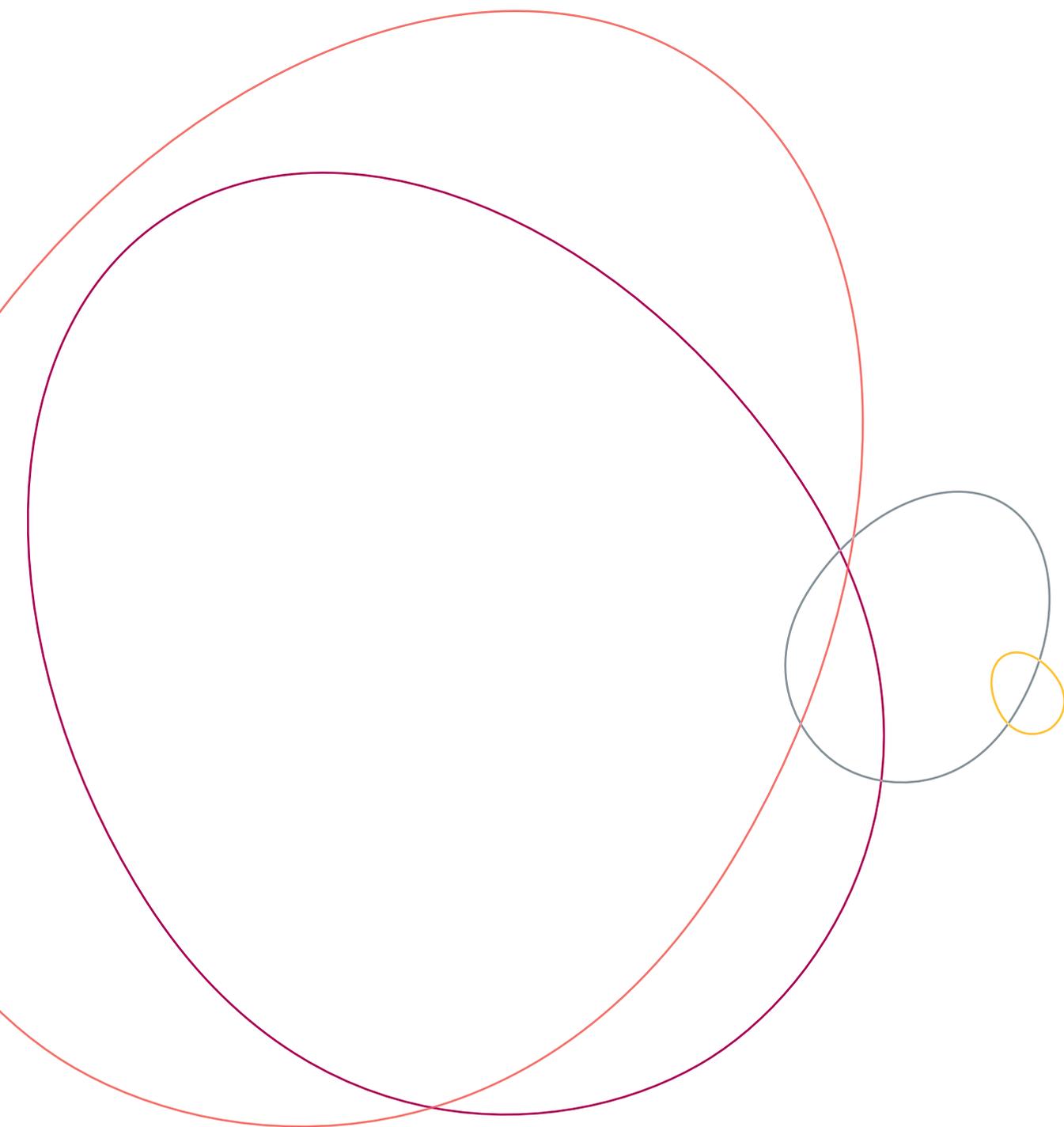


# **NEST pension scheme annual report and accounts**

for the year ended  
31 March 2015



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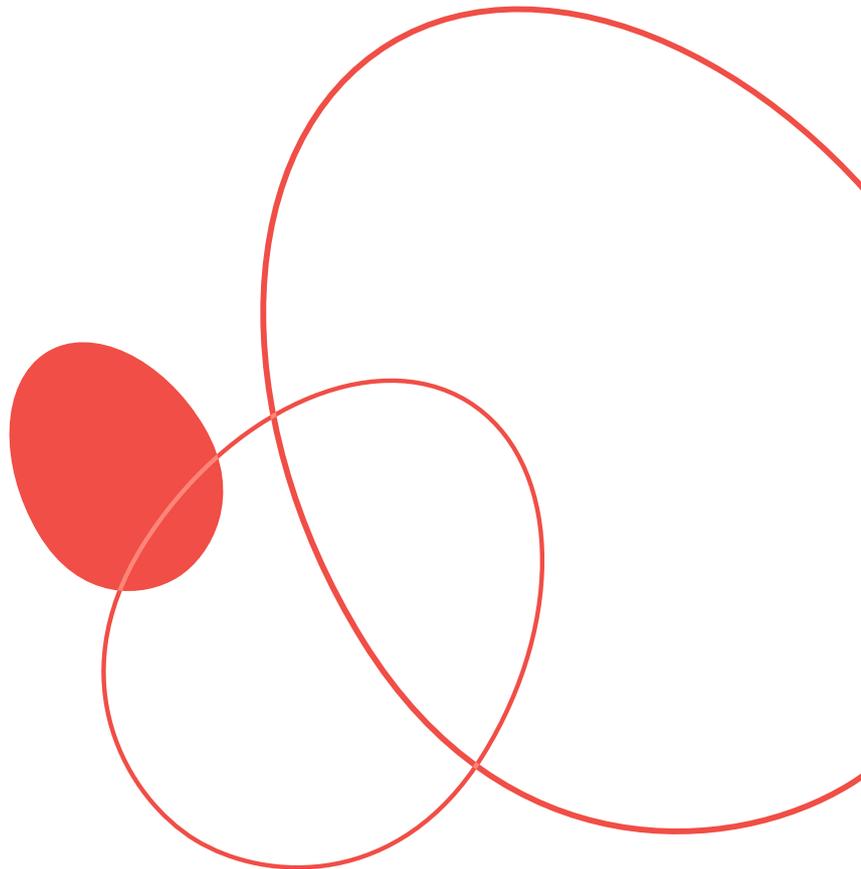
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# Chapter one

## Trustee's report



# Chair's statement

I'm delighted to present my first annual report as Chair of NEST Corporation the trustee of the NEST scheme.

I'm very pleased to report that NEST has been performing well, successfully managing millions of pounds on behalf of its members and helping thousands of employers set up their schemes and meet their duties. At the end of March 2015 NEST was serving over two million members and working with over 14,000 employers with contributions and assets under management growing accordingly. These are significant volumes, particularly when you consider NEST's near-standing start in October 2012, but there is much more to do.

Five million people have already been enrolled into a workplace pension scheme as part of the government's workplace reforms, but there are up to five million more people to be enrolled in the next few years. The number of employers increases exponentially from now until 2018, with an additional 45,000 employers affected in 2015 and around half a million in 2016. We've a statutory duty to help any employer who wishes to enrol their workers and look forward to playing our part in the next stages of the auto enrolment journey.

I'd like to give my thanks to NEST Corporation's first Chair, Lawrence Churchill, for steering NEST through the fast-moving waters of the first few years of auto enrolment. He, along with the other Trustee Members and the team at NEST, has helped establish NEST as an integral part of the auto enrolment landscape.

When NEST was first established it was part of a new pensions environment, and that continues to evolve. 2012 marked the start of a revolution in workplace pension saving with the introduction of auto enrolment. 2014 has seen a radical redrawing of the retirement income map and the options available to savers in defined contribution (DC) schemes as they approach later life. These changes mean that NEST will need to adapt its investment strategy and consider what new retirement options for members might look like.

In November 2014 we issued a consultation on how NEST should respond to meet the needs of members and potential members in this new landscape and were extremely grateful for the quality and depth of responses. We've now presented our conclusions from the consultation, setting out what we think 'good' looks like for our members. The challenge ahead will be to ensure our members can access the solutions they need at the point they need them.

Aside from product options, engaging with our members as they approach later life will be a critical area of focus over the next few years. Similarly, tactics and approaches for those who don't engage with their options need to be thought through carefully. Our aim is to ensure members can access their pots in ways that meet their individual needs. So there'll be more on that to come.

Of course it's likely the policy landscape will continue to evolve. In the March 2014 Budget the government proposed extending the new pension freedoms to people who have already bought an annuity. Issues concerning small pots, debates about contribution levels and questions over how to respond to consumer demand for more certainty while meeting their aspirations in retirement are all likely to feature.

For NEST, the lens through which we examine any future changes and developments will be what's in our members' interests.

Our current priorities remain clearly focused on supporting the implementation of auto enrolment by helping employers who use NEST to set their scheme up as easily as possible, delivering a well-governed scheme and representing the interests of our members. As Trustee of the NEST scheme we reviewed and assessed whether our systems, processes and controls across key governance functions are consistent with those set out by The Pensions Regulator (TPR) in the *Code of practice No. 13: Governance and administration of occupational defined contribution (DC) trust-based pension schemes* and regulatory guidance for DC schemes, and published a detailed governance statement on our website in November. We're also currently undergoing an independently audited assurance report in accordance with AAF 02/07 framework from the Institute of Chartered Accountants in England and Wales. That will be completed in 2015/16. You can also find more detail about our governance arrangements on pages 14 to 22.

Of course we wouldn't have achieved all that we did last year without the dedication and support of NEST employees and the leadership team. In particular, I'd like to thank our chief executive, Tim Jones, for all the work he's done over the last eight years to successfully take NEST from the early stages of development through to the first key stages of delivery.

Finally, I'd like to thank my fellow Trustee Members for the wisdom and camaraderie they've shown in my first few months with NEST and look forward to continuing to work closely with them.

It's a privilege to lead NEST Corporation through the next stages of the auto enrolment story. I'm committed to ensuring NEST continues to play a pivotal role, not only in the successful implementation of auto enrolment but in the years to come.



