



# Supporting your workforce during challenging economic times

**Welcome**

April 2023

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[nestpensions.org.uk](https://nestpensions.org.uk)



# Investment update 2023

**Mark Fawcett**

Chief Investment Officer

April 2023

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[nestpensions.org.uk](https://nestpensions.org.uk)

# What happened in Q1 2023?

Recession avoided (so far)



Headline inflation falling but core inflation sticky



Bank failures

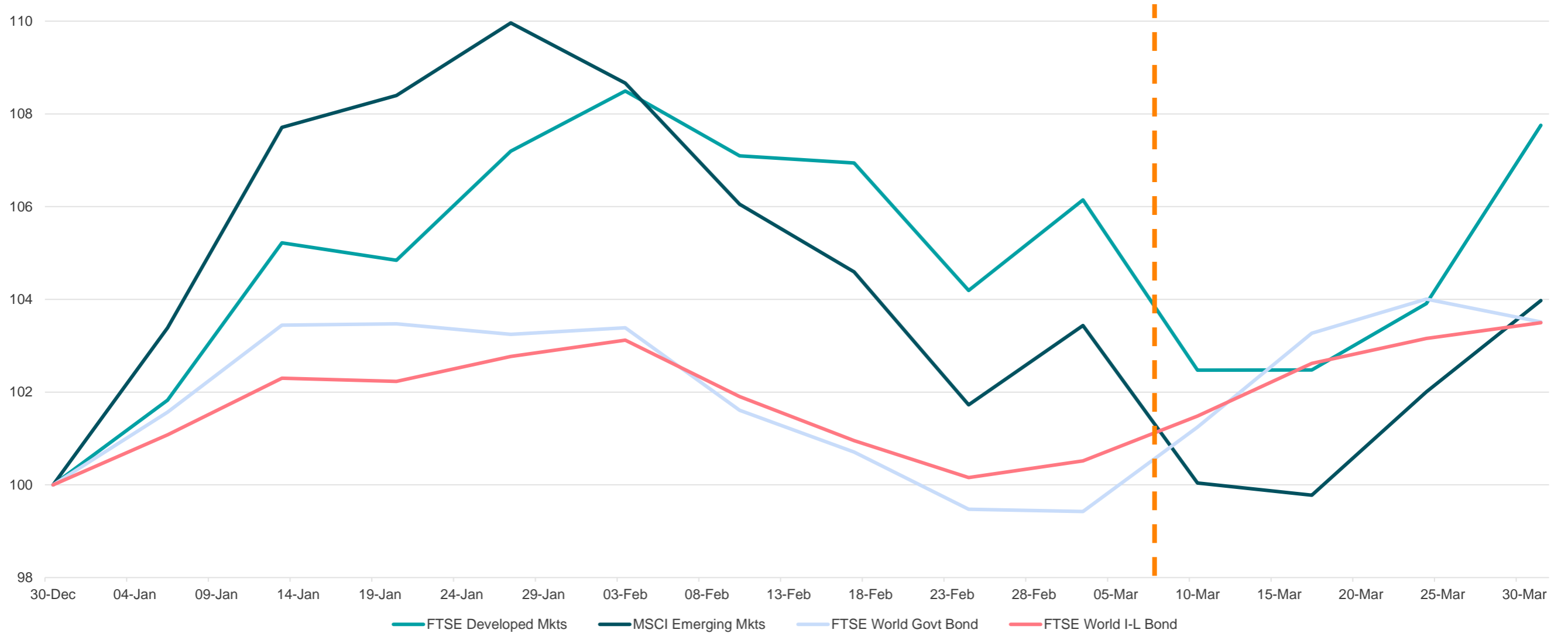


Markets remained volatile



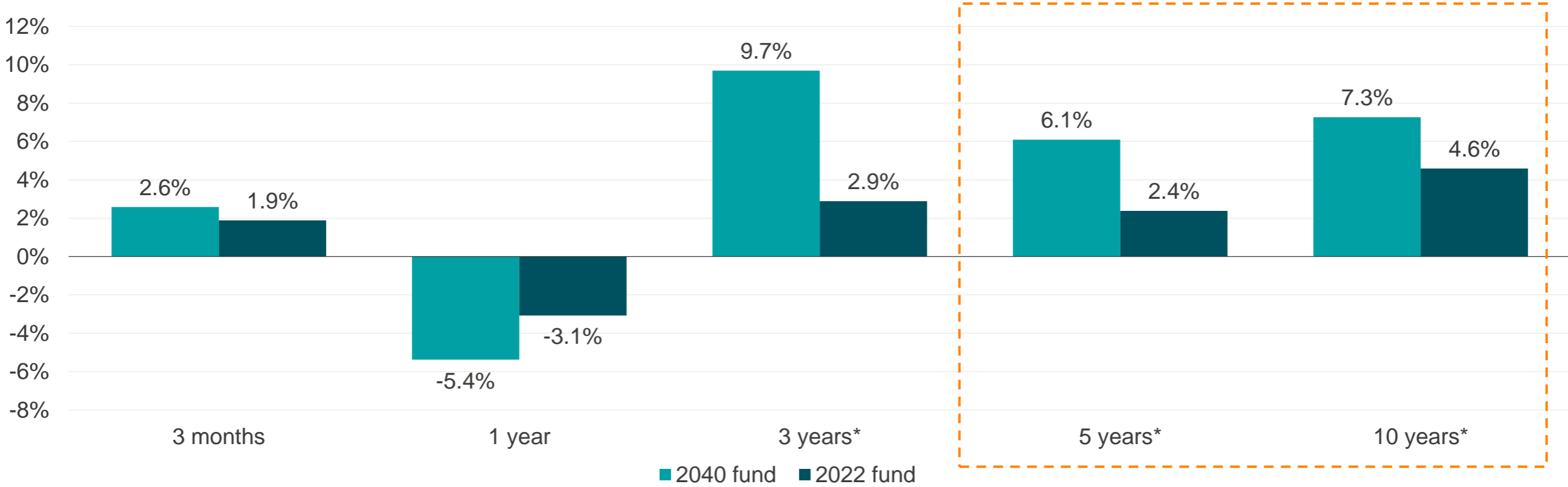
# Equity and Bond Market Returns Q1 2023

SVB failure marked in orange



Bloomberg

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



\* Annualised returns data as at 31/03/2023. Figures are net of Nest's annual management charge and transaction costs but not contribution charges.



**What else is new?**

# We're investing more in private markets

Private Equity



Private Equity



Diversified credit including global corporate loans



Real estate debt



Infrastructure debt



Global Core Infrastructure



Renewables



UK Infrastructure





## 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 tonnes 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



## 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



# Key takeaways

Worst fears about recession in UK and the EU didn't materialise



