



Members' Panel
annual report
2011/2012

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01

Introduction from the Chair

The NEST Members' Panel is a strong supporter of the broad set of reforms to pensions.

NEST is putting the member at the heart of everything it does, and the early adoption of a Members' Panel within its governance structures is testament to that commitment. As the Chair of the Members' Panel, I have assembled in our first year a highly talented and diverse team of eight members (as 29 June 2012) to help me fulfil my remit. Our terms of reference (see page 10) are fit for purpose and I am pleased to report that we operate with a high degree of independence, scrutiny and challenge.

In short, the Members' Panel is ready to champion the interests of the member.

The government's establishment of NEST is a unique opportunity to help people save towards retirement; but participation is not an easy ask from NEST's target group of savers in the context of current economic conditions, the complexity and jargon involved in long term savings and investments, the long standing culture and opaque practices in the pensions industry, and the introduction of automatic enrolment – particularly when taken against many peoples' financial education and literacy.

The NEST Members' Panel aims to shine a light on all this – and to challenge orthodoxy and convention so that the interests of NEST's members are best served. NEST is aiming to revolutionise how as a financial institution it communicates and engages with pension savers. The Members' Panel will support NEST's service to induce the highest level of confidence among all stakeholders and therefore convince the public that it is a worthy guardian of members' hard-earned money for retirement. Over time, we expect to produce independent evidence to demonstrate this confidence. Hopefully, our progress in this may even nudge the wider savings industry to do better for all consumers.

However the context and circumstances of our times could not be more challenging and we recognise this. The general state of the economy and intense pressure on public spending is impacting on household incomes, making it harder for people in our target group to save. But in our eyes this makes it all the more necessary to make saving and investing for the future easier and not harder for today's workers. Seen in this context, NEST and the government's wider pension reforms are really important to the future.

In this, the Members' Panel's first report to the Secretary of State for Work and Pensions, we summarise the way we work and our early priorities. NEST Corporation has responded well to the aforementioned context and challenges, for example with its recent consumer campaign to increase awareness amongst its target market. This is a very positive step. It has researched and continues to research the needs of its target market to better understand the needs of its diverse membership. It has followed the advice and recommendations of the Members' Panel on some specific changes, for example to the order and rules, to communications with NEST members, and on Investment Principles. In some very positive and measurable respects we believe NEST should be particularly commended for the quality of its communications and commitment to plain language, which shows early signs of pulling the wider pensions industry behind it.

But the Members' Panel aspirations for NEST go further. The Work and Pensions Select Committee's recommendations on the removal of restrictions on NEST – the contribution cap and transfers ban – were based on a wide body of evidence. As these restrictions are not in NEST's members' interests, we add our voice to their being lifted. It is our hope that the Secretary of State will revisit this sooner rather than later, alongside the options being considered with regards to management of small pots. Taken together, these advocated changes would represent a step change in favour of the member and potential consumer, for whom this is still all too complex, administration-heavy and a deterrent to saving adequately for their retirement.

Whilst the Members' Panel is here to focus on and serve the needs of the members of NEST, we recognise too the uniqueness of our role and remit, and how we are a direct voice of the consumer on pensions. In this respect from time to time to the extent permitted by our statutory duties, we will seek to engage more widely with the national agenda and speak out on reforms in financial services, where we feel they affect the pension saver. With this in mind we look forward to working with your department to help consumers of financial services get a better deal.



Museji A. Takolia

Museji Ahmed Takolia CBE
Chair
NEST Members' Panel

02

Introduction

Article 8 (2)(e)(i) of the National Employment Savings Trust Order 2010 requires the Members' Panel to publish an annual report.

This report should focus on the extent to which the Trustee has taken into account the views of the Members' Panel when making decisions about the operation, development or amendment of the scheme.

This is the first report of NEST Corporation's Members' Panel. It covers the seven-month period from the first panel meeting in September 2011 to the end of the financial year in March 2012.

03

Background

NEST Corporation is the Trustee body of the scheme. NEST Corporation was established on 5 July 2010. It is a non-departmental public body sponsored by the Department for Work and Pensions (DWP).

The Trustee is required to consult with scheme members and participating employers about the operation, development or amendment of the scheme through an Employers' Panel and a Members' Panel.

The Members' Panel was established under section 69 of the Pensions Act 2008 and in accordance with articles 6, 7, 8 and 9 of the order. The minimum number of members for the panel is 9 and the maximum is 15.