Otto Thoresen  
Chair  
NEST Corporation

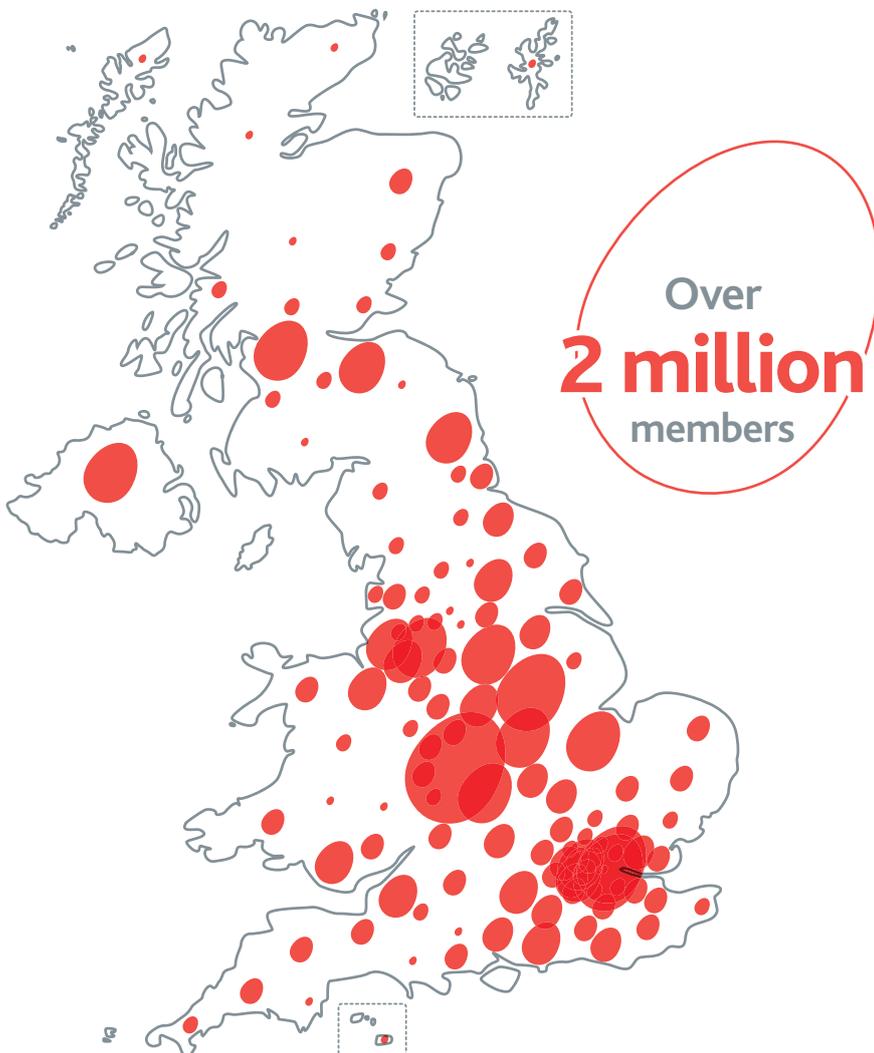
26 June 2015

# Scheme development

## Introduction and constitution

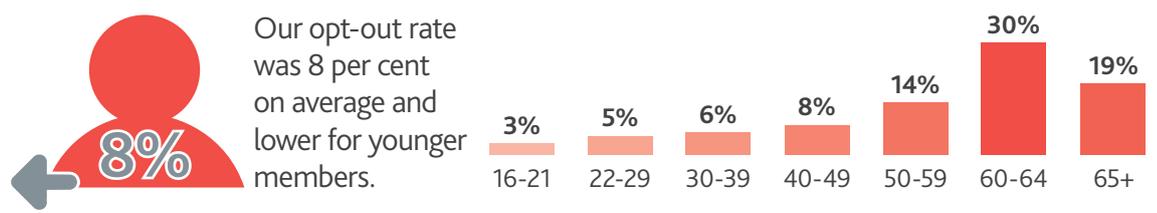
The NEST pension scheme, or 'the scheme' as we'll call it throughout this report, was established by the National Employment Savings Trust Order 2010, 'NEST's order', which came into force on 5 July 2010. The scheme is a registered pension scheme for tax purposes under the Finance Act 2004 and was registered with HM Revenue & Customs on 21 January 2011. As such, most of the scheme's income and investment gains are free of direct taxation.

## Key facts as at 31 March 2015





We were looking after almost **£420 million** on behalf of our members.



Around **1,400** intermediaries signed up to NEST Connect, our online hub for professionals offering auto enrolment services to employers.\*

\* With NEST Connect third party professionals can provide a complete service to any employer, from set-up to ongoing management and view and manage their client accounts in one place.

# Trustee Members and retained organisations

## Trustee and Trustee Members

NEST Corporation is the Trustee of the scheme. The Trustee has a Chair, a deputy chair and 9 Members (who we call 'Trustee Members') whose profiles are on pages 18 to 19.

## Advisers, banks, custodians and others retained by the Trustee

<b>Scheme administrator</b>	Tata Consultancy Services
<b>Investment funds administrator</b>	State Street Bank and Trust Company
<b>Bank</b>	NatWest (joint tri party contract between NatWest, NEST Corporation and Tata Consultancy Services)
<b>Investment managers</b>	BlackRock F&C Investments HSBC Global Asset Management State Street Global Advisors UBS Global Asset Management Legal & General Investment Management Royal London Asset Management Northern Trust (appointed 8 July 2014)
<b>Investment advisers</b>	Allianz Global Investors bfinance
<b>Lawyers</b>	DLA Piper (until 30 September 2014) Field Fisher Waterhouse (until 30 September 2014) Squire Sanders (until 30 September 2014) Eversheds LLP (from 1 October 2014) SGH Martineau LLP (from 1 October 2014) Travers Smith LLP (from 1 October 2014)
<b>External auditors</b>	KPMG LLP
<b>Internal auditors</b>	Deloitte LLP (until 15 June 2015) Ernst & Young LLP (from 16 June 2015)

## Membership

The membership in the year grew as follows:

	Members
Members as at 1 April 2014	1,010,928
New members enrolled <sup>1</sup>	1,221,207
<u>Less</u>	
Members opting out	(87,818)
Dual enrolments <sup>2</sup>	(114,632)
Cancelled enrolments <sup>3</sup>	(19,935)
New members joining in the period	998,822
<u>Less</u>	
Members retired	(1,554)
Members deceased	(442)
<b>Members as at 31 March 2015</b>	<b>2,007,754</b>
<b>Types of members as at 31 March 2015</b>	
Members enrolled by participating employers	2,006,580
Members who are self-employed	1,174
	<u>2,007,754</u>

1. These are new members enrolled by employers and self-employed registrations for the reporting period.

2. These are members who have been enrolled in the NEST scheme by more than one employer.

3. These are members who have been erroneously enrolled by an employer and subsequently de-enrolled by that employer.

## Looking ahead

The scheme is expected to continue to grow significantly during the 2015/16 financial year. The majority of members that have joined the scheme to date have come from larger employers. In the coming year many small and medium-sized employers are likely to choose to use the scheme as their staging dates approach. These employers will have varied experience of providing a pension for their employees and some will be doing so for the first time.

To help the new employers the Trustee will prioritise:

- the continued development of processes to make it as straightforward as possible for employers to join the scheme. This will include supporting delegated access arrangements for employers who want to use an intermediary to manage their auto enrolment pension provision through NEST
- the continued development of scheme operations to support the current volume and expected future large increase in number of employers and members joining the scheme
- clear and concise communications for members and employers, including highlighting the benefits of adequate saving for retirement
- the continued focus on maintaining and strengthening internal controls and an organisational culture that supports their delivery
- positioning NEST for future changes.

## Contributions and charges

Employers can choose the rate of contributions and how that divides between the employer and workers in the scheme. The contribution rates chosen must meet the minimum amounts set by the Secretary of State for Work and Pensions. NEST had a maximum total annual contribution limit of £4,600 per member in 2014/15, increasing to £4,700 in 2015/16. The contribution limit will be removed in 2017. Employers also set their payment frequency for making contributions within statutory limits and their payment due date for each payment period. Once set, all employers must make payments each period by this due date. If the scheme isn't in receipt of both a contribution schedule and a payment which matches this schedule by the due date, the scheme will investigate the status of the payment with the employer.

The Trustee must report to The Pensions Regulator (TPR) and members within a reasonable period after the due date if member contributions and/or employer contributions are not paid on time and the Trustee has reasonable cause to believe that the late payment of contributions is material.

During the year 985 such reports were identified to be made to The Pensions Regulator, which is about 0.5 per cent of contribution events.

The scheme levies a 0.3 per cent annual management charge (AMC) on members' funds, plus a charge on contributions as they are made of 1.8 per cent. For the contribution profiles of the majority of NEST members, our charges will work out as broadly equivalent to a 0.5 per cent AMC across the period of saving with us. Our charges also conform to the rules on charge caps announced by the government which came into effect in April 2015.

## Taking money out of NEST

NEST Corporation supports members at retirement with tailored information and simple processes. When a member gets close to their NEST retirement age, we give them information on their full range of options for taking money out of NEST. This includes a retirement income with or without a cash lump sum, taking their whole pot as cash, where permitted by regulation, and transferring to another registered pension scheme.

### Retirements and transfers

There were 1,554 retirements during the year. Of these, 21 members transferred out, 1,522 members exercised the cash option, 8 retired on the grounds of serious ill health and 3 members opted to take a retirement income.

Once the member has taken money out of their retirement pot in any of these ways, they leave NEST and the scheme has no further responsibility to them in respect of that retirement pot.

NEST's order and rules currently provide limited scope for the scheme to accept transfers in or pay transfers out, although this will change in 2017.

There were 146 transfers in during the year of which 7 were as the result of a pension sharing order. At present, transfers out can only occur on retirement.

### Deaths

Members of the scheme can nominate who they'd like to receive their retirement pot if they die before taking their money out of NEST.

This could be their partner or family member, a charity, or a combination of people and organisations. Nominations are legally binding and the scheme will pay the pot to whoever the member has nominated should the member die. In other cases funds are paid in line with the provisions in the NEST rules.

Other than providing the retirement pot, the scheme does not provide members with death in service benefits.

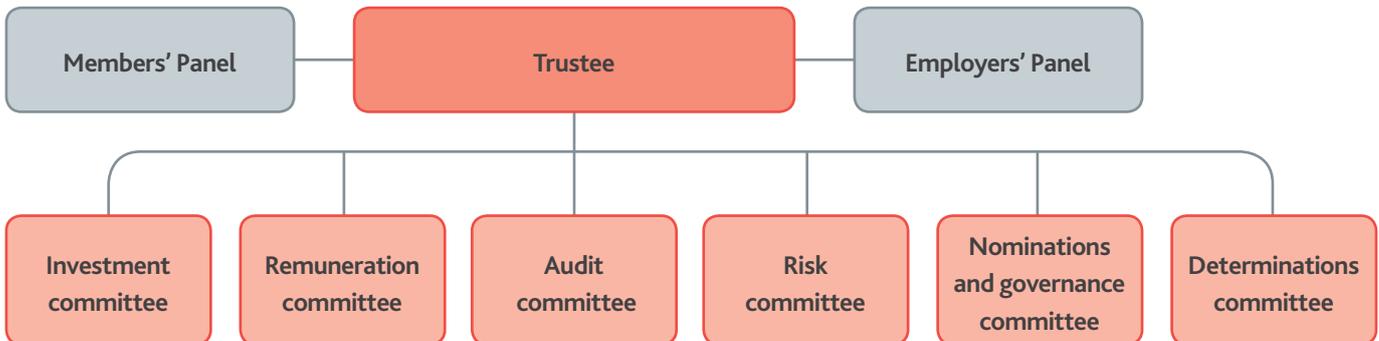
There were 442 deaths during the reporting period.

# Report on governance

## Governance statement

The NEST scheme is run in accordance with all relevant legislation and regulatory guidance. If we ever fall short of these requirements, robust procedures exist to identify, assess, rectify and, where necessary, report such failures to TPR.

In November 2014, we published NEST's governance statement, detailing how we meet the six key areas set out in TPR's *Code of practice no. 13: Governance and administration of occupational defined contribution trust-based schemes*. These areas are governance, know your governance, know your scheme, risk management, investment, administration and communications. This document is publicly available on the NEST website.\*



\*<http://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/Governance-statement-November-2014.pdf>

## NEST Corporation

The NEST Corporation is responsible for setting the strategic direction and objectives for NEST Corporation.

The appointments of the Chairman and the Trustee Members are currently made by the Secretary of State for Work and Pensions who seeks the views of the Chairman of NEST Corporation on the skills and experience needed. A broad range of skills, experience and knowledge are required collectively on the NEST Corporation. Appointments are made in line with the Commissioner for Public Appointments' Code of Practice and Cabinet Office guidance.

All Trustee Members were independent at appointment having no current or previous material relationship with the organisation as an employee, officer or contractor.

The NEST Corporation and its committees take decisions about the NEST scheme and ensure that obligations as a Non-Departmental Public Body (NDPB) are complied with.

The terms of reference for the NEST Corporation and its committees are published on our website.\*

A schedule of reserved powers and delegations gives authority and responsibility to the chief executive for the day-to-day operations and management of NEST Corporation. In turn they delegate authority to and hold each member of the executive team accountable for delivery of their areas of responsibility. Regular executive team meetings are chaired by the chief executive to oversee the operation of the scheme. In addition there are advisory committees to assist the running and development of the scheme and Corporation.