Inflation is coming down but services/sticky inflation will mean central banks remain biased to higher rates



The outlook is far from clear, and we should expect more market volatility



We're still looking at different ways to diversify our portfolio with assets classes that may not be as heavily impacted by inflationary risks





# The Cost-of-Living Crisis

**The view from Nest members and employers**

Ric Tizard, Head of Customer Insight

# What we are going to look at today...

**1**

**The Nest view**  
What are Nest members and employers doing?

**2**

**The Nest customer view**  
Insights from our member research community

**3**

**Summary**  
Key take-outs

# We are navigating economically extraordinary times

**RISING PRICES**  
Inflation: Key answers in 90 seconds  
Business - 18 Oct 2022

**ENERGY BILLS**  
Four discounts and payments that could help you  
Business - 28 Aug 2022

**RENT RISING?**  
What you can do about a rent increase  
Business - 17 Oct 2022

Latest news  
I can't get a mortgage, but I can live on a boat  
Coventry & Warwickshire

Press release  
**Government announces Energy Price Guarantee for families and businesses while urgently taking action to reform broken energy market**

UK economy to fare worse than any other country in developed world this year, IMF forecasts

The International Monetary Fund says the country's growth is being held back by more miserly government spending and the effects of high energy prices - and that the economy will even lag behind Russia's in 2023.

