



NEST's Investment Approach for the default fund

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Overview

- What is NEST?
- Development of NEST's Investment Approach
- The default fund - NEST Retirement Date Funds



The image features a solid orange background. A large white semi-circle is positioned on the right side, overlapping the orange area. The text "What is NEST?" is centered within this white semi-circle.

What is NEST?

Pensions Commission recommendations

Fairer and more generous State Pension

- Basic State Pension re-linked to earnings
- Coverage of BSP and S2P broadened
- S2P to become flat-rate over time

Extending working lives

- State Pension Age to increase to 68 by 2055
- Measures to support older workers

Increasing private savings

- Automatic enrolment into workplace pensions
- Mandatory employer contributions
- National low-cost scheme

What's changing?

Now

Employers choose whether to contribute

Active choice often needed from employee

Behavioural barriers to take up

Uneconomic for existing providers to supply lower earners

Saving is a 'minority sport'

2012 - 2016

Employers have to offer a contribution to eligible jobholders

Do nothing = get a pension

Automatic enrolment

NEST is designed for Workers typically earning up to around £35,000

Saving is the norm

What is NEST?

A new
trust-based
pension
scheme

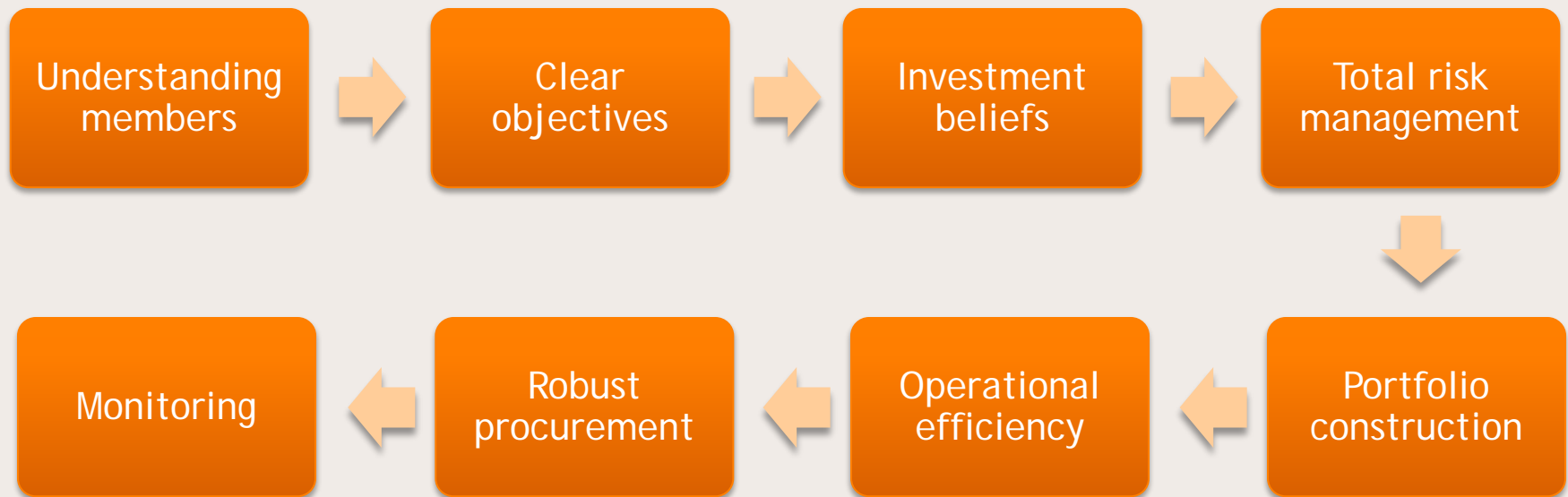
Public service
obligation to
accept all
employers

Low charge,
easy to use,
portable
scheme



Development of
NEST's Investment
Approach

Process for designing NEST's investment solution



NEST's investment values



Member
centricity

- A DC proposition with high standards of investment governance
- Accompany our members through all the phases of the pension/savings journey
- Recognising and meeting the very specific needs of our membership

What do members want and need from the product?

