



Nest employer webinar November 2022



Investment update 2022

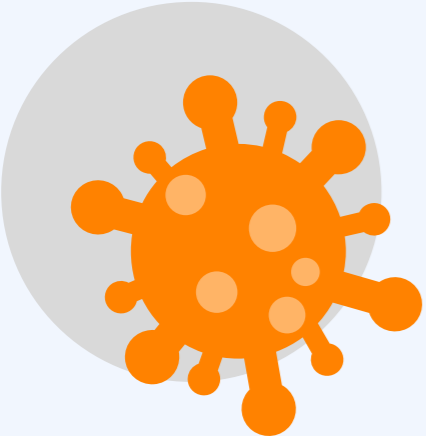
Mark Fawcett

Chief Investment Officer

nestpensions.org.uk

What's been happening in 2022?

COVID'S not gone away



Soaring energy costs



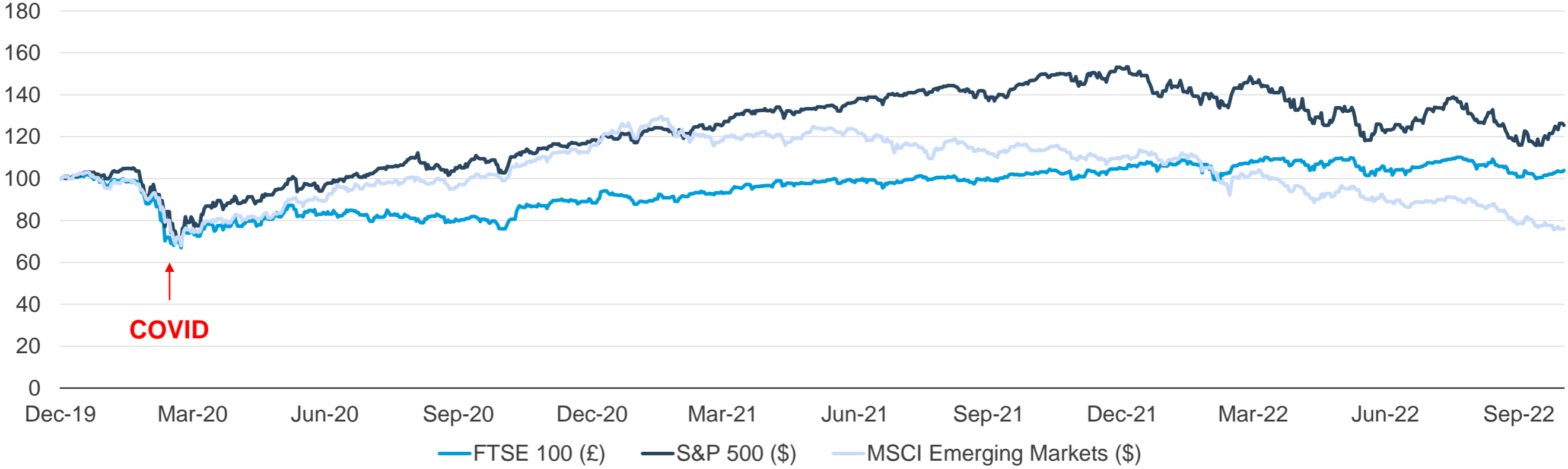