Museji Takolia CBE was appointed Chair of the panel in summer 2011, with five further members appointed in September 2011. A recruitment campaign began in March 2012 with two further appointments made in June.

Annex 3 provides details of current panel members including the recent appointments.

04

Members' Panel report

The panel has met four times since being established. At the first meeting it focused on its role, remit and purpose and developed a work plan for the coming year. Please see below confirmation of their attendance this year.

Attendance at panel meetings

Panel member	Number of meetings attended
Museji Takolia (Chair)	4
Naomi Cooke	4
Wendy van den Hende	4
Malcolm Mclean	4
Stella Okeahialam	4
Doug Taylor	4

Following its initial meeting the Members' Panel began a programme of activities to enable it to fulfil its role.

The panel received an initial induction to NEST Corporation and a series of presentations on a wide range of subjects. These included research, investment beliefs, member charging and the development of the transactional section of the scheme website. This was done to help the panel fulfil its role of giving assistance and advice to the Trustee in connection with the scheme.

The Trustee has already consulted the panel on a number of matters. However, it's worth noting that when the panel was created in September 2011 the scheme was already operational and many of the operational processes and procedures had been decided upon.

NEST Corporation fully engaged with the panel on outstanding issues including:

➤ Scheme order and rules

The panel was consulted on a number of proposed changes to NEST's order, in particular those that affected scheme members.

Comments and feedback from the panel were presented to the Trustee and taken into account as part of the process. The panel requested that as part of future consultations on proposed changes to the order or rules it would be preferable to outline the full process involved in making changes. This would enable the panel to understand the activities and timelines involved. This approach was agreed by the Trustee.

› **Statement of Investment Principles (SIP)**

The Trustee undertook a review of the Statement of Investment Principles and as part of the review the Trustee is required under article 8(4) to consult the panel. A presentation on the development of the SIP was provided by the executive team and the panel put forward a number of comments for the Trustee to consider. These included updating the text in the SIP to include consulting the panel and understanding more about the use of the consumer price index (CPI) as a measure of inflation.

These comments were fully considered and taken on board by the Trustee. The Members' Panel also requested a session with the Trustee on communicating investments to members.

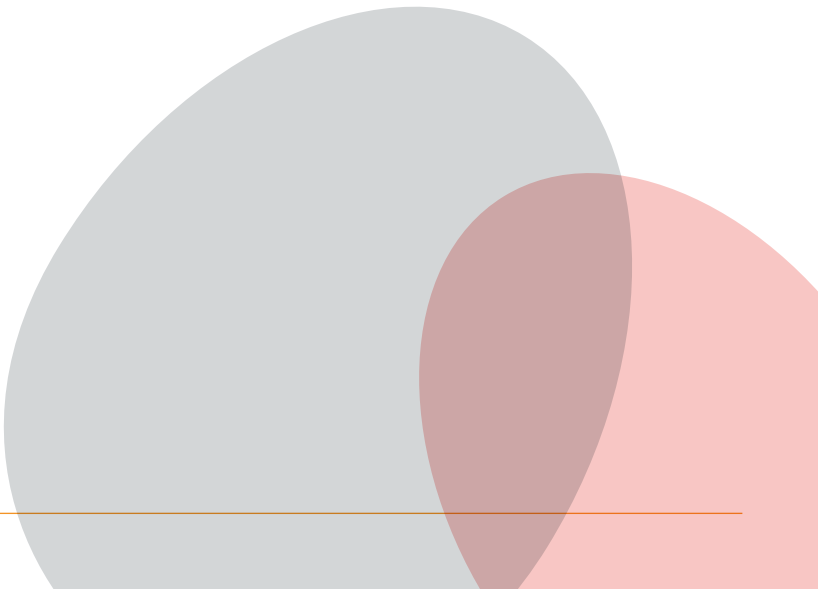
› **NEST phrasebook version 2.0**

NEST has developed version 2.0 of its phrasebook to talk to people about pensions using plain language. It was shown to the Members' Panel before publication and overall they fully supported the approach and language used. They felt it was an important part of engaging with people on the subject of pensions.

› **Customer satisfaction survey**

As a brand-new product NEST needed to develop its understanding of customer views and experiences of the scheme. The Members' Panel was invited to provide feedback on a series of questions being developed for scheme members. The panel provided comments and highlighted the need for understanding what scheme members' expectations would be around saving in NEST.

It was agreed that the proposal would be given consideration and included in the survey if appropriate.



