over the next three years we will continue to support initiatives that seek to improve sustainability standards and drive a more responsible capitalism. These include the Taskforce for Climate Related Disclosure (TCDF), launched by Mark Carney, Governor of the Bank of England which aims to establish global climate reporting standards. We've also joined the Implementation Taskforce on Growing a Culture of Social Impact Investing in the UK, established by the previous Prime Minister to increase investment into assets which generate a positive social impact as well as a financial return.

## Keep members' assets and data safe

We'll continue to reinforce our control frameworks over the next three years to reflect the changing risk environment we operate in.

In March 2019 Nest Corporation submitted its application for Master Trust Authorisation to The Pensions Regulator. Authorisation is a requirement of the Pension Schemes Act 2017. The assessment process is still ongoing; however, we are confident we meet the criteria required by the new regulations. We welcome the increased scrutiny that the new regime brings and its ongoing focus on good governance and robust systems across the industry.

## Deliver a targeted approach to member engagement

With the minimum level of pension contributions now at eight per cent of qualifying earnings, we want to do more to empower members to start thinking about the level of saving that will allow them to achieve a good quality of life in retirement.

Over the next three years we'll draw from the latest consumer and behavioural research to build tools to engage our members. This will include personalised videos, tailored messaging and calculators to allow members to plan for their financial future. We will also deliver our mobile channel strategy, to enable members to access their accounts and manage their savings more easily.

## Ensure members have access to an appropriate retirement solution

In the coming years an increasing number of Nest's members will be approaching retirement age and we need to provide them with the right support to make the most of their savings.

We are enhancing what we can offer to members at retirement, whilst continuing to signpost opportunities for members to access advice and guidance.

## Research and policy work that supports members' needs

Nest Insight, our in-house research unit, conducts multi-disciplinary research including using anonymised data to develop a better understanding of the challenges DC savers face. Over the next three years Nest Insight is planning a wide-ranging programme of research, including testing how access to emergency savings affects people's short and long-term financial resilience, exploring interventions that could help increase pension saving among the self-employed and gig-economy workers and measuring the impact of phased auto enrolment minimum contribution levels on savers' behaviours and attitudes.

For more information see [nestinsight.org.uk](https://nestinsight.org.uk).

We will also continue to work actively with the policy community, trade bodies and government to help ensure that policy developments take account of the needs of our members and others like them.



**We are enhancing what we can offer to members at retirement, whilst continuing to signpost opportunities for members to access advice and guidance.**



## Deliver a good service to our customers

We have successfully delivered on our obligation to accept any employer that wishes to use Nest. Over the course of the last year, we enrolled over 100,000 employers and 1.5 million members.

Despite this significant growth, our customer service levels have remained strong. Service channels remained available and accessible to customers more than 99 per cent of the time during 2018/19. This included the Nest website, web services and the contact centre. 71 per cent of employers surveyed reported that they were satisfied with the level of customer service that Nest provides and 92 per cent of employers would be positive about Nest if asked.

We have established programmes of work to identify and improve the levels of service we offer to customers. This has already given rise to significant improvements to our transfers process and services for seriously ill members accessing their savings. We will continue to identify further opportunities for improvement over the next three years.

## Grow the business, in the right way

In 2018/19 Nest Corporation grew the number of employers who choose Nest for their employees across all income groups and further strengthened our relationships with intermediaries.

Over the next three years we'll continue to focus on developing a sustainable revenue model while retaining our central focus on our target market of low to moderate earners.

We will be enhancing our proposition, raising awareness of the Nest scheme, researching our employers to develop a better understanding of their needs, and strengthening our relationships with our employers and the intermediaries that support them.

We're confident this will allow us to achieve our goals of delivering a sustainable corporation while fulfilling our statutory duty to be open to any employer that wishes to use us.

## Deliver a sustainable future business model

### Procure future scheme administration services

In 2010 we entered into a contract with Tata Consultancy Services (TCS) to implement and run pension administration services on behalf of Nest. Our contract with TCS comes to an end in 2023. To provide enough time for both a business transformation and fully transitioned services by 2023 we've begun plans for future scheme administration contracts.

In May 2019 we issued our contract notice in the Official Journal of the European Union and invited bids. We expect to select our supplier by the end of 2020.

Over the past decade, technology and customer interaction expectations have changed significantly. We aim to take advantage of the efficiencies that these technological advances offer through our next scheme administration contract(s), to better serve our customers and drive down our operational costs.

## Maintain a cost-efficient business model

We're in a strong position to repay our loan from government within the parameters set out in the state aid case. Total annual contributions into the scheme reached £2.8 billion last year, bringing total assets under management to £5.7 billion.