Recovery pushing up prices



Mini budget

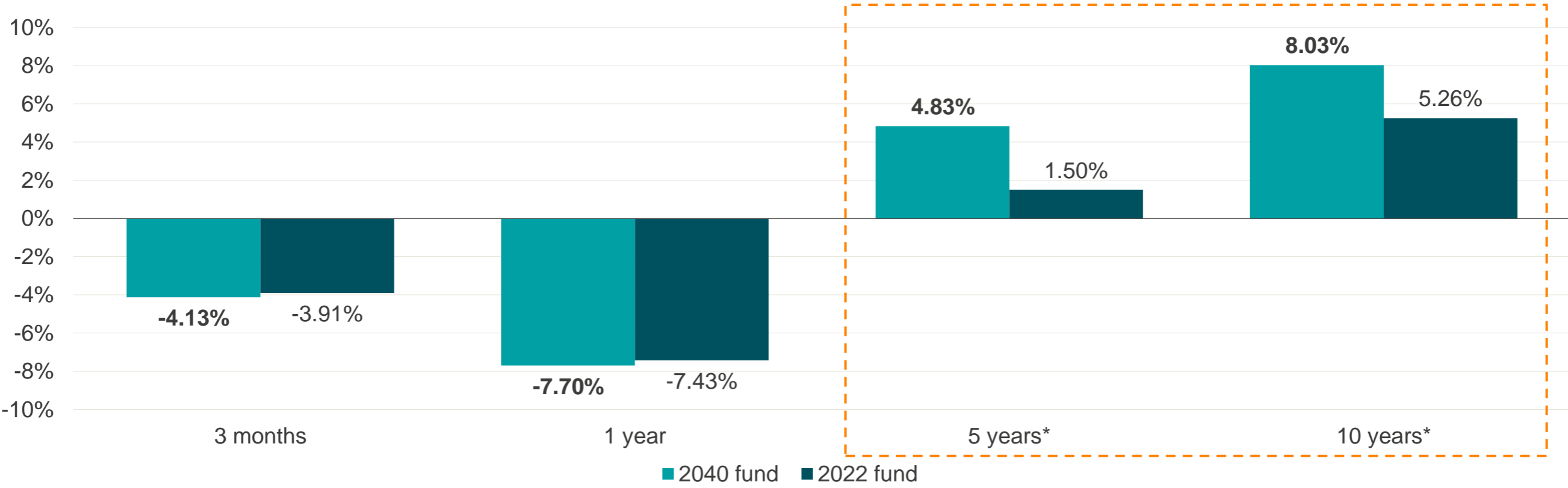


What are global stock markets doing?



Source: FTSE 100 Index, S&P Index and MSCI Emerging Market Index data through 31 October 2022

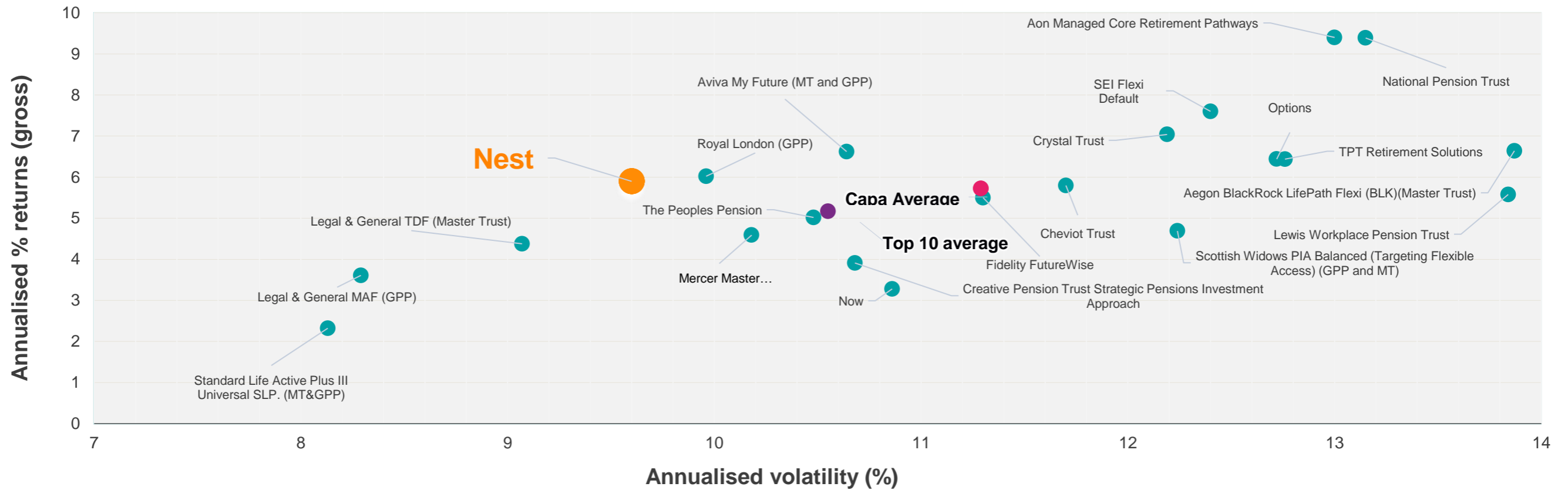
It's long-term performance that members should focus on