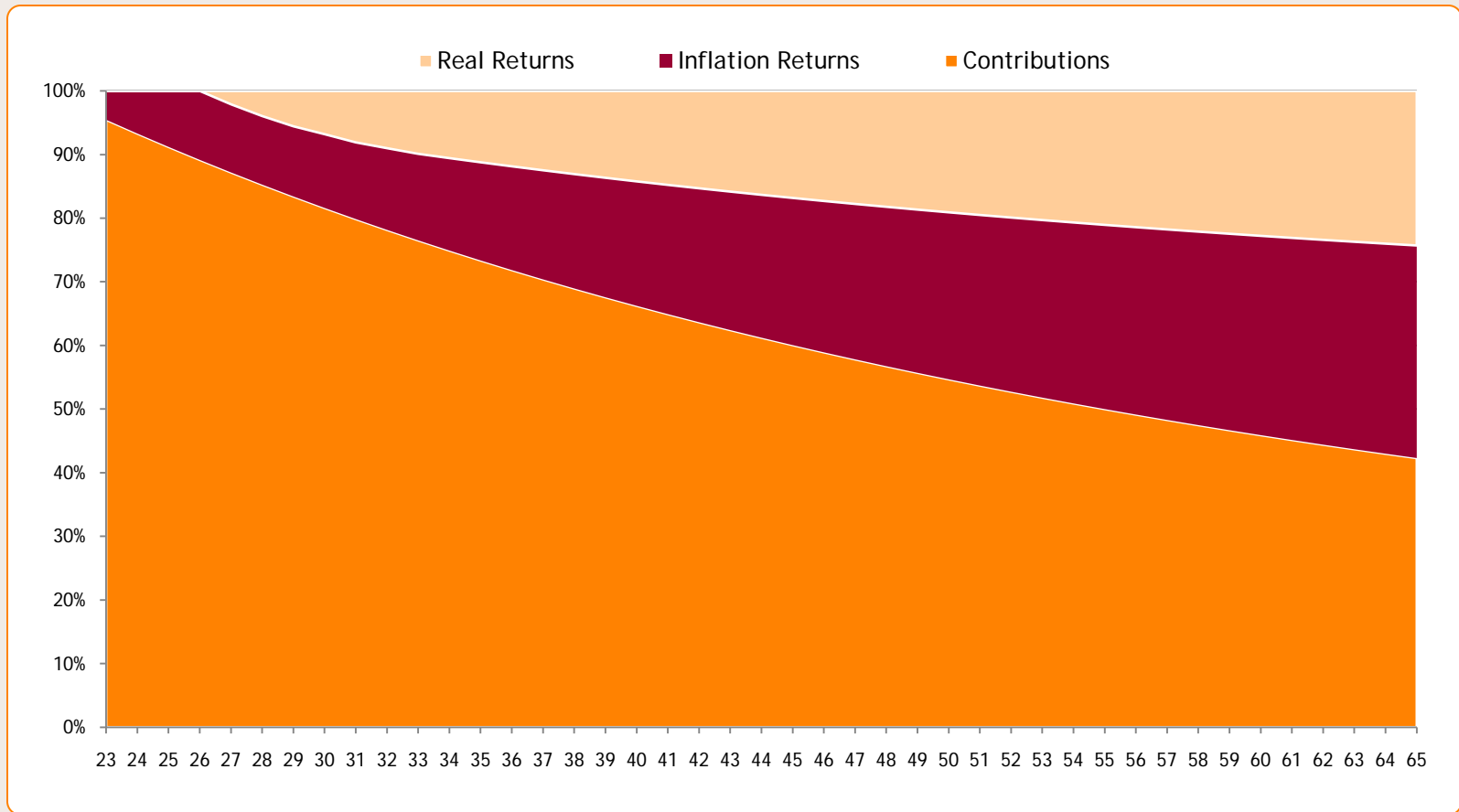
Risk people
want to take

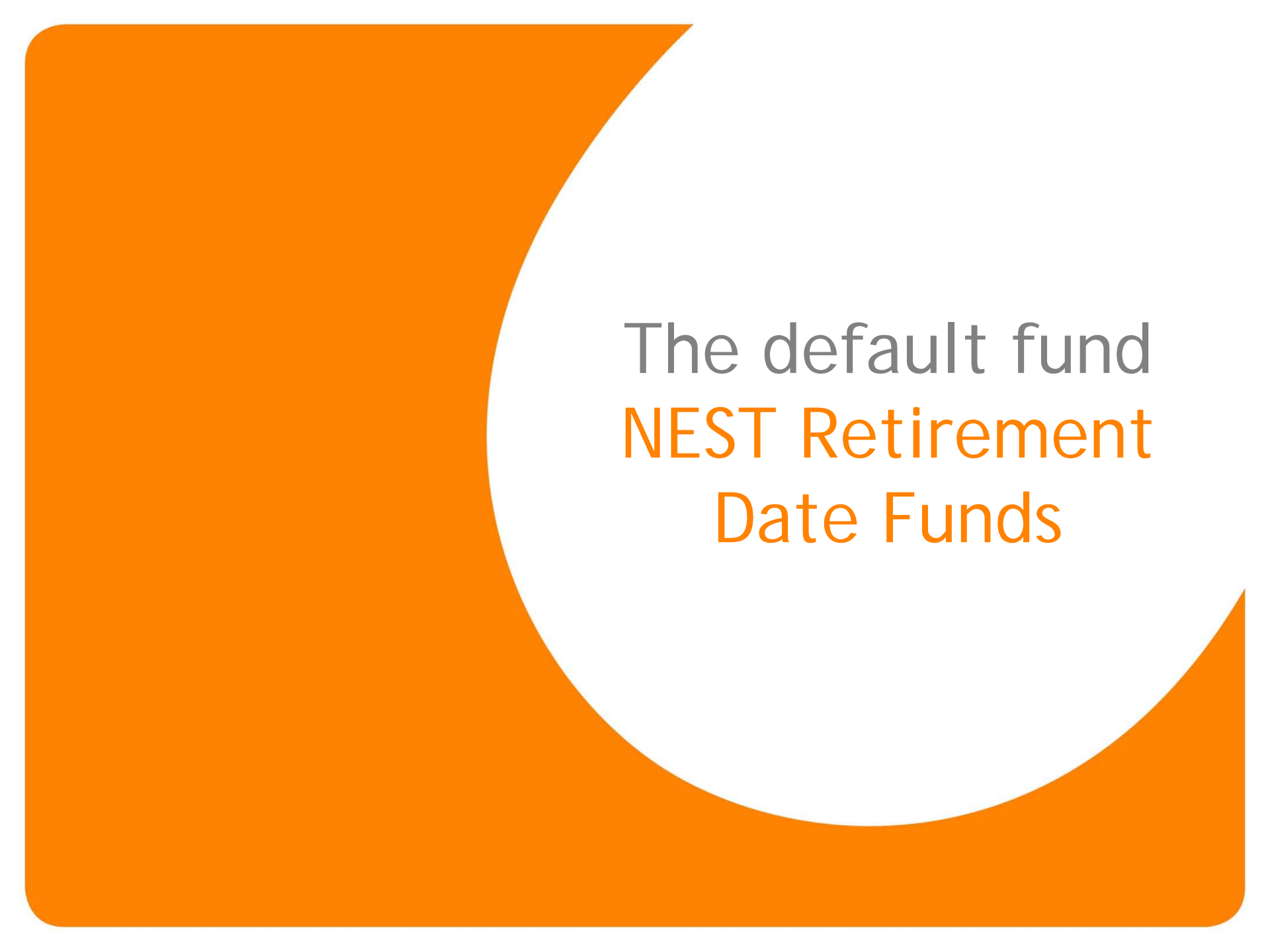
Risk people
can take



Risk people
need to take

Importance of persistency





The default fund
NEST Retirement
Date Funds

NEST's investment values



Ongoing
management

- A dedicated governance and investment team
- In-house expertise supported by the best-in-class service providers
- Tailor-made operational and monitoring platform