Under the NEST Order 2010, article 8, the role of Employers' Panel and Members' Panel include giving any assistance and advice requested by the Trustee about the operation, development or amendment of the scheme. For further information on the panels, see page 20.

\* <http://www.nestpensions.org.uk/terms-of-reference>

## NEST Corporation activities

### NEST Corporation meetings

The NEST Corporation met 11 times during the year, with 2 meetings focused exclusively on strategy. It has established audit, determinations, investment, nominations and governance, remuneration and risk committees. These committees meet as required and report back on their work to NEST Corporation meetings. Details of the meetings can be found opposite.

The NEST Corporation's priority is to provide a strong and stable scheme which operates in the long-term best interests of its members. It's also focused on delivering a good service to employers and meeting its public service obligation to enable any employer to choose NEST to meet their auto enrolment duties. This drives the NEST Corporation's agenda.

At each meeting the NEST Corporation receives and scrutinises information on the scheme administration, employer and member volumes, investment performance, risk management, internal controls, and operational activities. The Chair and chief executive provide updates on the key issues on their agenda and committee chairs report back on decisions taken and issues discussed at committee meetings.

As part of the normal business cycle, the NEST Corporation approved the budget and *Corporate plan 2015/16*, the *Annual report and accounts 2014/15* for the scheme and for the Corporation, and the annual health and safety report for NEST Corporation in July 2014. Revisions were approved to the scheme's *Statement of investment principles (SIP)* published in 2014. NEST Corporation's funding arrangements were reviewed. The strategy and the strategic risks for NEST Corporation were updated and a revised risk statement was agreed. The chairs of the Members' Panel and Employers' Panel were re-appointed for a period of two years from April 2015. Five members of the Members' Panel were re-appointed.

### Determinations committee

The determinations committee considers disputes received about the NEST scheme at stage two of the internal disputes resolution procedure (IDRP). The committee also oversees the procedures and processes for dealing with IDRP cases to test that they are fit for purpose and comply with the principles adopted for the NEST scheme's complaints handling processes. The committee was established in April 2014, after the first stage two IDRP case was received. We undertake a root-cause analysis to see whether any lessons can be learned, including reviewing our member communications.

## Details of meetings attended by committee members during the 2014/2015 year:

	NEST Corporation meeting	Audit committee	Risk committee	Investment committee	Nominations and governance committee	Remuneration committee	Determinations committee
Lawrence Churchill	9 of 9				6 of 6		8 of 8 (left Jan 2015)
Otto Thoresen	3 of 3 (joined Feb 15)						1 of 1 (joined Mar 2015)
Iraj Amiri	9 of 11	6 of 6	6 of 6				9 of 9
Tom Boardman	11 of 11				3 of 6		
Sharon Darcy	11 of 11	6 of 6	6 of 6	1 of 2 (left Nov 2014)			
Chris Hitchen	11 of 11			3 of 4		6 of 9	
Enid Rowlands	6 of 8				5 of 5 (left Jan 2015)	5 of 6 (left Dec 2014)	6 of 7 (left Dec 2014)
Sue Slipman	9 of 11				5 of 6	9 of 9	8 of 9
Nigel Stanley	10 of 11			3 of 4		9 of 9	2 of 2 (joined Jan 2015)
Karen Silcock	9 of 11		4 of 6			2 of 3 (joined Jan 2015)	
Ian Armfield	7 of 11	5 of 6		1 of 1 (joined Feb 2015)			
Carolan Dobson	7 of 11			4 of 4	1 of 2 (joined Dec 2014)		
Graham Berville	9 of 10 (joined Jun 2014)	3 of 3 (joined Sept 2015)	3 of 3				

## Trustee Members



**Otto Thoresen**  
Chair

**NEST Corporation**  
*(from 1 February 2015)*  
Chair, Nominations and  
Governance committee.  
Chair, Determinations  
committee



**Lawrence Churchill**  
Chair

**NEST Corporation**  
*(left January 2015)*



**Tom Boardman**  
Trustee Member

*Deputy Chair*  
*(from 1 June 2014)*



**Iraj Amiri**  
Trustee Member

*Chair, Audit*  
*committee*  
*(from 1 April 2014)*



**Ian Armfield**  
Trustee Member

*(from 1 April 2014)*



**Graham Berville**  
Trustee Member

*(from 1 June 2014)*



**Sally Bridgeland**  
Trustee Member

*(from April 2015)*



**Sharon Darcy**  
Trustee Member

*Chair, Risk committee*  
*(from 25 April 2013)*



**Carolan Dobson**  
Trustee Member

*Chair, Investment  
committee  
(from 1 April 2014)*



**Caroline Rookes**  
Trustee Member

*(from 1 April 2015)*



**Karen Silcock**  
Trustee Member

*(from 1 April 2014)*



**Nigel Stanley**  
Trustee Member

*Chair, Remuneration  
committee  
(from 1 April 2015)*



**Jill Youds**  
Trustee Member

*(from 1 April 2015)*



**Enid Rowlands**  
Trustee Member

*(up to 31 December  
2014)*



**Sue Slipman**  
Trustee Member

*Chair, Remuneration  
Committee  
(up to 31 March 2015)*



**Chris Hitchen**  
Trustee Member

*(up to 31 March 2015)*

For more information about our Trustee Members, please visit the NEST website.\*

<https://www.nestpensions.org.uk/schemeweb/NestWeb/public/aboutnestcorporation/contents/trustee-members>

## Employer's Panel and Member's Panel

The Employers' Panel and Members' Panel were established in summer 2011 in line with requirements under the Pensions Act 2008 and NEST's order and rules.

### Employers' Panel

Paul Jagger MBE was appointed as chair of the Employers' Panel when it was established in the summer of 2011. There are currently 10 Panel members and their details can be found on the NEST website.\*

The Employers' Panel provides an advisory role to NEST Corporation on the operation, development or amendment of the scheme from a participating employer perspective (section 69, Pensions Act 2008). The Panel is consulted whenever the *Statement of investment principles* (SIP) is revised by the Trustee. In addition, the Panel is consulted on proposed changes to NEST's order and rules. The Employers' Panel reports to the NEST Corporation through the chair of the Panel.

During the financial year the Employers' Panel met seven times and was actively involved in the development of NEST's consultation paper, *The future of retirement: A consultation on investing for NEST's members in a new regulatory environment*. The Panel also provided its first piece of formal advice to the NEST Corporation on the Budget changes announced in March 2014 and how NEST should respond to these to best serve the interests of their members and employers.

The Panel has also contributed to the PR and media messages for 2014/15 and provided feedback on the *Voice of the customer* research on employers and intermediaries. The Employers' Panel was also consulted during the year on the 2014 SIP.

### Members' Panel

Museji Ahmed Takolia, CBE was appointed as chair of the Members' Panel when it was established in summer 2011. There are currently eight Panel Members and their details are available on the NEST website.\*

The Members' Panel represents the views of members in order to ensure that, over time, there's evidence of trust and confidence in NEST among its members.

The Panel provides advice to NEST Corporation on the operation, development or amendment of the scheme from a member's perspective (section 69, Pensions Act 2008 and article 8 of the NEST order).

The Panel has met six times during the financial year and were actively involved in the development of NEST's consultation paper, *The future of retirement: A consultation on investing for NEST's members in a new regulatory environment*. The Panel also provided its first piece of formal advice to the NEST Corporation on the Budget changes announced in March 2014 and how NEST should respond to best serve the interests of their members and employers.

The Panel was consulted on the 2014 SIP.

The Panel has also been briefed on various issues including charges, the opt-out process, member communications, complaints monitoring, customer services and researching members' needs. The Members' Panel engages with the NEST Corporation through the chair of the Panel.

The Members' Panel submitted a separate report to the Secretary of State for Work and Pensions on 10 July 2014. A copy of the report is available on NEST's website.

\*<http://www.nestpensions.org.uk/employer-panel>

\*<http://www.nestpensions.org.uk/member-panel>

## Risk statement

NEST's attitude towards risk is visible in how NEST employees conduct themselves. The culture and processes established in NEST are designed to enable risk to be managed in line with the expectations of the Trustee Members, who have a legal responsibility to act in the best interests of members.

Scheme members trust NEST Corporation with their money and personal data - with this trust comes a responsibility and a duty to protect.

NEST's operational teams work with external scheme and investment fund administrators to protect members' money from financial crime, such as fraud. There are a number of procedures and controls in place for managing money, including when payments are made to members.

Security procedures are in place for the movement of members' money between the administrators and daily reconciliations are undertaken to ensure transactions have been carried out as intended.

NEST's finance and financial crime prevention teams review the procedures and controls in place to ensure they're effective and being followed appropriately. The internal audit function also undertakes periodic audits of key financial controls and procedures to provide Trustee Members with additional independent assurance that NEST is protecting members' money.

The information security team works across the Corporation and with third-party service providers to protect members' data. Procedures are in place to ensure data is transferred securely between suppliers, and there are strict rules in place to restrict access to members' personal data.

Both NEST Corporation and the contracted scheme administrator have been independently certified against ISO 27001, verifying that processes and controls are effective in protecting members' data. Additional independent assurance over information security arrangements is obtained through periodic internal audits and by continuous monitoring and testing of processes to ensure they're operating effectively.

For more information on how we manage investment risk, please refer to page 27.

## Statement of Trustee responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- (i) show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- (ii) contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for making available each year, commonly in the form of a Trustee annual report, information about the scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

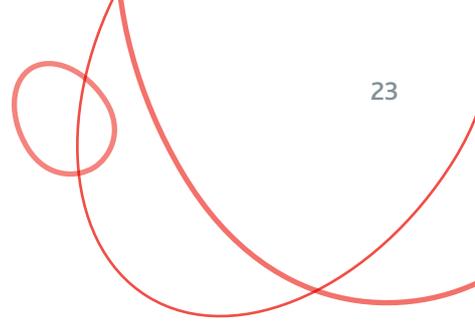
The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee responsibilities accompanying the Trustee summary of contributions.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

The Trustee report in respect of the scheme was signed on behalf of NEST Corporation by

Otto Thoresen  
Chair  
NEST Corporation

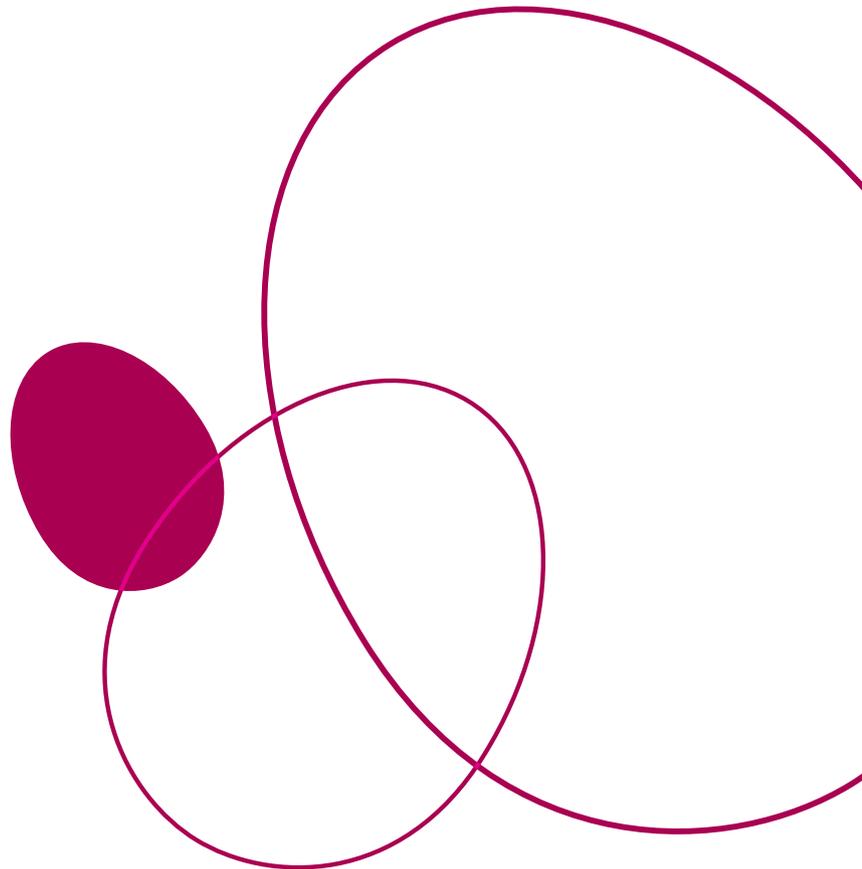
26 June 2015





# Chapter two

## Investment report



# Statement of investment principles

The investment objectives for the scheme are set out in its *Statement of investment principles* (SIP) which the Trustee is required to prepare under section 35 of the Pensions Act 1995. The SIP was reviewed in April 2015 and will be reviewed every 3 years.