* Annualised returns data as at October 2022. Figures are net of Nest's annual management charge and transaction costs but not contribution charges.

How does Nest's investment performance compare?

Nest is delivering amongst the best risk-adjusted returns. We are achieving returns above market average and doing so at significantly lower levels of investment risk



Source: Corporate Adviser capa data showing five year annualised gross returns and levels of risk for the main default fund(s) of each provider for the asset mix for a member 30 years from retirement age. Data as at 30/6/22. Corporate Adviser's Master Trust and GPP Default Fund Report, April 2022 shows top 10 providers by assets under management as: Legal & General, Aviva, Scottish Widows, Aegon, Standard Life, Fidelity, Nest, People's Pension, Mercer and Royal London.

Our 2040 Retirement Date Fund

We're truly diversified, with investments in a broad range of **global markets**



- 48.9% Climate aware global developed equities
- 0.4% Short duration investment grade bonds
- 1.4% Private equity
- 5% Private credit
- 6.1% Global investment grade bonds
- 7.7% Climate aware global emerging market equities
- 1.4% Global listed property
- 2.6% Commodities
- 6.3% Hybrid property (UK direct & REITs)
- 4.8% Emerging market debt
- 5% Global high yield bonds
- 4% Sterling corporate bonds
- 2.2% Infrastructure equity
- 3% Infrastructure equity- renewables
- 0.9% Low risk sterling liquidity
- 0.01% Derivatives

Source: Data as at end September 2022 (Nest 2040 Retirement Fund). Figures shown to decimal place and may be affected by rounding

UK inflation expectations (long term)



Source: Bloomberg

We've started to look to private markets

Private Equity



Private Equity



Diversified credit including global corporate loans



Real estate debt



Infrastructure debt



Global Core Infrastructure



Renewables



UK Infrastructure





Hornsea One

- > One of the world's largest offshore windfarms
- > Located off the Yorkshire coast
- > 407 square kilometres in size
- > 174 turbines
- > 1.2GW capacity – powering 1,000,000 UK homes



Brigg Biomass Power Plant

- > Locally sourced fuels (straw and miscanthus)
- > Support jobs in the local agricultural and logistics sectors
- > The plant provides enough electricity to supply 75,000 homes and saves over 250,000 tons of CO2 every year – equivalent to nearly 70 million miles driven by an average car



Rodene Wind Farm

- > The onshore wind farm, located outside Alingsås in southern Sweden
- > The project will produce enough electricity to:
 - displace an estimated 230,000 tonnes CO2 equivalent emissions every year
 - power the equivalent of 40,000 Swedish homes
 - Construction has been carefully planned not to interrupt the breeding season of the local osprey bird



Eclipse – Local Electrical Connections

- > Eclipse is an Independent Distribution Network Operator (IDNO) business that owns and manages electricity network connections
- > Eclipse will play a fundamental role in the UK's decarbonisation targets. As more customers electrify services and new homes are built with electric-only utility service, the demand for businesses like Eclipse will grow.