Over the next three years, we'll continue to focus on delivering value for our members, by harnessing economies of scale to drive down costs. Each year Nest assesses the costs and charges applied to members. We carefully consider whether the benefits and services provided represent good value.

We'll also continue to monitor the phased increase of minimum pension contributions on our financial performance.

## Deliver a corporation fit for the future

### Maintain strong standards of governance

Nest is a trust-based workplace pension scheme run by a Trustee. Nest Corporation is the Trustee of Nest. Nest Corporation comprises up to 15 members. We refer to these members as Board Members and collectively as the Board of Nest Corporation.

In 2018/19 Nest further strengthened its governance by moving to a unitary board structure on 1 June 2018. This change was made following a recommendation in the DWP's Tailored review of Nest, published in March 2018. As part of this structure, Helen Dean, Chief Executive Officer, joined the Board in June 2018 and Richard Lockwood, Chief Financial Officer, joined in September 2018.

Each year we review the effectiveness of the Trustee Board and its committees. In 2018/19 the Board Internal Effectiveness Review showed that the governance at Nest Corporation continues to operate effectively.

We also continuously review the skills and experience of our board members, to support succession planning and to identify future recruitment requirements. In 2018/19 this analysis informed the appointment of four new board members with skills that complement those of existing board members: Clive Elphick, Martin Turner, Mutaz Qubbaj and Chris Hitchen. For more information on their skills and experience please see [nestpensions.org.uk](https://nestpensions.org.uk).

In 2018/19 the Framework Document which governs the relationship between Nest and the Department for Work and Pensions (DWP) was refreshed in response to the recommendations of the Tailored Review of Nest.

## Staff have the right skills to deliver for our members, supported by a diverse and inclusive working culture

Alongside the growth of the Nest scheme, it's important that we continue to evolve the corporation so that our employees can continue to deliver for our customers, supported by our scheme values.

We regularly review our approach to recruitment so that we can attract high quality candidates. Over the next year we will also be concluding a review of our reward proposition.

Over the next three years, we will continue to provide employees with a range of learning and development opportunities to develop the skills they need to progress in their careers. We launched our Leadership Academy in September 2018 to equip senior managers with the skills they need to lead their teams. We also continue to develop our core learning programme.

In 2018/19, we launched Nest's diversity and inclusion strategy. We aim to have 13 per cent of executive roles held by black, Asian and minority ethnic (BAME) members of staff by 2025, at least 30 per cent of executive and 50 per cent of leadership roles held by women, and 12 per cent of executive and leadership roles held by a person with a disability by the same date. These targets are based on the representation of the UK's working age population.





# Acting as a responsible business

As an organisation with a social purpose, we are committed to having a broader positive impact on society and the world around us.

## As an investor

As we outline on page 18, one of our central beliefs is that as a long-term investor, it's important that we incorporate environmental, social and governance factors into our investment processes to generate sustainable long-run returns for members. Our investor activity also has a wider positive impact on society and the environment we operate in which we are proud of, and is something our members are supportive of.

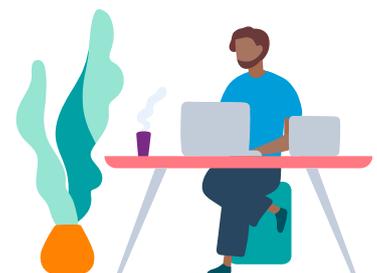
## Through our supply chain

Nest Corporation wants to ensure that its business partners treat their employees as fairly as Nest Corporation treats its own. This includes:

- Making sure that staff employed by business partners are paid the National Living Wage or London Living Wage as appropriate. This is done through an annual review.
- Requiring that business partners and their own supply chains adhere to the Modern Slavery Act 2015. This is managed through our procurement and contracts.

We are also increasingly examining ways in which we can deliver positive impact through the companies we work with. In 2018/19 we:

- Held our staff Town Hall at the International Students House (ISH) at One Park Crescent. ISH is a social enterprise that uses profits from the hire of the venue to provide bursaries for foreign students from low income families.
- Employed Mediorite, a social enterprise providing work experience in film and photography to disadvantaged youths in London, to produce video content for internal and external marketing.



## Through our charity fundraising

### Macmillan Cancer Support

In August 2018, Nest Corporation chose Macmillan Cancer Support as its charity partner of the year. In 2018/19 Nest staff organised a series of events to raise money for Macmillan Cancer Support. These events foster a sense of community at Nest Corporation and support high staff engagement.