NEST Retirement Date Funds - funds for everyone

- Age based investment funds to meet members' needs

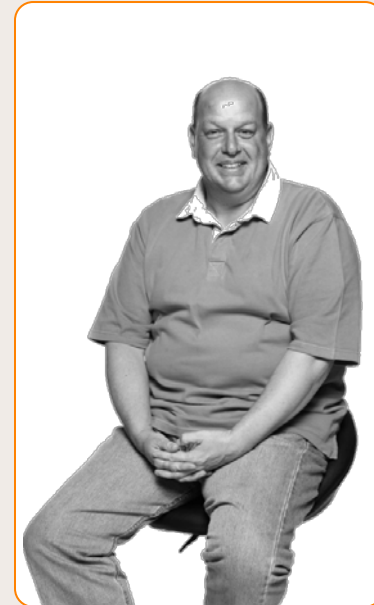
Your NEST 2058 fund



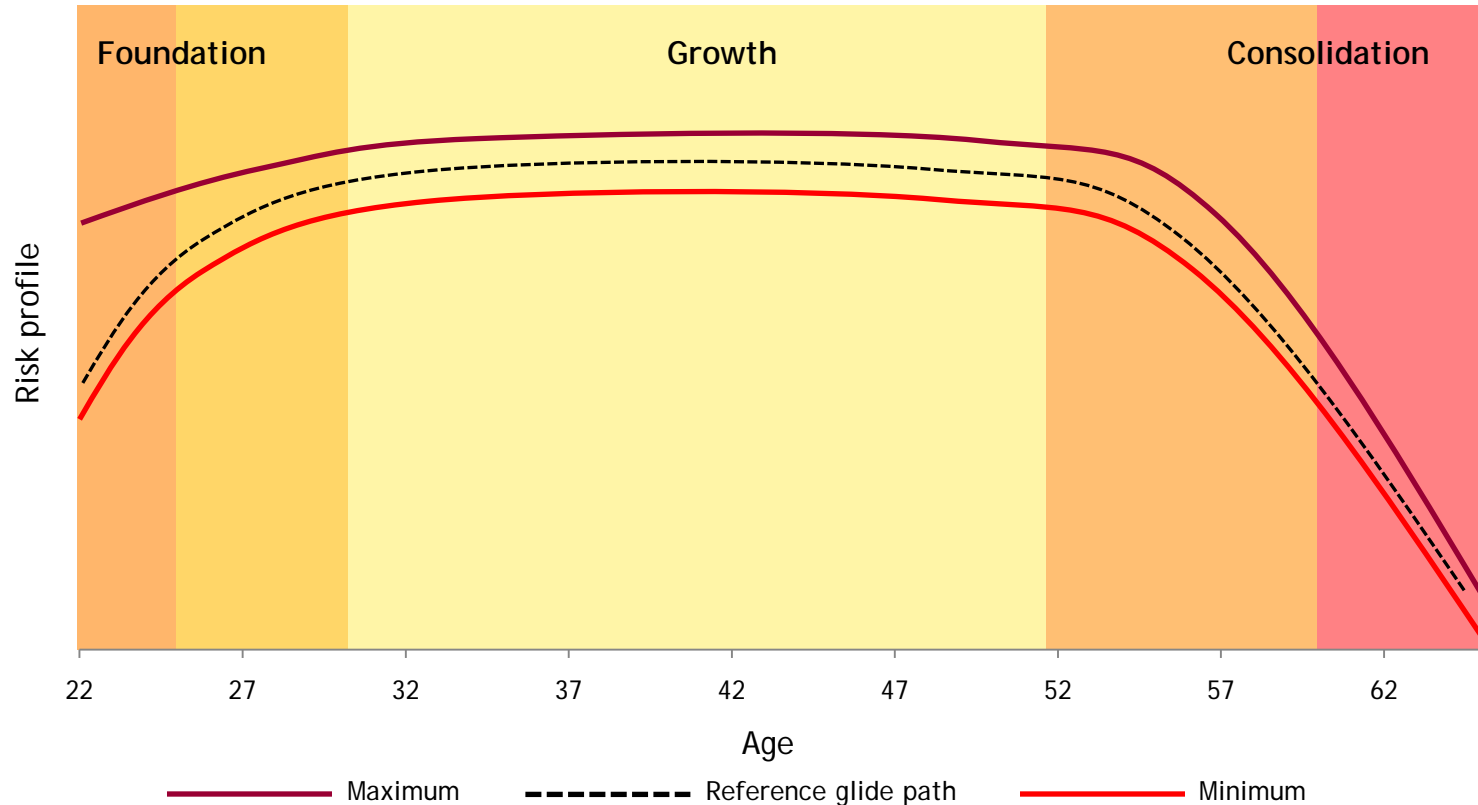
Your NEST 2042 fund



Your NEST 2017 fund



The three phases of saving for NEST Retirement Date Funds



Investment objectives for three phases of saving for NEST Retirement Date Funds

Foundation

- Unaccustomed to savings
- Loss aversion - high
- Risk capacity and risk need - low
- Target CPI

Growth

- Risk appetite, and risk capacity - medium
- Risk need - higher
- Sensitive to extreme shocks
- Maximise performance
- Target CPI + 3%

Consolidation

- Preserve a retirement income
- Track annuity prices
- Convert to a suitable annuity option
- Cannot take severe losses late in the journey