Matters raised by the Members' Panel

› Approach to public consultations

The Members' Panel expressed an interest in being able to respond independently of the Trustee to public consultations on behalf of scheme members and future members. This would include consultations issued by the Department for Work and Pensions.

Following legal advice it was concluded that the panels don't currently have the power to respond to consultations independently of the Trustee. However, they can be asked to contribute and can seek to contribute to NEST's process for responding to public consultations. This is because NEST's order sets out the function of the panels to assist or advise the Trustee.

› Working on building an identity for the Members' Panel

The panel has been working on developing an online presence and identity to enable scheme members and future members to identify with the role it plays within NEST Corporation. Further work is currently being undertaken and it's expected that the online presence will be developed further in 2012.

You can find out more about our Members' Panel on our website at www.nestpensions.org.uk/member-panel

Future developments

› Recruitment of Trustee Members

In future, the Members' Panel will participate in the appointment of Trustee Members in accordance with article 5 of NEST's order. However, during the initial period set by the Secretary of State in accordance with the Pensions Act 2008, the appointment of Trustee Members is made by the Secretary of State for Work and Pensions.

Annex I

Members' Panel objectives for 2011/12

Operating within overall terms of reference and NEST Corporation strategy and plan

- Recruit panel members in order to meet statutory requirements and effectively fulfil your purpose (recognising the diverse nature of the NEST audience) and complete governance for set up of panels.
 - Understand the policy direction of the Trustee Members and identify a work programme of key areas where advice to Trustee Members would add value, documenting the rationale for prioritisation of these areas.
 - Commence this work programme, including planned engagement and feedback from members and find mechanisms for delivering advice and putting forward the voice of members.
 - Study all existing member research and consolidate key learnings.
 - Identify two or three key areas for further research, and sponsor them, liaising with executive/external agencies, as appropriate, to conduct research.
 - Contribute to the NEST reputation of being trusted and well governed, and the growing confidence in and awareness of the scheme.
 - Establish the panel's role for independent, credible, effective, value-added contribution on behalf of scheme members.
 - Establish effective working relationships with other institutional units within NEST.
 - Agree budget with Chair of Trustee.
 - Write report from panel for inclusion in NEST annual report and accounts 2011/12.
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Annex 2

Members' Panel terms of reference

1 Remit

The Members' Panel will provide an advisory role to the Trustee (NEST Corporation) on the operation, development or amendment of the scheme from the perspective of scheme members and potential members (section 69, Pensions Act 2008).

To participate in the recruitment and selection of Trustee Members of NEST Corporation (article 5, NEST scheme order 2010).

2 Responsibilities

Review of functions

Under the NEST rules (rule 5.4.2) the terms of reference must document:

- a) the functions of the panel;
- b) matters relating to the administration and operation of the relevant panels consistent with their functions.

The functions of the panel as set out in the Pensions Act 2008, NEST order 2010 and the NEST rules will be:

- To provide comments to the Trustee where the panel is consulted on the preparation or revision of the *Statement of investment principles* (SIP) (article 8(2)(e)(iii) of the scheme order).
 - To give any assistance or advice that the Trustee may require or that the panel may consider expedient, in connection with the operation, development or amendment of the scheme (article 8(2)(e)(iv) of the NEST order). Where the panel identifies areas for discussion/consideration these should be raised with the panel Chair in the first instance. The panel Chair will then raise this with the Trustee for consideration.
 - To be consulted by the Trustee before the Trustee gives consent to the Secretary of State for Work and Pensions on changes to the NEST order 2010 (section 71(4) of the Pensions Act 2008).
 - To be consulted by the Trustee before the Trustee makes any rules under section 67 of the Pensions Act 2008 and before the Trustee gives consent to the Secretary of State for Work and Pensions (section 72(8)(a)(b) Pensions Act 2008).
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- To participate in the process for the appointment of an individual as a Trustee Member or Chair of NEST Corporation as set out below.
 - Provide comment to NEST Corporation in respect of any job description or selection criteria that the corporation proposes to use.
 - The panel must nominate one of its members to participate in any meeting or other discussion that is to be held by the corporation with respect to the creation of a shortlist of candidates, and in any interview of any candidate.
 - The corporation must supply the nominated member (as per the above) with a copy of any documents that the corporation is to consider when it decides who should be included in the shortlist, or who should be appointed, and must take into account any views expressed by that member before it makes a decision.
 - To report to the Trustee on the exercise of the panel's functions as set out in the format below, or any other format requested by the Trustee.
 - Minutes from the panel meetings to be reported to the trustee member meetings.
 - At the request of the Trustee Members the Chair or another panel member may be called to give a report to the Trustee Member meeting.
 - In each financial year, make a report on the extent to which the Trustee has taken into account the views of members of the scheme and the views of the Members' Panel (with respect to views which the panel is able to express pursuant to its functions), when the Trustee makes decisions about the operation, development or amendment of the scheme.
 - To be consulted by the Trustee before they:
 - determine the method of calculating how to make deductions from members' accounts (the charge structure once the initial period has ended)
 - make changes to the level of deductions from members' pension accounts.