### First Love Foundation

The First Love Foundation, established in 2011, has helped thousands of people in extremely deprived UK boroughs get their lives back on track by serving as a foodbank as well as an advice and support centre. Nest staff support the First Love Foundation through our corporate social responsibility programme, by raising money and donating food supplies. A small group of Nest colleagues also visited the First Love Foundation offices in December 2018 to meet the Chief Executive Officer Denise Bentley and the project manager, Debbie Pemberton.

## Through volunteering

Volunteering can bring benefits both in terms of social impact and staff development. Staff are entitled to take four days per year to volunteer, which can be used to work with a charity or organisations of their choice.



**The First Love Foundation, established in 2011, has helped thousands of people in extremely deprived UK boroughs get their lives back on track... Nest staff support the First Love Foundation through our corporate social responsibility programme, by raising money and donating food supplies.**



# Financial summary

## Performance summary

The following table provides historical and projected information on income and expenditure.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
<b>Income</b>						
Grant income	17.7	20.0	22.4	24.0	27.8	33.0
Scheme income*	15.2	25.6	61.4	108.3	134.6	156.8
Other income	0.0	17.1	0.5	1.0	0.8	0.8
<b>Total income</b>	<b>32.9</b>	<b>62.7</b>	<b>84.3</b>	<b>133.3</b>	<b>163.2</b>	<b>190.6</b>
<b>Expenditure</b>						
Staff costs	(18.5)	(20.8)	(24.7)	(27.4)	(30.9)	(31.9)
Depreciation and amortisation	(10.9)	(10.9)	(12.1)	(13.1)	(14.0)	(13.0)
Other expenditure	(61.4)	(75.3)	(91.1)	(124.8)	(147.6)	(169.3)
Interest payable	(29.1)	(32.2)	(35.4)	(39.4)	(42.5)	(46.0)
<b>Total expenditure</b>	<b>(119.9)</b>	<b>(139.2)</b>	<b>(163.3)</b>	<b>(204.7)</b>	<b>(235.0)</b>	<b>(260.2)</b>
<b>Net expenditure after interest</b>	<b>(87.0)</b>	<b>(76.5)</b>	<b>(79.0)</b>	<b>(71.4)</b>	<b>(71.8)</b>	<b>(69.6)</b>

\* In the financial statements scheme income is classified as Members' contribution and annual management charge.

## Income

Total income of £84.3 million for 2018/19 has seen an increase of 35 per cent (from 2017/18 income of £62.7 million). The increase in total income is driven by a 140 per cent increase in scheme income from £25.6 million in 2017/18 to £61.4 million in 2018/19.

The increase in scheme income is largely due to the rise in minimum statutory contribution rates in April 2018. This rise in contribution rates combined with the increase in scheme membership of 1.5 million members and the growth in Assets Under Management (AUM) to £5.7 billion, has resulted in the 140 per cent increase in scheme income during 2018/19. The decrease in other income from £17 million in 2017/18 to £0.5 million in 2018/19, is due to a one-off £16.9 million historical VAT reclaim included in 2017/18 other income.

Nest Corporation has forecast scheme income to increase to £108.3 million in 2019/20, because from April 2019 the minimum statutory contribution rates will rise from five to eight per cent. Income continues to grow during 2020/21 and 2021/22 as annual management charge income grows as assets under management grow.

## Expenditure

Nest Corporation's spending decisions are made prudently, and it recognises that its expenditure is ultimately borne by scheme members.

The largest expenditure increase in the year is within the other expenditure line, which includes scheme administration expenses and scheme investment costs, and has increased by £15.8 million from £75.3 million in 2017/18 to £91.1 million in 2018/19. This increase is due to the rise in scheme membership and higher fund manager fees related to the growth in AUM.

The forecast increase in the scale of the scheme means scheme administration costs and fund manager fees are expected to continue to increase for the period 2019/20 to 2021/22. Expenditure will also increase due to the costs associated with the procurement of a new scheme administration service.

In 2018/19 staff costs increased by £3.9 million to £24.7 million (2017/18: £20.8 million) mainly due to the recruitment of additional staff to support the procurement process. This planned procurement means staff costs are forecast to continue to rise to £31.9 million by 2021/22. Staff costs unrelated to the procurement of a new scheme administration service are not expected to materially increase during this period.

Depreciation and amortisation costs between 2017/18 (£10.9 million) and 2018/19 (£12.1 million) have increased by £1.2 million due to Nest Corporation acquiring additional assets to run the scheme.

The higher forecast interest charges for the period 2019/20 to 2021/22 is driven by the increased loan balance required to fund the ongoing net expenditure for the period to 2021/22.



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