NEST's SIP is available to download from the NEST website.\*

During the year and at year end all investments were in accordance with the SIP.

## NEST funds

Based on our understanding of the diverse needs of our membership, we've developed an approach to investment that offers:

- › a well-constructed default strategy that has clear return objectives and a carefully managed risk profile, called the NEST Retirement Date Fund
- › a selection of clearly differentiated fund choices for those who have different risk appetites, investment objectives or want an approach that matches their beliefs or faith.

## NEST Retirement Date Funds

When they join NEST, the contributions for members who don't make an active investment choice are invested by default into the NEST Retirement Date Fund that matches either their State Pension age or age 65, depending on their date of birth. Each fund aims to have members' money ready to convert into retirement benefits in the year they want to take their money out. Members can change their NEST retirement age at any time and their retirement pot will be switched automatically into the matching NEST Retirement Date Fund.

The overarching investment objective for the NEST Retirement Date Fund is to target investment returns in excess of inflation after all charges over the long term.

Currently 99 per cent of our members' funds are invested in our NEST Retirement Date Funds.

\* <http://www.nestpensions.org.uk/statement-of-investment-principles>

# Default investment strategy and phased risk management

The scheme has a large and diverse membership. The Trustee seeks to manage members' investment risks throughout their time saving in the scheme in a holistic way. The youngest members who put their money in our NEST Retirement Date Funds will go through three phases. Each phase has a different objective that focuses on the needs of the member at different times in their savings career. The objectives of the three phases of risk management are set out below.

## Foundation phase objectives

- › Preserve capital while seeking sufficient return to match inflation and cover all scheme charges
- › Target a long-term volatility average of 7 per cent
- › Significantly reduce the likelihood of extreme investment shocks
- › Take appropriate risk at appropriate times, taking account of current economic and market conditions

## Growth phase objectives

- › Target investment returns at least equivalent to inflation plus 3 per cent and cover all scheme charges
- › Target a long-term volatility average of 10-12 per cent
- › Maximise diversification
- › Aim for steady growth in real terms over the life of the fund
- › Maximise retirement incomes by taking sufficient investment risk at appropriate times while reducing the likelihood of extreme investment shocks

## Consolidation phase objectives\*

- › Gradually move the portfolio from the return-seeking assets held in the Growth phase to annuity-tracking assets and cash-like investments
- › Gradually reduce volatility and manage the tracking error to annuity prices
- › Continue to grow the portfolio in real terms where this doesn't clash with the above goals
- › Further reduce the likelihood of investment shocks

\*Towards the end of the 2014/15 financial year we revised the objectives of the consolidation phase – see page 33 and the SIP for further details

# Alternative fund options

For members who wish to make active investment choices, NEST provides a range of clearly labelled alternative funds.

## NEST Ethical Fund

This fund is designed for members who are concerned about the impact that their investments can have on areas such as human rights, fair labour practices and the environment. Unlike many other ethical funds available, our NEST Ethical Fund choice consists of multiple asset classes and uses a three-phase investment approach similar to the NEST Retirement Date Funds.

## NEST Sharia Fund

This fund is designed for members who want an investment approach based on Islamic law. It invests entirely in global equities judged to meet sharia standards.

## NEST Higher Risk Fund

This fund is for members who want to take more investment risk to try and make their retirement pot grow more quickly than it might in a NEST Retirement Date Fund. As members approach their retirement date we'll move their pot into the appropriate NEST Retirement Date Fund. This will help protect any gains they've made and get their retirement pot ready for them to take out of the scheme.

## NEST Lower Growth Fund

This fund is designed for members who are very cautious about investing. Their retirement pot will be exposed to far less investment risk than a NEST Retirement Date Fund. In the long term however, it will probably grow less than other fund choices and may not keep pace with inflation.

## NEST Pre-retirement Fund

This fund is suitable for members who start saving with NEST within five years of their retirement date and who intend to buy a retirement income with some or all of their pot.

# Investment managers

All our funds are built from a range of pooled funds supplied by leading fund managers.

The day-to-day management of NEST members' funds is performed by external fund managers, each of which is authorised and regulated by the Financial Conduct Authority (FCA) or the regulatory body in the country the fund is domiciled.

The funds and fund managers are selected through a competitive tender process. Professional advice from the Trustee's in-house team and independent external investment advisers is obtained and considered in the selection of these funds and fund managers. As part of this selection, a due diligence process is performed to ensure that the assets are invested with sufficient security and liquidity and that each of the fund managers is of the appropriate quality and calibre to ensure the quality and profitability of the assets.

NEST invests in a diversified range of asset classes. Within the framework set down by the Trustee, the fund managers have full discretion to buy and sell investments on behalf of NEST Corporation. Our list of mandates and their current managers are:

- global developed equities - UBS Global Asset Management
- global real estate equities - Legal & General Investment Management
- sterling liquidity (money market investments) – BlackRock
- sterling corporate bonds – Royal London Asset Management
- UK gilts - State Street Global Advisors
- UK index-linked gilts - State Street Global Advisors
- diversified beta - BlackRock
- global emerging market equities – Northern Trust Global Investment
- global emerging market equities – HSBC Global Asset Management
- sharia-compliant global developed equities - HSBC Global Asset Management.
- global ethical developed equities - F&C Investments
- ethical sterling corporate bonds – F&C Investments
- direct UK commercial property – Legal & General Investment Management

# Investment committee

The investment committee, together with the chief investment officer (CIO), are responsible for considering and implementing investment decisions in respect of the NEST retirement funds.

The role, responsibilities and delegations of the investment committee and the CIO appear within the governance structure detailed in the Appendix of the SIP, available on the NEST website.\*

During the year the investment committee:

- maintained oversight of the investment and risk management of all NEST retirement funds, including the approval of changes in asset allocation as new asset classes were introduced
- reviewed the dynamic risk management framework
- continued the development and delivery of our responsible investment policies
- gave ongoing consideration to the development of the NEST investment approach
- reviewed the SIP, in consultation with the Employers' and Members' Panels.

The investment committee has overall responsibility for approving fund manager selection, ongoing monitoring and removal, and has appointed the fund managers listed on page 29.

The investment committee receives regular reports in order to review and monitor the NEST scheme assets, the fund managers and some third-party providers as well as investment costs.

# Custodial arrangements

The scheme invests only in pooled funds. This means that the custody, or safekeeping, of the underlying assets in the pooled funds is carried out by the underlying investment manager's custodian. The funds and the respective custodians are detailed in table 1 below.

State Street Bank and Trust Company (SSB) provides fund administration services to ensure that our members' money is managed in line with our investment strategy. It administers the NEST Retirement Date Funds and our additional fund choices.

NEST Corporation reviews the internal control reports produced by the investment managers and SSB on a regular basis. SSB reconciles investments and cash to the investment managers' records on a daily basis.

Table 1: Underlying funds and custodian

Underlying funds	Custodian
UBS Life World Equity Tracker Fund	J P Morgan
BlackRock Aquila Connect Market Advantage Fund	J P Morgan
SSgA UK Conventional Gilts All Stocks Index Fund	State Street Bank and Trust
SSgA UK Index Linked Gilts over 5 Years Index Fund	State Street Bank and Trust
BlackRock Aquila Connect Cash Fund	J P Morgan
Royal London UK Corporate Bond Pooled Pension Fund	HSBC
LGIM Managed Property Fund	LGIM Securities Services
LGIM Global Real Estate Equity Index Tracker Fund	LGIM Securities Services
F&C Responsible Sterling Bond Fund	State Street Bank and Trust
F&C Responsible Global Equity Fund	State Street Bank and Trust
HSBC Amanah Global Equity Index Fund	HSBC Securities Services (Luxembourg)
NT Emerging Markets Custom ESG Equity Index Fund (appointed 8 July 2014)	Northern Trust Fiduciary Services (Ireland)
HSBC GIF Economics Scale Index GEM Equity fund (appointed 27 May 2014)	HSBC Securities Services (Luxembourg) S.A.

# Responsible investment

The scheme owns equities, corporate bonds and other asset classes on behalf of members. We believe that in order to protect and enhance the value of our investments over the long term we must act as a responsible asset owner and market participant.

We integrate the consideration of environmental, social and governance (ESG) issues across all asset classes and markets where practical. In particular, we exercise our ownership rights, including voting and engagement rights, in order to protect members' interests.

We adopt a robust, responsible investment policy across all of our funds to improve corporate standards and ensure all investments are carried out responsibly and sustainably.

The Trustee believes that sound corporate governance can contribute to long-term economic value for the millions of members we expect will be saving in the scheme. As an investor for the long term we also have a special responsibility to encourage companies to be mindful of their effect on the community and the environment in which they operate. The Trustee believes companies that do so have a better chance of sustaining long-term economic success.

We aspire to be a leader in the UK on ownership and governance. Our assets under management are expected to grow significantly over the coming years. As they do so our approach to executing our voting and engagement policy will develop accordingly. Our policies will be used at this stage of our development to:

- hold our fund managers to account on the decisions they make
- set expectations on how we believe companies should behave
- direct engagement with the companies we invest in
- take part in wider debate on corporate governance with regulators and government.

The fund managers we've selected are committed to taking a serious approach to investing responsibly and active ownership. The Trustee meets with its fund managers to discuss their performance with regards to voting, engagement and ESG risk management. More detail on our approach to voting and a report on the voting activity of our fund managers can be found on the NEST website.\*

\* <http://www.nestpensions.org.uk/schemeweb/NestWeb/public/whatisnest/contents/Responsible-investment.html>

# Investment developments

We continue to have significant positions in property and corporate bonds, in addition to equities, and these have both delivered good returns. This is in line with our investment belief that economic conditions and long-term market developments should inform our strategic decisions.

We're gradually building up our portfolios' exposure to emerging markets with an eye on valuation and bearing in mind shorter-term uncertainty.

Around the time of writing we procured a single year maturity gilt fund mandate from Legal & General Investment Management. The aim of incorporating this mandate is to provide improved returns relative to cash in both the Consolidation and Foundation phases of the NEST Retirement Date Funds.

The introduction of single year gilt funds, as well as emerging markets, represent the latest steps to refine our investment strategy for NEST members.

## Delivery developments

In 2014 we sought to enhance our ability to effectively diversify by procuring two emerging markets mandates. Both mandates include features that we believe represent ways of accessing strong and repeatable performance for our members.

The Northern Trust Emerging Markets Custom ESG Equity Index Fund screens out stocks on the basis of certain ESG risks. We believe these risks are particularly pertinent in emerging markets which have less well developed legal and regulatory safeguards for shareholders.

HSBC's GIF Economic Scale Index GEM Equity fund weights companies in proportion to their relative economic footprint, as opposed to their market capitalisation. Alternative index approaches such as this are designed to create more efficient ways of weighting and rebalancing a passively managed portfolio. We believe this allows us to capture the strong economic growth in emerging economies by investing in those companies that best deliver the benefits of that growth to investors.