3 Terms of reference

These terms are made under the National Employment Savings Trust Order 2010 and the Rules of the National Employment Savings Trust 2010. The Trustee must ensure that the terms of reference are reviewed at such intervals, and on such occasions, as the Trustee may reasonably determine and, if necessary revise. A copy of the terms of reference is available on our website www.nestpensions.org.uk

4 Procedures

Meetings

The panel will aim to meet around four times a year. Apologies for absence for any meeting of any category shall be given in advance to the Secretariat.

The panel members can request additional meetings through the Chair of the panel.

Individuals who are unable to attend a meeting are invited to raise any points with the Chair in advance of the meeting to which they relate. The use of telephone conferencing will be permitted.

Quoracy

The quorum for panel meetings will be four panel members.

Agendas

Agendas and papers will generally be circulated with the aim of being received five working days before the meeting date, which will confirm the timings and location. Panel members may at any time suggest items for the agenda either to the Chair or via the secretariat provided that they notify such items as early as possible (particularly if preparation of relevant papers is required). Once an agenda has been finalised, exceptional matters of business will be considered at the actual meeting itself under 'any other business' at the Chair's discretion.

The tabling of papers without notice is unacceptable. Exceptions may be made for urgent issues and/or where there are rapidly changing situations and any meeting will be adjourned for enough time to allow consideration of any associated papers before any decision would be taken.

Trustee Members can propose items for inclusion on the agenda. This will be discussed and agreed with the panel Chair.

Voting rights

A panel member may call for a vote. Where necessary, voting will be by a show of hands and in any equality of voting the Chair of each meeting shall have the casting vote. A full record of voting will be included in the minutes of that meeting.

Secretariat support

All meetings will be provided with a secretariat service managed by the general counsel.

The secretariat will maintain minutes and other records associated with the panel meetings, in accordance with NEST's current records management and retention policies.

Minutes

The secretariat shall minute the proceedings and resolutions of all meetings. Minutes will record decisions reached, including specific actions requested by the panel members, reports considered and where appropriate the main points of discussion. They will provide sufficient 'clear' background to those decisions for perpetuity.

5 Confidentiality

Written material provided to and discussed by the panel and invited attendees from other organisations at any meeting, and that has not been published, is considered to be confidential to NEST. All panel members will be expected to adhere to NEST's security policy on data (in compliance with ISO 27001).

In addition, NEST Corporation, as a non-departmental public body, is subject to any confidentiality and security requirements imposed by the Cabinet Office or the Departmental Steward as specified in the Framework Agreement.

Inasmuch as it is exempt from disclosure under the Freedom of Information Act, such material, and any other matters which the Chair of a meeting deems to be confidential, shall not be disclosed to any parties external to NEST. If in doubt the panel Chair should consult the secretariat.

All written material relating to the panel meetings may be subject to the Freedom of Information Act 2000. Some items may be published through NEST's publication scheme. Information that is not published will be considered for release on request, subject to the exemptions from release allowed for under the Act.

