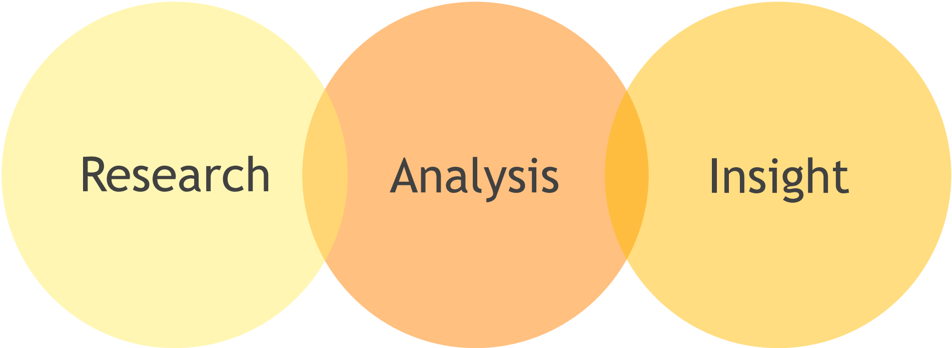
DC communications

What lessons have we learned?

Legal information

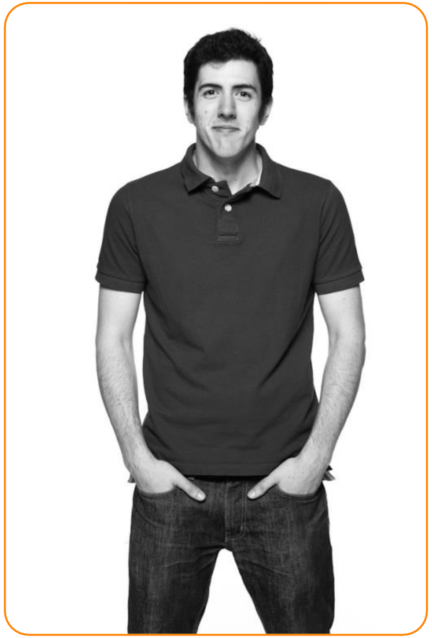
Understanding what people want from a pension

- We've designed the scheme around the needs of our future employers and members



A ‘typical’ jobholder?

- Based on an analysis of the dominant characteristics, we might surmise that a typical employee in the target market is like:



Jack:

- male
- earning £18,000
- under 35 years of age
- not used to saving and has never had a pension before
- has access to the internet

NEST’s core values

Transparency

Ease

Empowerment

Ideal and actual journeys

Ideal journey		Actual journey
Join in mid-20s	**Participation**	Most never save
Consistent contributions that increase over time	**Contributions**	Broken records and most not saving enough
Actively engaged	**Engagement**	Don’t think about it
Start planning their retirement before consolidation	**Consolidation**	Think about retirement planning but don’t act

Applying behavioural insights

"Traditional" approach	Behavioural insights	NEST approach
Active member choice is the best outcome	Status quo bias	Accommodate member inertia
Information up-front to encourage participation	Participation through auto-enrolment	Communication and engagement after enrolment
Start by asking "How much should I contribute?"	Save More Tomorrow	Longer-term approach to encouraging saving
Educational communication enables informed decisions	Bounded rationality	Design defaults around the needs of most members
Higher risk investments for younger members	Aversion to volatility and loss	Avoid stimulating loss-aversion on joining

Example - appropriate fund choice

NEST Pre-retirement Fund

NEST Lower Growth Fund

NEST Higher Risk Fund

- Diversified
- Lifestyled
- Low cost

NEST Sharia Fund

- Low cost

NEST Ethical Fund

- Diversified
- Dynamic
- Lifecycled

Stages of the member journey

Stage	Key characteristic	Member perspective	What good looks like
Reassure	Proof of principle	Is putting my money away in a pension something I'm willing to do? I want evidence or experiences that address potential barriers – particularly emotional ones	Reassured Comfortable Confident
Prove	Proof of concept	Is the experience of being in NEST confirming this was a good thing to do Is NEST is right for me? Do the mechanics of the scheme work?	Reassured Comfortable Confident
Normalise	Consistency	Does everything still stack up? I want reinforcement and consistency of what has gone before Is it there when I want it to be?	Reassured Committed Re-committed (inertia)
Transition	Decision-making	I want some handholding and support	Decisive Confident