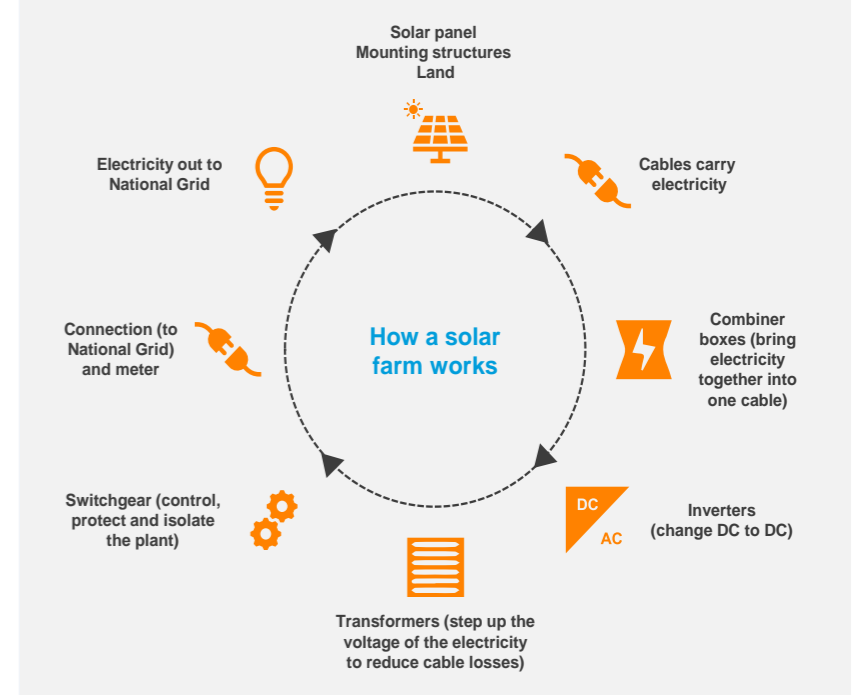


Astrid – Commercial & Industrial Solar

- > Operational portfolio of 68 commercial rooftop PV installations in the UK
- > The projects are located across England, Wales and Scotland with the greatest concentration in the south where irradiance is the highest

Pingewood Solar Farm

- > The solar farm, located in Reading, England
- > Capacity:15.4 MW
- > Site is located on a redundant landfill site
- > Demonstrates that solar farms can revive brownfield sites unsuitable for other forms of development and generate green electricity



Workplace emergency saving: An autosave approach

Emma Stockdale

Nest Insight

BlackRock

 **Invesco**

nestinsight.org.uk



About Nest Insight

A public benefit research unit that works to support people to be financially secure, both today and into retirement.

- › **Rigorous, cutting-edge research**, working collaboratively with industry and academic partners to understand the financial challenges facing low- and moderate-income households
- › **Practical, real-world solutions** tested and identified through data-driven insights
- › **Findings shared widely and freely** so that people around the world can benefit from Nest Insight's work.



Workplace emergency saving

Participation in payroll saving does not reflect appetite or need

People need to save

- › Almost half of people have less than £500 in savings and a quarter have less than £100.
- › 1 in five people often borrow, use a credit card, or an overdraft to pay for essentials like food and bills.
- › 1 in eight workers report that money worries affect their ability to concentrate at work.

People want to save

- › 8 in ten of those struggling with bills and commitments think Jars (a hybrid payroll saving product) could help them.
- › 9 in ten people say emergency savings are important.

People don't get around to saving

- › 98% of people who say Jars will help them, do not sign up in the first year.
- › Participation in payroll saving is frequently below 10%.
- › *“I considered going for it, I don't know why I didn't do it, I didn't get around to it.”*

Employee



Trialling payroll autosave with SUEZ and TransaveUK

- › Are participation rates higher among workers offered access to payroll savings where they automatically start saving if they don't 'opt out,' compared to if they are required to 'opt in'?
- › Do we see any impact on downstream behaviours or other saving and borrowing?