Annex 3

Members' Panel biographies

- **Museji Takolia CBE** is Chair of NEST's Members' Panel. Museji is currently executive chairman of Intellicomm Solutions and is a non-executive director at OFSTED. He has worked in local government as a senior adviser at the Cabinet Office, and has been very active within consumer and regulatory issues.
 - **Naomi Cooke** is the national pensions officer for the GMB trade union representing more than 600,000 members across the public and private sector. She is a member of the EU Occupational Pensions Stakeholder Group and the Policy Review Group for the Local Government Pension Scheme. Previously, Naomi has participated in the Pension Regulator's Advisory Panel, the Deregulation Review and was involved in the development of the Financial Assistance Scheme and Pension Protection Fund. Prior to joining GMB, Naomi worked for the Communication Workers Union.
 - **Paul Goding** is head chef at Dorneywood, currently weekend residence for Chancellor of the Exchequer. Before that Paul spent some time with marketing company TPM where he was responsible for the external marketing of their conference and banqueting facilities for the Royal College of Surgeons. Between 2001 and 2003 he was co-owner and director of publishing company Word Media Ltd. Whilst there Paul was appointed non-executive director for broadcaster Juice FM.
 - **Malcolm McLean OBE** joined independent actuaries and consultants Barnett Waddingham as a consultant in April 2010. Before that, he was chief executive of the Pensions Advisory Service (TPAS) for the preceding 13 years. His earlier career was mainly spent as a civil servant working on pension policy in the delivery of benefits. For three years he was the general manager/secretary to the now defunct Occupational Pensions Board.
 - **Stella Okeahialam MBE** is programme director at the Institute for Sustainability with responsibility for governance, implementation, quality and risk management of the institute's programmes and projects. Before joining the Institute for Sustainability, her roles included head of skills & employment at the London Development Agency (LDA) and director at Croydon Enterprise, an initiative aimed at developing and encouraging a new enterprise culture. Her previous experience includes delivering various strategic programmes in economic development, regeneration and community renewal. Stella has also worked in the banking and private healthcare sectors and served on a number of boards including the Croydon Savers Credit Union Ltd, Croydon Enterprise Loan Fund Ltd and Croydon Education Business Partnership.
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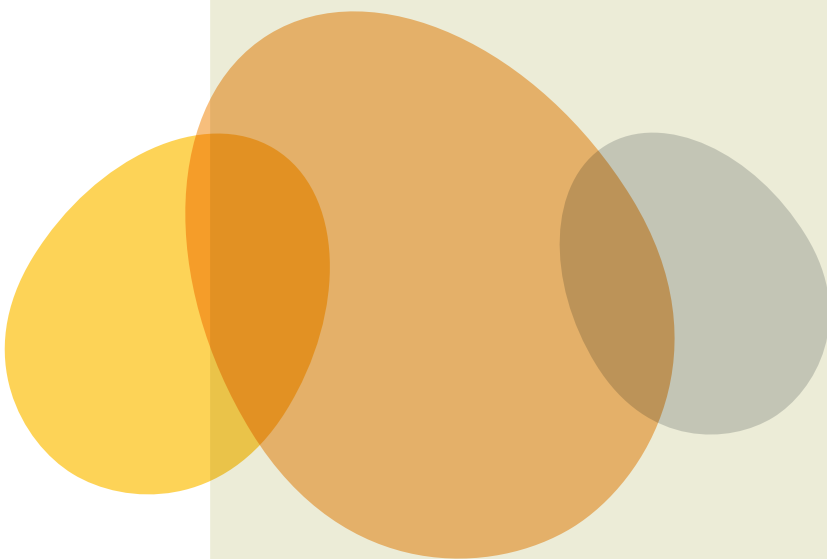
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- **Doug Taylor** is the financial services chief advocate at Which? where he co-ordinates the diverse strands of the Which? personal finance campaigns. Doug currently sits on a wide range of financial working groups representing Which? Doug is also a governor of the Pensions Policy Institute. Before moving to Which? Doug was the deputy chief executive of the British Society for Rheumatology, and before that the national director of the National Union of Students. He has extensive experience in the charity sector, including being a past trustee of a national charity concerned with the welfare of prisoners abroad, and was a past member of the Association of Chief Executives of National Voluntary Organisations.
 - **Wendy van den Hende** was appointed as pfeg's first chief executive in 2000. pfeg is a finance education organisation in England that helps schools to plan and teach personal finance relevant to students' lives and needs. pfeg's projects have been funded by HSBC, the government and the Financial Services Authority as a key element in the UK's national strategy on financial capability. Wendy was previously chief executive for Parent Network, deputy director of the National Council for One Parent Families and interim director of the Camelot Foundation. She is chair of Milton Keynes Citizen Advice Bureau and has served on the boards of a number of charities.
 - **Toby Vintcent** is a former director of Merrill Lynch Investment Managers where he was a member communication specialist for defined contribution (DC) schemes. During his 18-year career with Merrill Lynch, he was an investment manager and analyst, running £1.8 billion of private client portfolios, and was one of the company's key public speakers. Outside his professional career, Toby has been chairman of the London Conservative Party. Until November 2011, he was director of the British Equestrian Federation with responsibility for the preparation of Team GB's equestrian team for the London 2012 Olympic Games.
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