Role of the employer

Employer

Pre-enrolment

Reassurance

Ask a colleague or friend

Do some research online

NEST

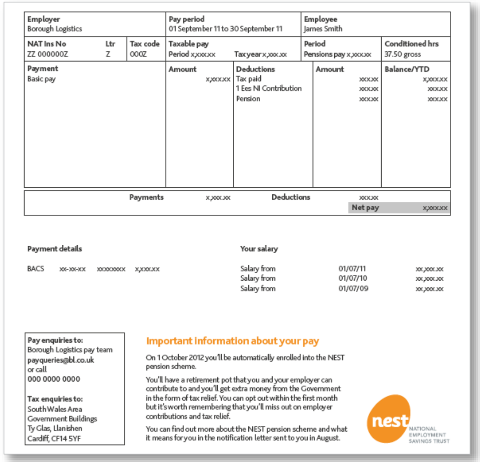
Post enrolment

Proof

See if it makes sense

Try the website

Workplace communications



Employer Borough Logistics			Pay period 01 September 11 to 30 September 11		Employee James Smith	
NAT Ins No ZZ 000000Z	Ltr Z	Tax code 000Z	Taxable pay Period x,xxx.xx Tax year x,xxx.xx		Period Pensions pay x,xxx.xx	Conditioned hrs 37.50 gross
Payment Basic pay			Amount x,xxx.xx	Deductions Tax paid 1 Ees NI Contribution Pension	Amount xxx.xx xxx.xx xxx.xx	Balance/YTD x,xxx.xx xxx.xx xxx.xx
		Payments	x,xxx.xx	Deductions	xxx.xx	Net pay x,xxx.xx

Payment details

BACS xx-xx-xx xxxxxxxx x,xxx.xx

Your salary

Salary from	01/07/11	xx,xxx.xx
Salary from	01/07/10	xx,xxx.xx
Salary from	01/07/09	xx,xxx.xx

Pay enquiries to:
Borough Logistics pay team
payqueries@bl.co.uk
or call
000 0000 0000

Tax enquiries to:
South Wales Area
Government Buildings
Ty Glas, Llanishen
Cardiff, CF14 5YF

Important Information about your pay

On 1 October 2012 you'll be automatically enrolled into the NEST pension scheme.

You'll have a retirement pot that you and your employer can contribute to and you'll get extra money from the Government in the form of tax relief. You can opt out within the first month but it's worth remembering that you'll miss out on employer contributions and tax relief.

You can find out more about the NEST pension scheme and what it means for you in the notification letter sent to you in August.

nest NATIONAL EMPLOYMENT SAVINGS TRUST

How this plays out in action

What we've seen	Under the surface
Only 8% opt out…	…but you're three times more likely to opt out in your 50's than in your 20's
Only 3-4% of newly enrolled members register their account…	…but this number almost doubles within a year
Members who've logged in look the same as the overall membership…	…but they're twice as likely to believe their future is secure, and to feel well informed about saving for the future
A quarter of users who log in view their investment choices…	…but only 0.25% of the population switches out of the default funds

…and then the Chancellor stood up

- More flexibility and wider choices for members
- Opportunities for new ways to turn pots into incomes
- Challenge to help members identify suitable retirement options
- Getting this right needs careful consideration
- We plan to consult widely throughout the year

Ideal and actual journeys

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At retirement: choice versus defaults

- Broadly speaking, members in pension schemes fall in to three distinct categories

High financial capability and experience	Less financial experience	Very little financial experience and low levels of engagement
Engaged with their pension saving and have a clear plan for retirement. Likely to seek financial advice and be prepared to pay	May well want to engage but likely to find financial decision making daunting – worrying about making poor decisions Less likely to want to pay for professional financial advice	These members will need a lot of support from providers, probably in the form of default strategies.

- Defaults and appropriate choices matter at retirement, too