NEST fund structure



Your NEST
2058 Fund



Your NEST
2039 Fund



Your NEST
2020 Fund

Income Seeking
Composite Fund

Return Seeking
Composite Fund

Annuity Tracking
Composite Fund

Passive Gilts

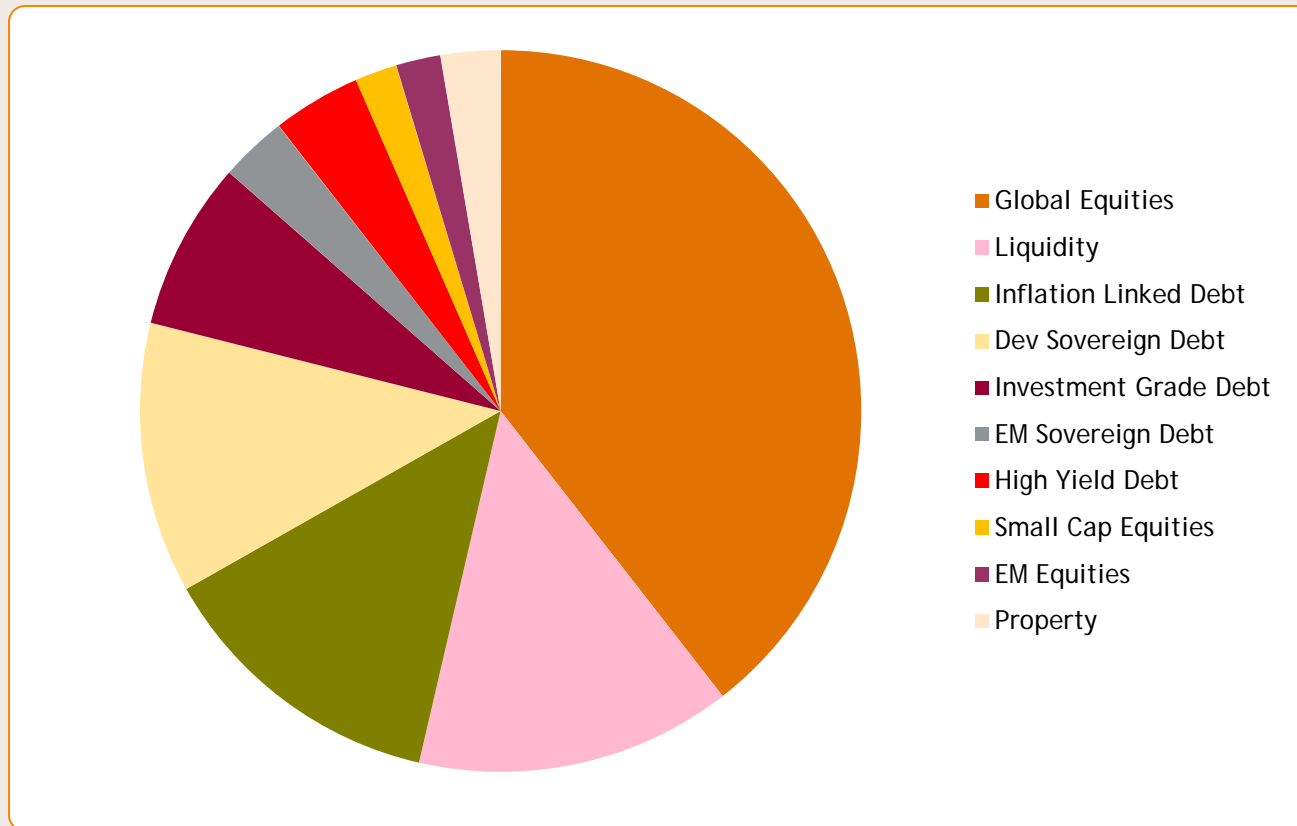
Passive Index
Linked Gilts

Liquidity

Passive Global
Equity