BlackRock

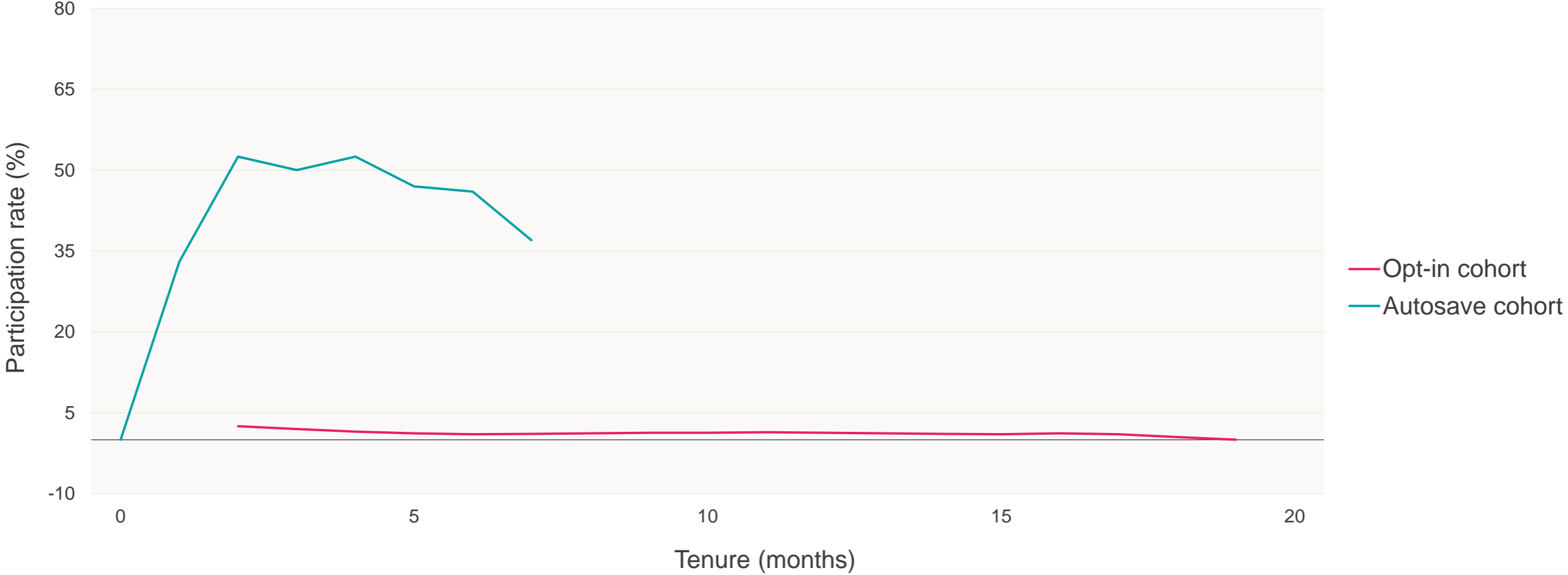


How does payroll autosave work?