## Consolidation phase changes

Looking ahead we're making changes to the way we invest in the Consolidation phase of NEST Retirement Date Funds.

NEST Retirement Date Funds that mature between now and 2020 will target cash. Members' pots at retirement will tend to be small in these years and so will be taken as cash lump sums by most members accessing their pots at this point. We expect pot sizes at retirement to be bigger by 2021, and given the freedom and choice in pensions reforms, we'll no longer be targeting an annuity-tracking portfolio.

The at-retirement portfolio for NEST Retirement Date Funds from 2021 will now be targeting an inflation plus return. However we'll keep our approach under review and work to make sure we're meeting the needs of our members. More detail can be found in our *Statement of investment principles* (SIP).

# Employer-related investments

The scheme is not in contravention of subsection (1) of section 40 of the 1995 Pensions Act. See note 9 of the financial statements and the table in appendix 1.

## Fund performance

NEST Retirement Date Funds have performed as expected in a period of positive performance in global developed stock markets. Developed market equity remains by far our most significant asset class holding and our performance in excess of our investment return objectives reflects this. All of our Retirement Date Funds with an inflation plus objective have significant allocations to developed market equity. They've all delivered above-inflation returns. However, like the majority of our members, NEST is investing for the long term rather than focusing on data related to short periods.

There are currently more than 50 separate funds in the different phases of risk management, including our NEST Retirement Date Funds and the alternatives available.

In table 2 we show typical performance for NEST Retirement Date Funds. We also show our five alternative fund choices. Appendix 2 shows the performance of all of the NEST Retirement Date Funds.

Table 2: Performance of NEST funds

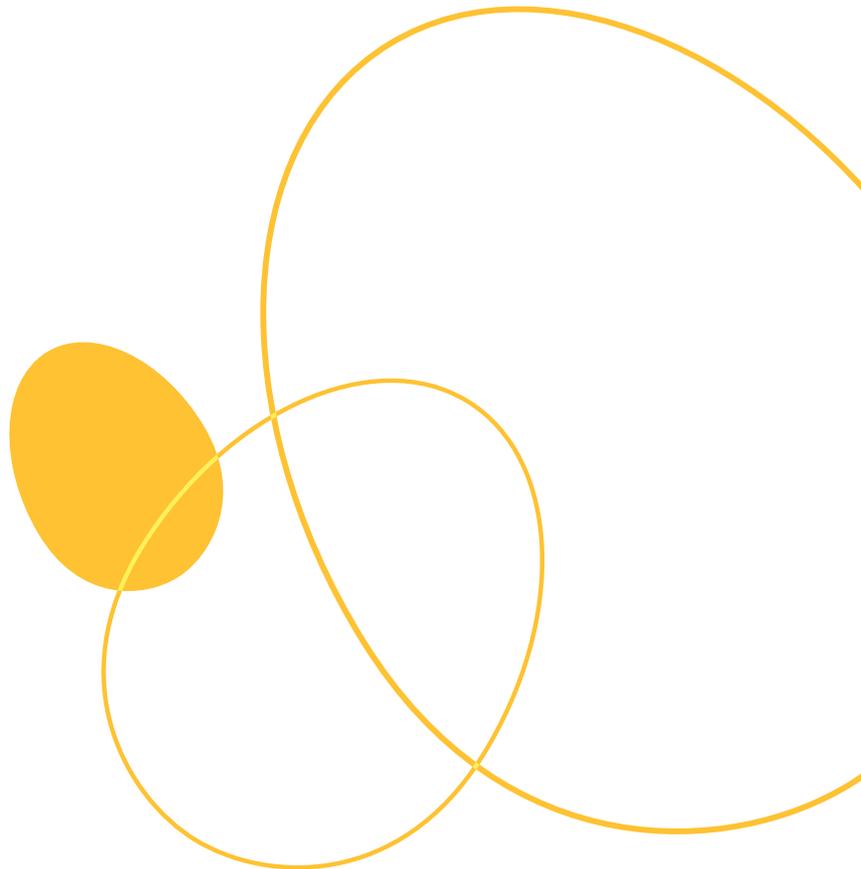
Fund	Benchmark	Fund performance one year to 31 March 2015 %	Benchmark one year to 31 March 2015 %	Annualised fund performance three years to 31 March 2015 %	Annualised benchmark performance three years to 31 March 2015 %	Annualised fund performance since inception (1 August 2011) %	Annualised benchmark performance since inception (1 August 2011) %
NEST Retirement Date Fund in the Foundation phase	*CPI	13.12	-0.08	9.80	1.45	9.37	1.83
NEST Retirement Date Fund in the Growth phase	*CPI + 3%	17.47	2.93	11.68	4.49	10.81	4.88
NEST Retirement Date Fund in its final year of the Consolidation phase	7-day sterling LIBID rate	0.51	0.35	0.96	0.37	1.09	0.39
NEST Ethical Fund (Growth phase)	*CPI + 3%	20.64	2.93	12.58	4.49	12.42	4.88
NEST Sharia Fund	Dow Jones Islamic Market TITANS 100 Index	23.20	21.69	14.73	14.68	14.18	14.62
NEST Higher Risk Fund	Target higher volatility than the NEST Retirement Date Fund growth phase	19.41	N/A	13.65	N/A	12.37	N/A
NEST Lower Growth Fund	7-day sterling LIBID rate	0.43	0.35	0.42	0.37	0.46	0.39
NEST Pre-retirement Fund	75% - Annuity-tracking 25% - 7-day sterling LIBID rate	10.27	7.72	6.56	4.95	7.10	5.37

\* The overarching investment objective of the NEST Retirement Date Funds is to target investment returns in excess of inflation after all charges over the long term. The chosen measure of inflation is the consumer price index (CPI). NEST Retirement Date Funds in the Foundation phase target investment returns equivalent to CPI and coverage of all scheme charges. NEST Retirement Date Funds in the Growth phase target investment returns equivalent to CPI plus 3 per cent and coverage of all scheme charges. NEST Retirement Date Funds in the Consolidation phase have an objective to gradually reduce volatility and manage the tracking error to annuity prices. As such they have no specific return objective. The NEST Ethical Fund has three accumulation phases. The fund performance we've shown is in the Growth phase. It has a return objective of outperforming inflation by more than 3 per cent after all scheme charges.



# Chapter three

## Financial statements



# Independent Auditor's Report to the Trustee of the NEST pension scheme

We have audited the financial statements of the National Employment Savings Trust for the year ended 31 March 2015. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the scheme trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme trustee, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of trustee's responsibilities set out on page 22, the scheme trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website.\*

## Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year ended 31 March 2015 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Kevin Clark  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
26 June 2015

\*<http://www.frc.org.uk/auditscopeukprivate>

# Financial statements

## Fund account for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<b>Contributions and benefits</b>			
Contributions	3	302,377	117,972
Other income	4	585	59
		<b>302,962</b>	<b>118,031</b>
Benefits	5	(651)	(76)
Administrative expenses	6	(5,868)	(1,935)
<b>Net additions from dealings with members</b>		<b>296,443</b>	<b>116,020</b>
<b>Return on investments</b>			
Investment income and management fee rebates	7	98	15
Change in market value of investments	8.1	38,438	1,849
		<b>38,536</b>	<b>1,864</b>
<b>Net increase in the fund during the period</b>		<b>334,979</b>	<b>117,884</b>
<b>Net assets of the scheme at the start of the period</b>		<b>123,893</b>	<b>6,009</b>
<b>Net assets of the scheme at the end of the period</b>		<b>458,872</b>	<b>123,893</b>

## Net assets statement as at 31 March 2015

	Note	31 March 2015 £000	31 March 2014 £000
<b>Assets and liabilities allocated to members</b>			
<b>Investments</b>			
Pooled investment vehicles	8.1/8.2	<b>420,044</b>	104,029
Other investment assets	8.3	<b>4,080</b>	1,434
Other investment liabilities	8.3	<b>(4,175)</b>	(1,456)
<b>Total investments</b>		<b>419,949</b>	104,007
<b>Net current assets</b>			
	9.1		
Current assets		<b>40,662</b>	21,583
Current liabilities		<b>(1,778)</b>	(1,709)
<b>Total net assets allocated to members</b>		<b>458,833</b>	123,881
<b>Assets and liabilities not allocated to members</b>			
<b>Net current assets</b>			
	9.2		
Current assets		<b>85</b>	28
Current liabilities		<b>(46)</b>	(16)
<b>Total net assets not allocated to members</b>		<b>39</b>	12
<b>Total assets of the scheme at the end of the period</b>		<b>458,872</b>	123,893

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Trustee. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the scheme year. The financial statements on pages 39 to 40, including the notes to the financial statements on pages 41 to 47, were signed on behalf of NEST Corporation by:

Otto Thoresen  
Chair  
NEST Corporation  
26 June 2015

Iraj Amiri  
Chair, audit  
committee  
26 June 2015

## Notes to the statutory accounts for the year ended 31 March 2015

### 1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Financial Reports of Pensions Schemes (the revised SORP), Statement of Recommended Practice (revised May 2007).

### 2. Accounting policies

The principal accounting policies of the scheme are as follows:

#### 2.1 Contributions

Contributions from members and employers are accounted for in the pay reference period they are due under the payment schedule.

Contributions made directly by members or other permitted parties are accounted for when received.

Amounts due from HMRC in respect of tax rebates on member contributions are accounted for in the same period as the related member contribution.

Amounts received in excess of the annual contribution cap are not recognised as contributions. They are held in current liabilities until the end of the year when they are either refunded or accepted as contributions for the following year.

Refunds of contributions in relation to members who opt out are accounted for in the period the member notifies NEST of their intention to opt out.

#### 2.2 Transfers

Individual transfers in and out are accounted for on a cash basis.

#### 2.3 Benefits

NEST Corporation may pay benefits to members in the form of:

- pension commutation lump sum
- purchase of an annuity via the open market option
- trivial commutation.

Benefits are accounted for upon notification to NEST Corporation of a member's decision to exercise their option, or upon certification in the case of a death.

#### 2.4 Other income and expenses

Where material, other income and expenditure is accounted for on an accruals basis.

#### 2.5 Charges

Contribution charges of 1.8 per cent are accounted for when contributions are invested. Annual management charges of 0.3 per cent of the value of members' funds under management are accounted for on a daily accrual basis by reduction in the unit price.

#### 2.6 Investments

Investments are included at market value. Pooled investment vehicles are stated at single price as provided by the investment manager.

## 2.7 Change in market value of investments

Change in market value of investments comprises realised gains and losses on investments sold in the period and unrealised gains and losses on investments held at the period end.

Investment income from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the respective unit prices. It is reported within 'change in market value'.