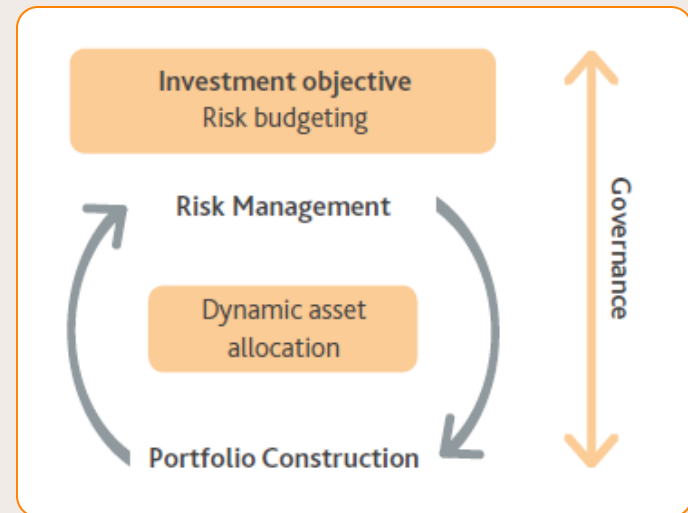
Diversified
Beta

Diversified asset allocation



Risk Management at the heart of the process

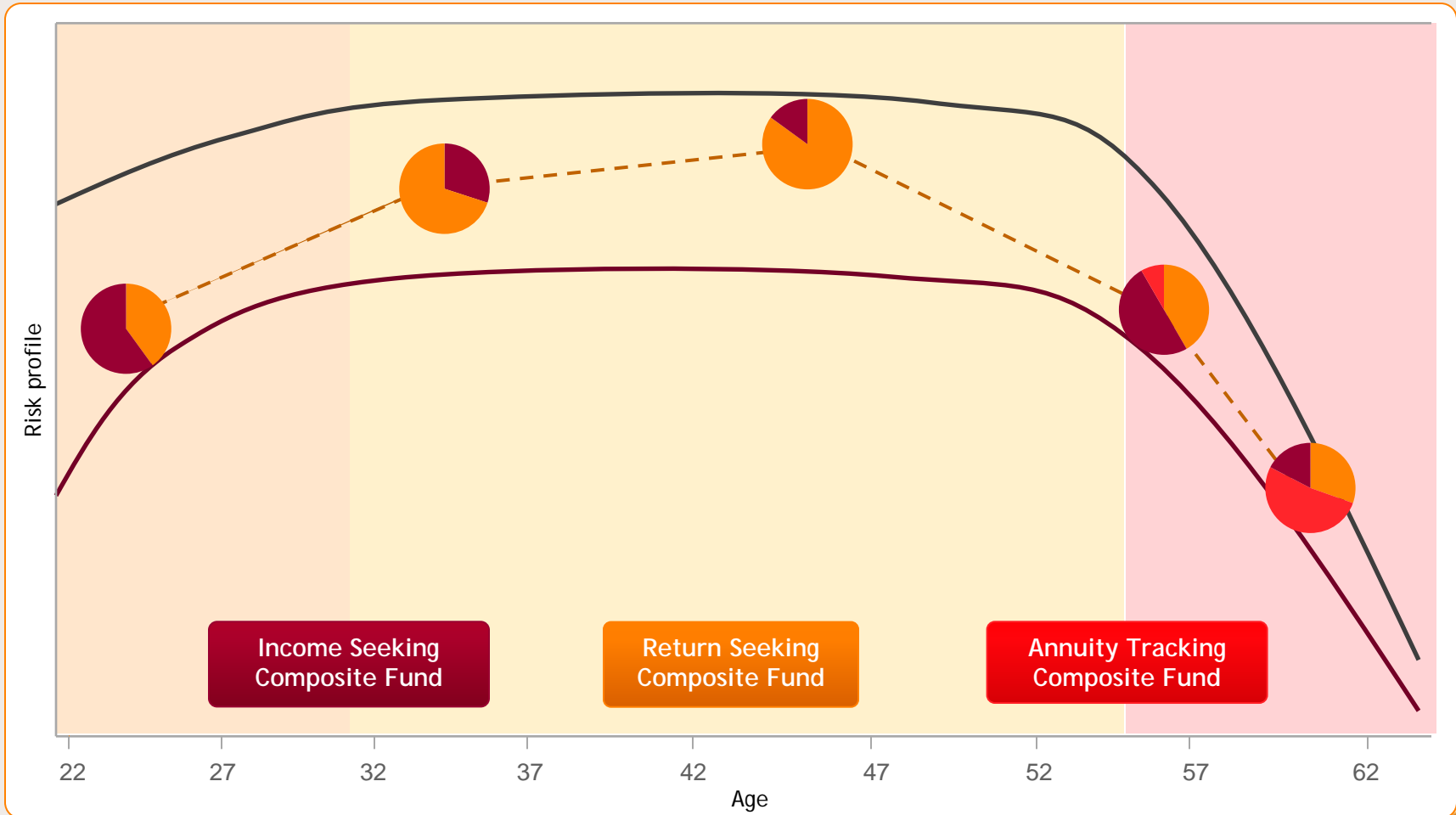
1. Is the portfolio risk aligned with the investment objective?
2. Do we understand all the risks in the portfolio?
3. Have we taken on unintended risk?