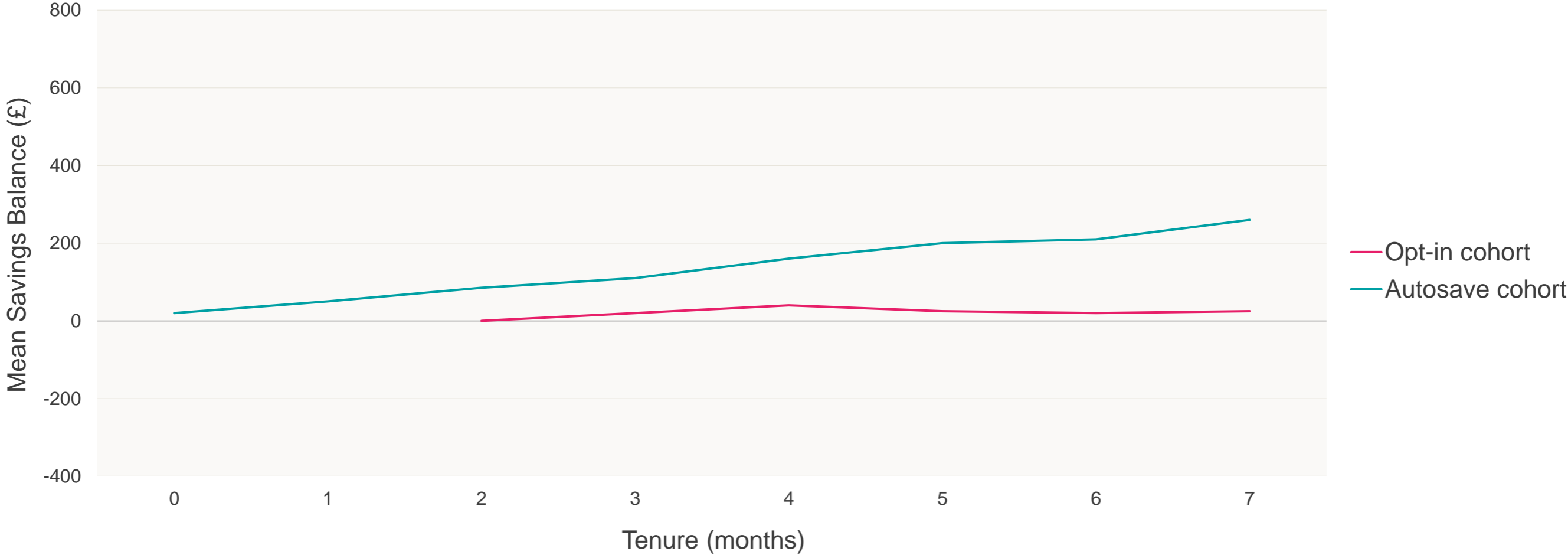
- › All employees who joined SUEZ after 1 November 2021 are automatically signed up to save £40 into a TransaveUK saving account, unless they opt out
- › Communications are transparent and easy to understand to allow employees to make the best decision for their situation
- › Communications are on the intranet, onboarding platform, emails, payslips, and to the home address to ensure employees are aware of what was happening
- › Individuals wanting to opt out completed a quick and easy one-step process

Higher levels of participation



Source: Berk et al., (2022)

Higher saving balances



Source: Berk et al., (2022)

What next?



More data. We're still in the early stages of data collection and so we will continue to look at participation, saving balances and the impact on pensions until December 2023.



More questions. We've only started looking at the data and there are lots more questions we can explore.



More contexts. We're hoping to run similar trials using different opt-out mechanisms and populations to explore the boundaries of any effects.

Recent research

www.nestinsight.org.uk/research-library-emergency-savings/

nest insight

Does payroll autosave support employees to get started with saving?

— Preliminary results from a trial of an opt-out approach to workplace saving

BlackRock. Money & Pensions Service

nest insight

Payroll saving behaviours

— Learnings from the UK sidecar savings trial

BlackRock. Money & Pensions Service **JPMORGAN CHASE & CO.**

nest insight

Talking about payroll autosave with employees

— A practical guide to communicating an opt-out approach to payroll saving

BlackRock. Money & Pensions Service

nest insight

Opt-out payroll savings

— A new way to support financial wellbeing in the UK?

Industry and employer perspectives

BlackRock. Money & Pensions Service

Thank you



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Money &
Pensions
Service

Nest Employer Webinar Financial Wellbeing in the Workplace

Jenny Wright
Regional Partnerships Manager

November 2022

Who we are

- › We are here to help people throughout the UK access the guidance and information they need to make effective financial decisions over their lifetime.

 **MoneyHelper**

- › Our consumer service MoneyHelper is the easy way for your audiences to get clear, free, impartial money and pensions guidance that's on your side and backed by government.