## 3. Contributions

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<b>Contributions from:</b>		
Participating employers	162,570	64,320
less employers' share of refund of contributions for members opting out	<u>(304)</u>	<u>(177)</u>
	<u>162,266</u>	<u>64,143</u>
Members	112,401	43,085
less members' share of refund of contributions for members opting out	<u>(231)</u>	<u>(124)</u>
	<u>112,170</u>	<u>42,961</u>
HM Revenue and Customs	27,956	10,872
less HMRC's share of refund of contributions for members opting out	<u>(15)</u>	<u>(4)</u>
	<u>27,941</u>	<u>10,868</u>
	<u>302,377</u>	<u>117,972</u>

## 4. Other income

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Transfers in - registered pension scheme	308	54
- pension sharing order	277	-
Funding from NEST Corporation	-	4
Other income	-	1
	<u>585</u>	<u>59</u>

## 5. Benefits

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Trivial commutations	550	58
Death benefits payable to beneficiaries	96	11
Serious ill health	1	-
Purchase of annuities	-	6
Transfers out	4	1
	<b>651</b>	<b>76</b>

## 6. Administrative expenses

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Contribution charge	5,144	1,823
Annual management charge	717	112
Sundry costs	7	-
	<b>5,868</b>	<b>1,935</b>

## 7. Investment income and management fee rebates

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Interest income on bank balances	21	5
Dividend income from pooled investment vehicles	3	1
Management fee rebates	74	9
	<b>98</b>	<b>15</b>

## 8. Investments

### 8.1 Investment movements

	B/fwd as at 1 April 2014	Purchases	Sales proceeds	Change in market value	C/fwd as at 31 March 2015
	£000	£000	£000	£000	£000
Pooled investment vehicles (see note 8.2)	104,029	297,798	(20,221)	38,438	420,044
Other investment assets (see note 8.3)	1,434				4,080
Other investment liabilities (see note 8.3)	(1,456)				(4,175)
<b>Total investments</b>	<b>104,007</b>				<b>419,949</b>
<b>Represented by</b>					
Allocated to members (see note 8.4)	104,007				419,949
Not allocated to members	-				-
<b>Total investments</b>	<b>104,007</b>				<b>419,949</b>

### 8.2 Pooled investment vehicles

	31 March 2015 £000	31 March 2014 £000
Managed funds	7,979	120
Unitised insurance policies	412,065	103,909
<b>Total pooled investment vehicles</b>	<b>420,044</b>	<b>104,029</b>
Blackrock Aquila Connect Cash Fund	52,932	12,165
Blackrock Aquila Connect Market Advantage Fund	14,483	13,813
F&C Responsible Global Equity Fund	325	120
F&C Responsible Sterling Bond Fund	54	-
HSBC GIF Economic Scale Index GEM Equity Fund	2,107	-
HSBC Life (UK) Amanah Pension Fund*	-	118
HSBC Amanah Global Equity Index Fund	344	-
LGIM Hybrid Property Fund	75,455	16,780
LGIM Managed Property Fund	120	45
NT Emerging Markets Custom ESG Equity Index Fund	5,149	-
Royal London UK Corporate Bond Pooled Pension Fund	49,314	13,904
SSgA UK Index Linked Gilts over 5 Years Index Fund	19,298	2,550
SSgA UK Conventional Gilts All Stocks Index Fund	28,432	4,523
UBS Life World Equity Tracker Fund	172,031	40,011
<b>Total pooled investment vehicles</b>	<b>420,044</b>	<b>104,029</b>

\* HSBC Asset Management has closed the HSBC Life (UK) Amanah fund and NEST executed an option to transfer all the assets and invest directly into the underlying HSBC Amanah Global Equity Index Fund based in Luxembourg. With the exception of the HSBC Amanah Global Equity Index Fund and the NT Emerging Markets Custom ESG Equity Index Fund, which is based in Dublin, all funds are domiciled in the UK.

### 8.3 Other investment balances

When members' contributions are invested and allocated in accordance with their fund selection contributions are invested into the relevant funds below.

	31 March 2015 £000	31 March 2014 £000
Investment cash including cash in transit	4,069	1,432
Reimbursement due from investment managers	11	2
<b>Other investment assets</b>	<b>4,080</b>	<b>1,434</b>
Amounts due to investment managers in respect of outstanding trades	(4,070)	(1,432)
Annual management charge to be transferred to NEST Corporation	(105)	(24)
<b>Other investment liabilities</b>	<b>(4,175)</b>	<b>(1,456)</b>

### 8.4 Investment assets allocated to members

	31 March 2015 £000	31 March 2014 £000
NEST Retirement Date Funds	416,306	102,810
NEST Higher Risk Fund	2,512	803
NEST Ethical Fund	616	218
NEST Sharia Fund	343	118
NEST Pre-retirement Fund	165	58
NEST Lower Growth Fund	7	-
<b>Total assets allocated to members</b>	<b>419,949</b>	<b>104,007</b>

## 9. Current assets and liabilities

### 9.1 Current assets and liabilities allocated to members

	31 March 2015 £000	31 March 2014 £000
Contributions due from:		
- participating employers	16,817	8,946
- members	11,074	5,789
- HM Revenue and Customs	7,653	4,109
Cash awaiting investment	5,118	2,739
<b>Current assets</b>	<b>40,662</b>	<b>21,583</b>
Benefits payable	(15)	(2)
Other payables	(53)	(10)
Contribution corrections and contribution limit breaches repayable	(211)	(35)
Contributions yet to be allocated to member accounts or returned to employers	(1,499)	(1,662)
<b>Current liabilities</b>	<b>(1,778)</b>	<b>(1,709)</b>

The contributions to be allocated to member accounts relate to cash being held for investment in the next few days.

Outstanding member and employer contributions at the year-end totalled £27,891k (2014: £14,735k). In respect of these outstanding contributions, £25,501k was received by 31 May 2015 (2014: £13,807k by 31 May 2014).

#### Employer-related investments

The balance at 31 March 2015 includes contributions due from employers totalling £8,495k (2014: £2,364k), which were due after their statutory due dates as required by the payment schedules. Whilst these represent employer-related investments at the year end of 1.9 per cent (2014: 1.9 per cent) of the scheme's total net assets, they did not contravene subsection (1) of section 40 of the 1995 Pensions Act. With the exception of £1,427k all of the outstanding contributions from these employers were received by 31 May 2015 (2014: £928k outstanding at 31 May 2014).

## 9.2 Current assets and liabilities not allocated to members

	31 March 2015 £000	31 March 2014 £000
Cash - General Account	31	3
Cash - Other	37	16
Other receivables	17	9
<b>Current assets</b>	<b>85</b>	<b>28</b>
Amounts payable to NEST Corporation	(37)	(16)
Other payables	(9)	-
<b>Current liabilities</b>	<b>(46)</b>	<b>(16)</b>
<b>Net current assets not allocated to members</b>	<b>39</b>	<b>12</b>

## 10. Related-parties transactions

The scheme's Trustee is NEST Corporation, which is a non-departmental public body accountable to the Secretary of State for Work and Pensions. The scheme pays the Trustee the contribution charge and AMC shown in note 6 above. The total amount for the year was £5,861k (2014: £1,935k).

NEST Corporation is a participating employer in the scheme. Contributions of £846k (2014: £817k) were payable by NEST Corporation to the scheme during the year.

Remuneration and pay for Trustee Members is set by the Secretary of State for Work and Pensions.

Where Trustee Members are members of the scheme through self-employment or a participating employer all contributions to the scheme are made on standard business terms. The Trustee pays for all of the running costs of the scheme including the payment of fees for the investment managers, investment fund administrators, the scheme administrators TCS and the auditors. The details of these fees can be seen in the *Annual report and accounts* for NEST Corporation for the year ended 31 March 2015.

# Other useful information

## NEST's contact details

NEST's public website is  
[nestpensions.org.uk](https://www.nestpensions.org.uk)

If you are a member or an employer already using NEST, contact us at [support@nestpensions.org.uk](mailto:support@nestpensions.org.uk) or alternatively at:

**NEST Nene Hall**  
**Lynch Wood Business Park**  
**Peterborough**  
**PE2 6FY**

## Regulation and disputes

### The Pensions Regulator

The Pensions Regulator (TPR) has powers to regulate occupational pension schemes.

It works with trustees, employers, pension specialists and business advisers to protect members' benefits and encourages high standards in running pension schemes.

TPR is able to intervene in the running of schemes where trustees, providers or employers have failed in their automatic enrolment duties.

You can find helpful information about TPR at [thepensionsregulator.gov.uk](https://www.thepensionsregulator.gov.uk)

You can contact TPR at:

**The Pensions Regulator**  
**Napier House**  
**Trafalgar Place**  
**Brighton**  
**East Sussex**  
**BN1 4DW**

Phone: **0845 600 1011**

Email: [customer.support@thepensionsregulator.gov.uk](mailto:customer.support@thepensionsregulator.gov.uk)

## The Pensions Advisory Service

The Pensions Advisory Service (TPAS) provides free independent advice and can help both members and beneficiaries of NEST if they are experiencing problems related to NEST or any other pension scheme.

You can contact TPAS at:

**TPAS**  
**11 Belgrave Road**  
**London**  
**SW1V 1RB**

Phone: **0845 601 2923** (pensions helpline)

Email:  
**enquiries@pensionsadvisoryservice.org.uk**

Website: **pensionsadvisoryservice.org.uk**

## Pensions Ombudsman

The Pensions Ombudsman investigates and determines any complaint or dispute of fact or law, in relation to an occupational pension scheme, which cannot be settled through the Pensions Advisory Service (TPAS) and The Internal Disputes Resolution Procedure.

You can contact the Pensions Ombudsman at:

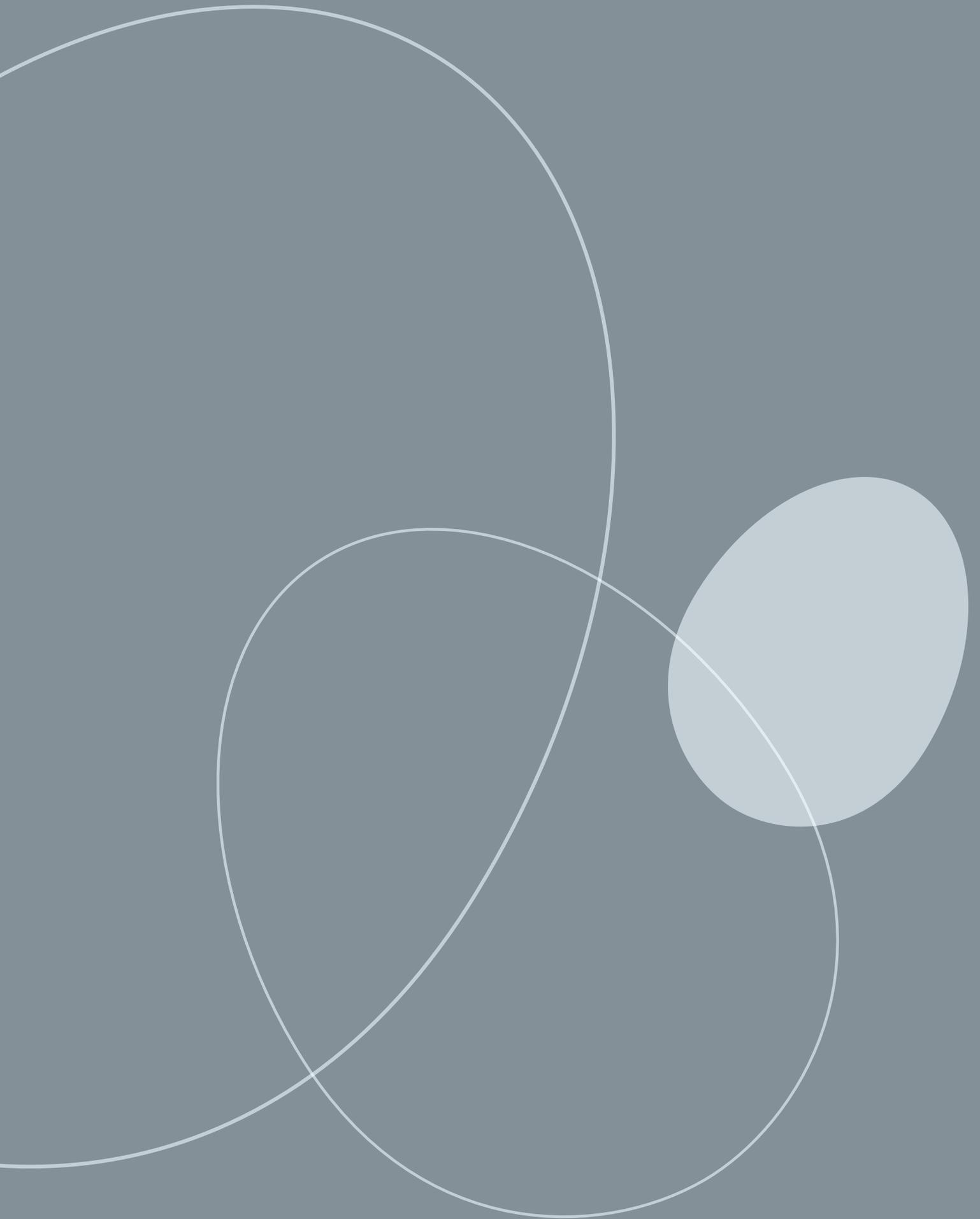
**The Office of the Pensions Ombudsman**  
**11 Belgrave Road**  
**London**  
**SW1V 1RB**

