Nest Corporation's response to Rule Change Consultation published in March 2026

August 2026

Foreword

On 4 March 2026, we issued a public consultation on proposed changes to the Nest Rules to provide a framework for flexi-access drawdown (FAD) and related retirement and death benefit options. The consultation ran from 4 March 2026 to 29 April 2026.

This document summarises the responses we received, and our response to the points raised. We received two responses, both of which were broadly supportive of what we were seeking to achieve. Our Members' Panel and Employers' Panel were also consulted and were supportive of the proposed changes.

Having considered all of the responses, we have decided to **proceed with the rule changes as set out in the consultation document, without amendment**. The revised Nest Rules incorporating these changes will be published on our website. This is expected to be in late August/early September 2026.

We would like to thank everyone who took the time to consider our proposed changes and to respond.

Summary of responses and our response to them

We received two responses to the consultation: one from a pensions, investment, employee benefits and wealth advisory firm, and one from a user of Nest. Both were positive and supportive of the proposed changes. We believe the low overall response rate reflects the fact that, as made clear in the consultation document, this was a technical consultation on the operational and legal framework for drawdown (and related benefits), rather than a consultation on whether Nest should be able to offer FAD (and these other benefits). This had already been decided and has been given effect to by legislation amending the National Employment Savings Trust Order 2010.

We asked three questions. A summary of the comments received and our response to each follows.

Question 1

Do you agree that the proposed Rule changes provide an appropriate legal and operational framework for the introduction of flexi-access drawdown and the other benefit options?

Summary of comments received

Both respondents agreed. The user of Nest confirmed their agreement, without further comment. The other respondent agreed that the legal and operational aspects would be covered and clear to administrators, and considered that the changes would allow Nest to offer drawdown on a level playing field with other private sector providers. They felt this was an important step in widening access to drawdown for members who value its flexibility, particularly in the early years of retirement.

That respondent raised two further points under this question. First, in relation to the "other benefits" referred to in the consultation, they suggested there could be greater clarity, and that being more explicit about the benefits provided (for example, whether they extend to benefits such as life assurance) would be preferable to leaving the definition open. Second, on small pots compatibility, they noted that, as the small pots consolidation framework develops and members are allocated to default consolidators, it would be desirable to have consistency in the provisions - including drawdown - available across consolidators. They also emphasised the importance of aligning drawdown with good-quality member communications.

Our response

We welcome the confirmation that the proposed changes provide an appropriate and clear framework. As regards the 'other benefits' referred to in the consultation, we would clarify that these are set out in the amended Rules and also in the changes to the National Employment Savings Trust Order 2010. They are the payment of a scheme pension to the member and, where the member has died, the payment of a dependant's scheme pension or of a drawdown pension to a dependant of the member, a nominee of the member or a successor of the member. The "if and to the extent that the Trustee determines" wording in the Rules, relates to whether those options are offered, rather than what they are. This approach is consistent with the way other benefits are provided for under the scheme rules and with market practice, and it allows Nest to introduce these options over time without needing further rule changes. We are satisfied that the drafting achieves its intended aim and do not consider a change is needed. Benefits such as life assurance were not within the scope of this consultation.

We welcome the point on small pots compatibility. The consistency of provisions across small pots consolidators is a wider policy and operational matter that we expect will be considered as the legal framework relating to small pots develops; we do not believe it currently requires any change to the rule amendments consulted on. We agree on the importance of clear communications and will aim to ensure members receive effective and timely information about how drawdown works and how they can use it tax-efficiently.

Question 2

Do you have any other comments on the drafting approach or the interaction between the pension account and drawdown account?

Summary of comments received

The pensions and advisory firm respondent considered that the distinction between the pension account and the drawdown account was applied in a way that is consistent with the approach taken by other providers, and so should be readily understood by members and employers who use Nest. The user of Nest commented that it would be useful to have the option to make a partial transfer to a self-invested personal pension (SIPP), potentially of earlier tax years' funds.

Our response

We welcome confirmation that the drafting is consistent with market practice and readily understood. On the point raised by the user of Nest, the proposed amendments to Rule 23 give the Trustee the power to allow partial transfers of the pension account and to allow the pension account and/or drawdown account to be transferred (including to another registered pension schemes such as a SIPP), subject to legislation and to the transfer being authorised for tax purposes. We therefore consider this is already accommodated by the changes consulted on and that no further amendment is needed. The Trustee will subsequently need to decide the extent to which it wishes to offer these options.

Question 3

Do you believe there are any other additional rule changes in respect of the introduction of these benefit options we should be considering?

Summary of comments received

The user of Nest did not identify any further changes. The pensions and advisory firm respondent reiterated its suggestion that there is scope to be more specific about the range of benefits offered. It also noted the appetite among employers for collective defined contribution (CDC) provision and suggested that, given the anticipated lower-than-average pot sizes of Nest members, Nest should consider how it could provide a CDC offering as soon as the relevant provisions (for unconnected multiple employer schemes) allow.

Our response

On the range of benefits, our response is as set out under Question 1. On CDC, this falls outside the scope of both this consultation and the current Order changes, which concern flexi-access drawdown and related benefits. We note the interest in CDC and in secure, steady retirement income for members with smaller pots. This is a matter that may be considered separately as the legislative framework for CDC - including for unconnected multiple employer schemes - develops, but it does not affect the rule changes consulted on here.

Our decision

Having fully considered all of the responses received, and following consultation with our Members' Panel and Employers' Panel, the Trustee is satisfied that the rule changes achieve the goals set out in the consultation in a straightforward manner. We will therefore proceed to make the amendments to the Scheme Rules as set out in the consultation document, without amendment.

Next steps

The updated Nest Rules incorporating these changes will be published on our website. The date on which the changes take effect will be confirmed on the Nest website but is expected to be in late August/early September 2026.

We would like to thank all parties for their continued engagement with Nest as we work to develop the scheme in the best interests of our members.