› Money and Pensions Service

Nest



Sponsored by:



Engages with:



“Knowing you can pay the bills today, can deal with the unexpected and are on track for a healthy financial future”

Resilient

Confident

Empowered

Financial wellbeing

State of play

- › **We know that poor financial wellbeing, affecting tens of millions of people, is holding the UK back. There are 53 million adults in this country, of whom:**
 - 9.9m have fallen behind on or missed payments for credit commitments or domestic bills for three or more months in the last six months
 - Over 10m have less than £100 in savings; and
 - 26.8m do not feel confident making decisions about financial products and services.



Financial Wellbeing in 2021 - UK

17%

often use a credit card, overdraft or borrow money to buy food or pay bills because they have run short of money

61%

› save every month/most months

47%*

understand enough to make decisions about retirement

** based on working age population*

50%

with bills or credit commitments struggle to keep up, are falling behind or have fallen behind with their commitments

24%

couldn't pay unexpected bill of £300 from spare money or affordable borrowing

52%*

do not have a plan for their finances in retirement

** based on working age population*

45%

do not feel confident managing their money

55%

could last three months or more without borrowing if they lose their main source of income

66%

are not satisfied with their overall financial circumstances

The case for financial wellbeing in the workplace



47%

of UK employees admit to **worrying about money**



69%

of UK employers believe their **employees' job performance is negatively affected** when they are under financial pressure (2018).

The money worries facing employees

£
1/3

are anxious about how much they owe.

45%

run out of money between pay cheques.

Six out of 10 employees consider financial wellbeing to be the responsibility of their employers

What we cover



Benefits Everyday money Family & care Homes Money troubles Pensions & retirement Savings Work

For free guidance you can trust, we can help.



- > Benefits
- > Family & care
- > Money troubles
- > Savings
- > Everyday money
- > Homes
- > Pensions & retirement
- > Work



Talk to us live



HM Government

<https://www.moneyhelper.org.uk/en>

Money Troubles



Money troubles

If you're having problems with debts, need to make a complaint about a financial service or are worried about being scammed, this section will help you.



Managing your money in uncertain times

Budgeting, paying bills, finding extra financial support, coping with job loss.



Dealing with debt

Bills, court fines, help with debts.



Money problems and complaints

What to do about mis-selling, compensation and complaints.



Talk to
us live



Scams

Spotting scams and what to do if you're caught out.

Pensions and retirement



Cymraeg

- Benefits
- Everyday money
- Family & care
- Homes
- Money troubles
- Pensions & retirement**
- Savings
- Work

> Auto enrolment

Introduction, how it works, all about contributions

> Building your retirement pot

How much do you need, ways to build your pot, transferring and merging

> Pension problems

Complaints, financial help when retired, changes to schemes

> Pensions basics

Starting a pension, types of pension, understanding pensions

> State Pension

How it works, what you might get, National Insurance

> Taking your pension

Ways to draw your pension, when can you retire, Pension Wise appointments

> Tax and pensions

Tax allowances, tax paid on pensions, tax relief

> Pensions & retirement

All guidance, including how to use the Pension Wise service

✕ Close

Tools

Appointment

> Book a Pension Wise appointment

Calculator

> Pensions calculator

Calculator

> Workplace pension contribution calculator

ALL TOOLS



Talk to us live



HM Government

What we offer

We offer a range of **free and impartial products and services** to help you support your employees and customers:



Library of
online articles
and videos



Printed guides
for you to share
with your staff
and audiences



A suite of
guidance,
tools and
calculators



Free pensions
support incl.
bespoke
appointments



Join one or
more of our
programmes



Customer
guidance and
support via
phone and web



Our content
syndicated on
your internal
& external
channels



MaPS speakers
/ reps at your
staff events

Supported by a dedicated local regional/partnerships manager

Thanks for listening

Contact MaPS: Partners@maps.org.uk

Pensions guidance: 0800 0113797

Money guidance: 0800 1387777

More information can be found at:

<https://maps.org.uk/financial-wellbeing-in-the-workplace/contact-our-partnerships-team/>





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