Phone: **020 7630 2200**

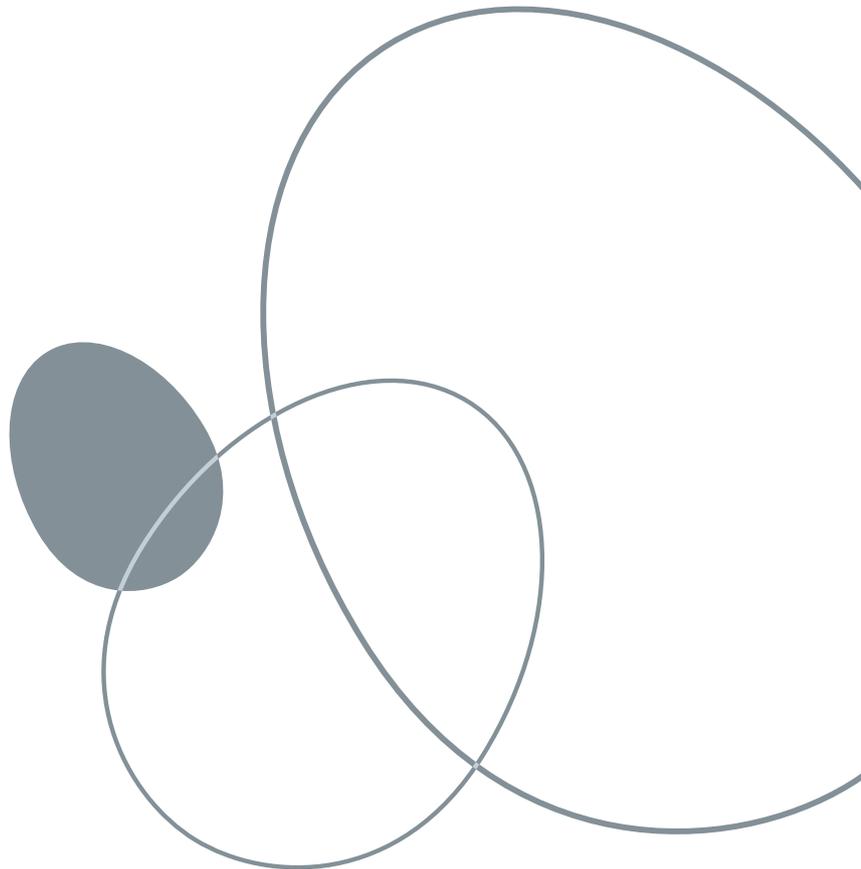
Fax: **020 7821 0065**

Email:  
**enquiries@pensions-ombudsman.org.uk**

Website: **pensions-ombudsman.org.uk**



# Appendices



# Appendix one

## Schedule of the top 100 investments

The top 100 investments as at 31 March 2015 have been calculated on a look-through basis to the underlying holding of the pooled funds invested in by the scheme. The employer-related investments are the participating employers in which the scheme invests at arms-length through the investment managers. Any employer-related investments as a result of late contributions are disclosed in the financial statements - see note 9.

Number	Investments	% of investments	Employer-related investment
1	Apple	0.87%	
2	Strand Island Site London	0.72%	
3	West Cross Industrial Park London	0.51%	
4	Grenfell Park Maidenhead	0.45%	
5	Piccadilly Gardens Manchester	0.45%	
6	Exxon Mobil	0.43%	
7	Procession House London	0.40%	
8	Rackham Birmingham	0.40%	
9	76/88 Wardour Street London	0.40%	
10	Google	0.37%	
11	Microsoft	0.36%	
12	Dolphin Centre Poole	0.35%	
13	The Industrial Property Fund	0.35%	
14	Jackson Square Shopping Centre Bishops Stortford	0.35%	
15	Sainsbury's Cheltenham	0.35%	
16	Sainsbury's Preston	0.35%	
17	Simon Property Group	0.34%	
18	Wells Fargo & Co	0.33%	
19	Johnson & Johnson	0.33%	
20	Berkshire Hathaway	0.31%	
21	Pohjola Pankki OYJ 0.58506% maturity 15 May 2015	0.31%	

Number	Investments	% of investments	Employer-related investment
22	Radobank Nederland NV 1% maturity 3 July 2015	0.30%	
23	General Electric	0.30%	
24	Bechtel House Hammersmith London	0.29%	
25	Fountains Retail Park Tunbridge Wells	0.29%	
26	INTO Newcastle University Newcastle	0.29%	Y
27	Kingswood Retail Park Hull	0.29%	
28	Tesco Distribution Site Widnes	0.29%	Y
29	The Light Leeds	0.29%	
30	Union Plaza Aberdeen	0.29%	
31	Nestlé	0.29%	
32	United Kingdom of Great Britain and Northern Ireland (Government) 1.25% maturity 22 November 2055	0.29%	
33	Novartis AG RS	0.28%	
34	JP Morgan Chase & Co	0.27%	
35	Proctor & Gamble	0.27%	
36	United Kingdom of Great Britain and Northern Ireland (Government) 1.125% maturity 22 November 2037	0.26%	
37	Pfizer	0.25%	
38	United Kingdom of Great Britain and Northern Ireland (Government) 1.875% maturity 22 November 2022	0.25%	
39	United Kingdom of Great Britain and Northern Ireland (Government) 1.25% maturity 22 November 2027	0.25%	
40	ING Bank NV 0.55% maturity 7 April 2015	0.25%	
41	Banque Federative Du Credit Mutuel 0% maturity 1 July 2015	0.25%	
42	Sumitomo Mitsui Banking Corporation 0% maturity 4 June 2015	0.25%	
43	United Kingdom of Great Britain and Northern Ireland (Government) 2.5% maturity 16 April 2020	0.25%	
44	HSBC Bank 0.55963% maturity 16 October 2015	0.24%	

Number	Investments	% of investments	Employer-related investment
44	HSBC Bank 0.55963% maturity 16 October 2015	0.24%	
45	United Kingdom of Great Britain and Northern Ireland (Government) 2.5% maturity 17 July 2024	0.24%	
46	HSBC Bank 0.55963% maturity 11 March 2016	0.24%	
47	United Kingdom of Great Britain and Northern Ireland (Government) 0.375% maturity 22 March 2062	0.24%	
48	United Kingdom of Great Britain and Northern Ireland (Government) 4.25% maturity 7 June 2032	0.24%	
49	Samsung Electronics	0.24%	
50	United Kingdom of Great Britain and Northern Ireland (Government) 0.75% maturity 22 November 2047	0.24%	
51	Bridge & Riverview Uxbridge	0.24%	
52	194/198 Cambridge Science Park Cambridge	0.24%	
53	Lotus Park Staines	0.24%	
54	Stevenage Leisure Park Stevenage	0.24%	
55	United Kingdom of Great Britain and Northern Ireland (Government) 5% maturity 7 March 2025	0.24%	
56	Verizon Communication	0.24%	
57	Chevron Corp	0.24%	
58	United Kingdom of Great Britain and Northern Ireland (Government) 0.5% maturity 22 March 2050	0.24%	
59	BNP Paribas 0.66% maturity 5 August 2015	0.24%	
60	Roche Holdings DRC	0.23%	
61	Royal Dutch Shell	0.23%	
62	United Kingdom of Great Britain and Northern Ireland (Government) 4% maturity 7 March 2022	0.23%	
63	Bank of Nova Scotia 0.67688% maturity 8 April 2015	0.23%	
64	United Kingdom of Great Britain and Northern Ireland (Government) 4.75% maturity 7 December 2030	0.23%	
65	United Kingdom of Great Britain and Northern Ireland (Government) 0.125% maturity 22 March 2044	0.23%	
66	Toyota Motor	0.22%	
67	United Kingdom of Great Britain and Northern Ireland (Government) 2% maturity 26 January 2035	0.22%	

Number	Investments	% of investments	Employer-related investment
68	United Kingdom of Great Britain and Northern Ireland (Government) 0.75% maturity 22 March 2034	0.22%	
69	United Kingdom of Great Britain and Northern Ireland (Government) 1.25% maturity 22 November 2032	0.22%	
70	United Kingdom of Great Britain and Northern Ireland (Government) 0.625% maturity 22 November 2042	0.22%	
71	United Kingdom of Great Britain and Northern Ireland (Government) 0.625% maturity 22 March 2040	0.21%	
72	United Kingdom of Great Britain and Northern Ireland (Government) 4.5% maturity 7 September 2034	0.21%	
73	United Kingdom of Great Britain and Northern Ireland (Government) 4.5% maturity 7 March 2019	0.21%	
74	Walt Disney	0.21%	
75	Facebook	0.21%	
76	United Kingdom of Great Britain and Northern Ireland (Government) 4.25% maturity 7 December 2027	0.21%	
77	Coca Cola	0.20%	
78	United Kingdom of Great Britain and Northern Ireland (Government) 4.5% maturity 7 December 2042	0.20%	
79	United Kingdom of Great Britain and Northern Ireland (Government) 5% maturity 7 March 2018	0.20%	
80	AT&T	0.20%	
81	United Kingdom of Great Britain and Northern Ireland (Government) 4.75% maturity 7 March 2020	0.20%	
82	United Kingdom of Great Britain and Northern Ireland (Government) 4.75% maturity 7 September 2015	0.20%	
83	ING Bank London 0.55% maturity 1 May 2015	0.20%	
84	Banque Federative Du Credit Mutuel 0% maturity 1 July 2015	0.20%	
85	HSBC Holdings	0.20%	
86	Banque Federative Du Credit Mutuel 0% maturity 2 April 2015	0.20%	
87	Merck & Co	0.20%	
88	United Kingdom of Great Britain and Northern Ireland (Government) 0.25% maturity 22 March 2052	0.19%	
89	Nieuw Receivables Corporation 0% maturity 22 April 2015	0.19%	
90	Bank of America	0.19%	

Number	Investments	% of investments	Employer-related investment
91	United Kingdom of Great Britain and Northern Ireland (Government) 4% maturity 7 September 2016	0.19%	
92	United Kingdom of Great Britain and Northern Ireland (Government) 4.75% maturity 7 December 2038	0.19%	
93	United Kingdom of Great Britain and Northern Ireland (Government) 4.25% maturity 7 December 2055	0.19%	
94	International Business Machines	0.19%	
95	Plaza House Camden London	0.19%	
96	The Leisure Fund	0.19%	
97	101 Victoria Street & Mitchell Lane Bristol	0.19%	
98	Citigroup	0.19%	
99	United Kingdom of Great Britain and Northern Ireland (Government) 4.25% maturity 7 March 2036	0.18%	
100	United Kingdom of Great Britain and Northern Ireland (Government) 0.125% maturity 7 March 2029	0.18%	