Lifecycle of 2058 Retirement Fund



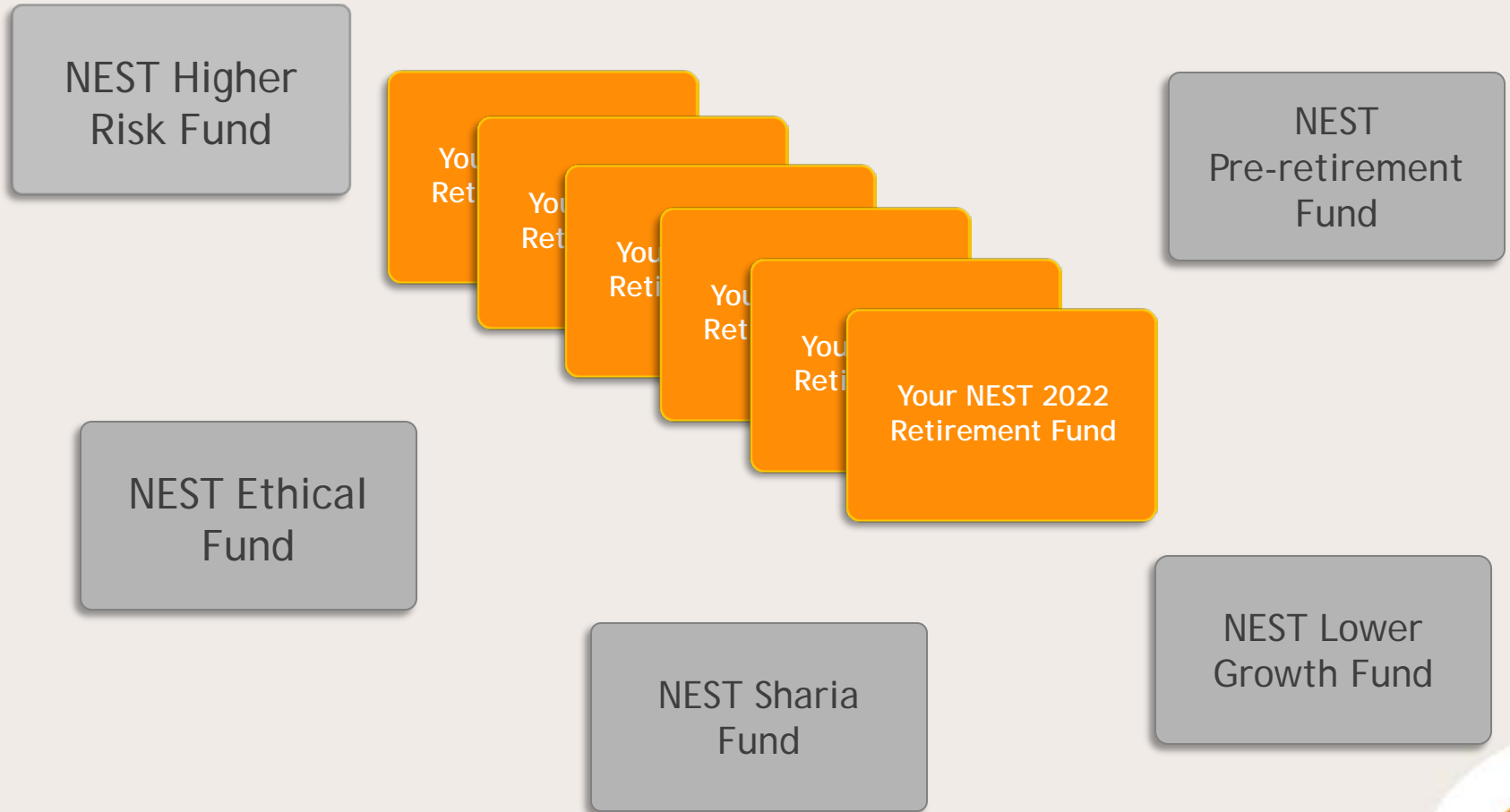
2058



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Proposition to meet all our members' needs



Summary of key features

- Series of yearly target date funds - the NEST Retirement Date Funds
- Diversified asset allocation
- Dynamic risk management