# Appendix two

## NEST Retirement Date Funds performance

NEST Retirement Date Fund	Fund performance one year to 31 March 2015 <sup>1</sup> %	Annualised fund performance three years to 31 March 2015 %	Annualised fund performance since inception <sup>2</sup> %	Inception
NEST Starter fund <sup>3</sup>	13.79	10.09	9.60	1 August 2011
2061 retirement fund	-	-	3.75	1 January 2015
2060 retirement fund	12.69	-	9.75	1 December 2013
2059 retirement fund	13.08	-	10.95	1 January 2013
2058 retirement fund	13.11	9.81	9.88	1 January 2012
2057 retirement fund	13.12	9.80	9.37	1 August 2011
2056 retirement fund	13.31	9.84	9.40	1 August 2011
2055 retirement fund	13.74	9.94	9.48	1 August 2011
2054 retirement fund	14.35	10.14	9.65	1 August 2011
2053 retirement fund	15.24	10.47	9.91	1 August 2011
2052 retirement fund	16.12	10.89	10.32	1 August 2011
2051 retirement fund	17.25	11.38	10.71	1 August 2011
2050 retirement fund	17.46	11.50	10.78	1 August 2011
2049 retirement fund	17.47	11.67	10.91	1 August 2011
2048 retirement fund	17.46	11.69	10.91	1 August 2011
2047 retirement fund	17.47	11.66	10.80	1 August 2011
2046 retirement fund	17.46	11.69	10.82	1 August 2011
2045 retirement fund	17.46	11.69	10.82	1 August 2011
2044 retirement fund	17.46	11.69	10.82	1 August 2011
2043 retirement fund	17.47	11.64	10.78	1 August 2011
2042 retirement fund	17.46	11.64	10.78	1 August 2011
2041 retirement fund	17.45	11.65	10.79	1 August 2011
2040 retirement fund	17.47	11.68	10.81	1 August 2011
2039 retirement fund	17.46	11.66	10.80	1 August 2011
2038 retirement fund	17.46	11.68	10.81	1 August 2011

NEST Retirement Date Fund	Fund performance one year to 31 March 2015 <sup>1</sup> %	Annualised fund performance three years to 31 March 2015 %	Annualised fund performance since inception <sup>2</sup> %	Inception
2037 retirement fund	17.45	11.66	10.80	1 August 2011
2036 retirement fund	17.45	11.65	10.79	1 August 2011
2035 retirement fund	17.45	11.65	10.79	1 August 2011
2034 retirement fund	17.45	11.67	10.80	1 August 2011
2033 retirement fund	17.45	11.67	10.80	1 August 2011
2032 retirement fund	17.45	11.64	10.78	1 August 2011
2031 retirement fund	17.44	11.61	10.75	1 August 2011
2030 retirement fund	17.44	11.66	10.80	1 August 2011
2029 retirement fund	17.46	11.66	10.79	1 August 2011
2028 retirement fund	17.44	11.56	10.72	1 August 2011
2027 retirement fund	17.45	11.72	10.85	1 August 2011
2026 retirement fund	17.44	11.66	10.80	1 August 2011
2025 retirement fund	17.46	11.66	10.79	1 August 2011
2024 retirement fund	16.96	11.56	10.71	1 August 2011
2023 retirement fund	16.25	11.22	10.44	1 August 2011
2022 retirement fund	15.53	10.63	9.90	1 August 2011
2021 retirement fund	14.80	10.11	9.53	1 August 2011
2020 retirement fund	14.06	9.64	9.20	1 August 2011
2019 retirement fund	13.32	9.10	8.81	1 August 2011
2018 retirement fund	12.61	8.58	8.43	1 August 2011
2017 retirement fund	4.14	3.81	3.78	1 August 2011
2016 retirement fund	2.52	2.72	2.78	1 August 2011
2015 retirement fund	0.92	1.63	1.76	1 August 2011
2014 retirement fund	0.51	0.96	1.09	1 August 2011
Post-retirement fund <sup>4</sup>	0.51	-	0.46	1 November 2013

<sup>1</sup> Our overall benchmark for the NEST Retirement Date Funds is to outperform inflation. Inflation in this financial year has been -0.08%.

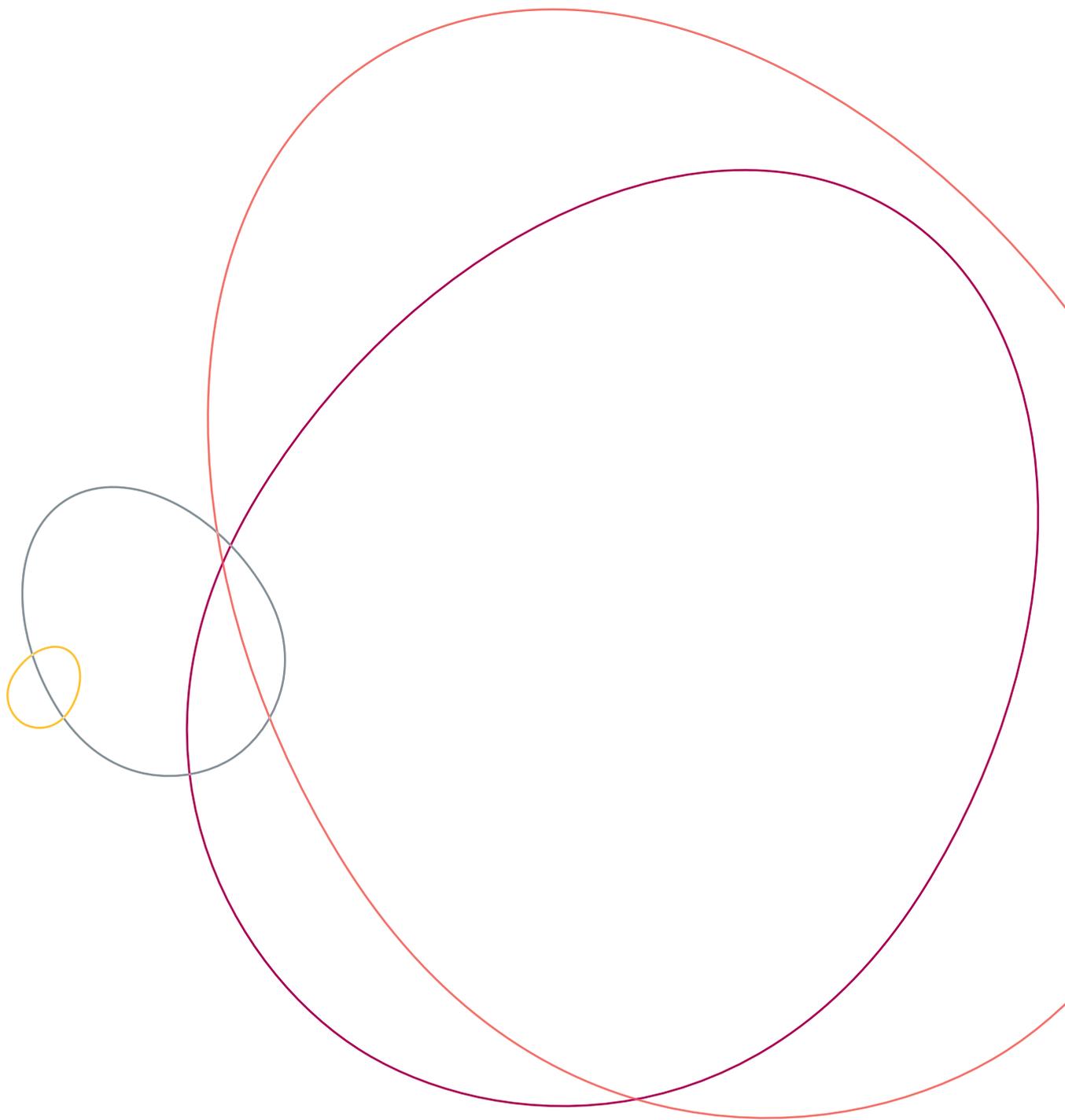
<sup>2</sup> Our overall benchmark for the NEST Retirement Date Funds is to outperform inflation. Inflation since 1 August 2011 has been 1.83%.

<sup>3</sup> This fund is for individuals between the ages of 16 to 22 who have an expected retirement date beyond the range of available NEST Retirement Date Funds.

<sup>4</sup> This fund is for those members whose NEST Retirement Date Fund has matured and been closed, and the members have yet to take their retirement benefits.

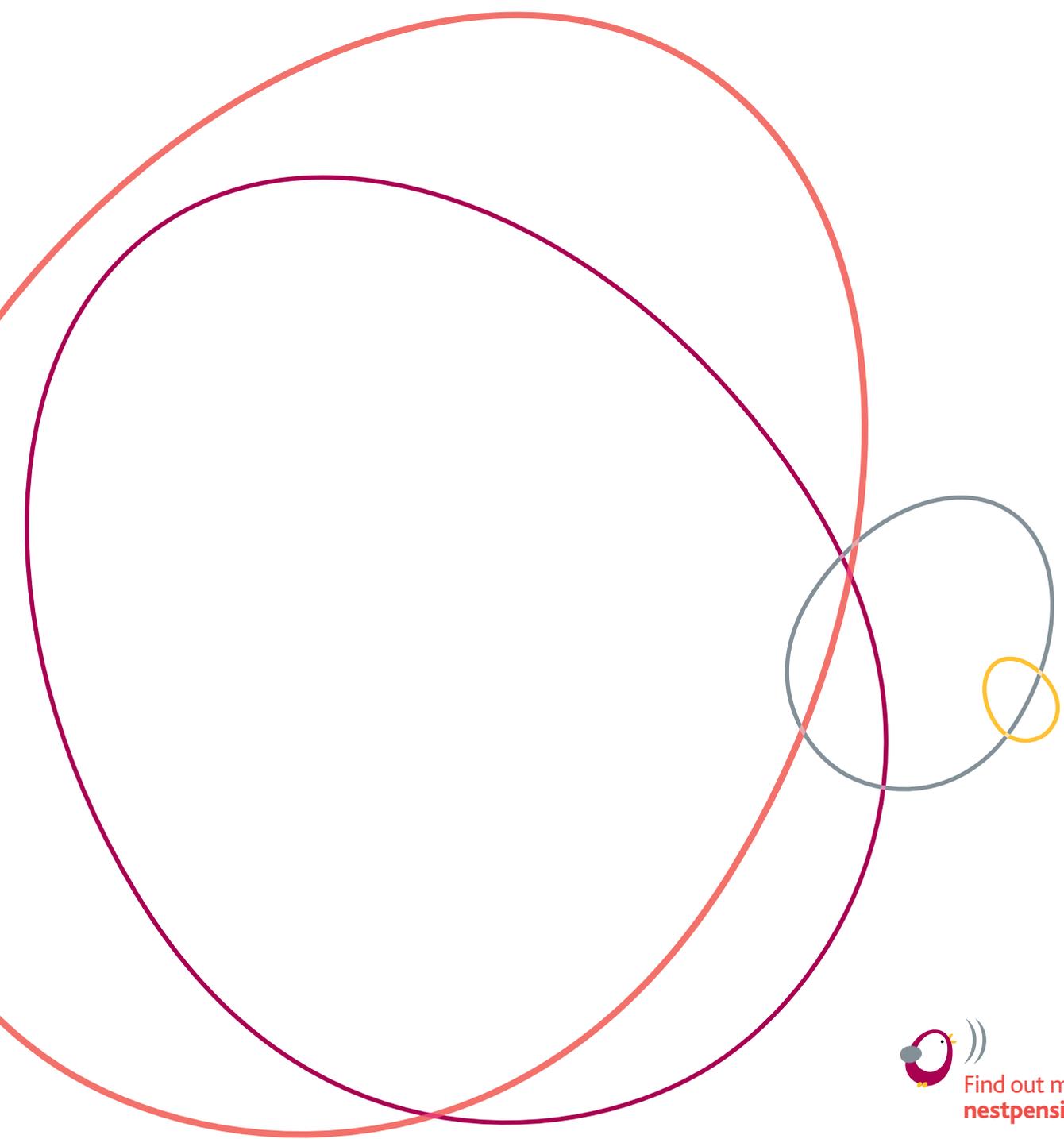






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