The Guardian  
Teachers' strikes: school closures in England and Wales explained  
6 hours ago

BBC  
Teachers prepare to strike in England and Wales  
2 hours ago

The Telegraph  
Teachers who strike could still claim pay  
5 hours ago

### News about strikes

BBC  
Strikes on Wednesday 1 February will disrupt daily life - No 10  
10 hours ago

BBC  
Strikes Update: How Wednesday 1 February's walkouts will affect you  
9 hours ago

The Guardian  
Sunak tries to remain above fray as public sector strikes continue  
6 hours ago

View full coverage →

**Russia-Ukraine war at a glance: what we know on day 339 of the invasion**

wave of Russian attacks in east and south Ukraine kill at least 100 civilians; troops locked in 'fierce' fighting for Donetsk town

See all our Russia-Ukraine war coverage



Mental Health Foundation  
Our work | Get involved | Explore mental health | About us

Home / About us / News

**UK adults report poorer sleep, seeing friends less often and exercising less as financial strain takes its toll - new survey results**

GOV.UK  
Home > Housing, local and community > Household energy > Energy bills support  
Department for Business, Energy & Industrial Strategy  
Policy paper  
**Energy Price Guarantee**  
Updated 29 November 2022

Contents  
How the Energy Price Guarantee works  
How the Energy Price Guarantee protects customers from increases in energy costs by limiting the amount suppliers can charge per unit of energy used. It currently...

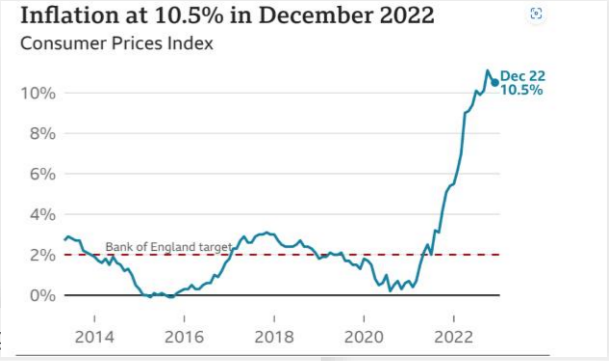
COVID-19 remains a global health emergency

World Health Organization (WHO)  
Statement on the fourteenth meeting of the International Health Regulations (2005) Emergency Committee regarding ...  
The WHO Director-General has the pleasure of transmitting the Report of the fourteenth meeting of the International Health Regulations...  
1 day ago

Al Jazeera  
World 'dangerously unprepared' for next pandemic, Red Cross warns  
World's largest humanitarian network says strong preparedness systems 'severely lacking' despite three years of COVID.  
1 day ago

**Cost of living crisis: Eat or heat a 'huge reality', as councils face 'unprecedented' pleas for help**

sky news  
Sky News  
6.08M subscribers



**Cost of living: Grocery inflation hits new record level, adding '£788 to annual bill'**

Cost of living: Grocery inflation hits new record level, adding '£788 to annual bill'

The end of Christmas discounting has contributed to a surge in grocery inflation, according to an industry report that suggests supermarket chains are now fighting for your custom in new ways.

# Living standards outlook 2023

**Resolution**  
Foundation

- › The lived experience of the crisis shows that the impact is worse for those on lower incomes.
- › Rapid price rises in energy and food mean that lower-income households face higher-than-average effective inflation rates.
- › The impact of income falls is greater for lower income households because they went into the crisis with lower financial resilience.

# The Nest view

What are Nest members and employers doing?

# A narrative of stability

- › Members making contributions remain at record levels
- › Employers are using Nest at record high levels
- › The opt-out rate remains within the range of expected levels.
- › The open jobs market is increasing the numbers of members
- › Insolvencies and cessations among Nest employers have not increased significantly
- › The power of defaults and “going with the flow” is showing in our data.





# Nest Customer View

Your Way Nest Member Community update



## Key take outs

Impact of increased cost of living has intensified lately – with the squeezed middle feeling the pinch

Trading down is not always the solution it promises to be

Restrictions, cut-backs and deprivation are impacting on perceptions of wellbeing

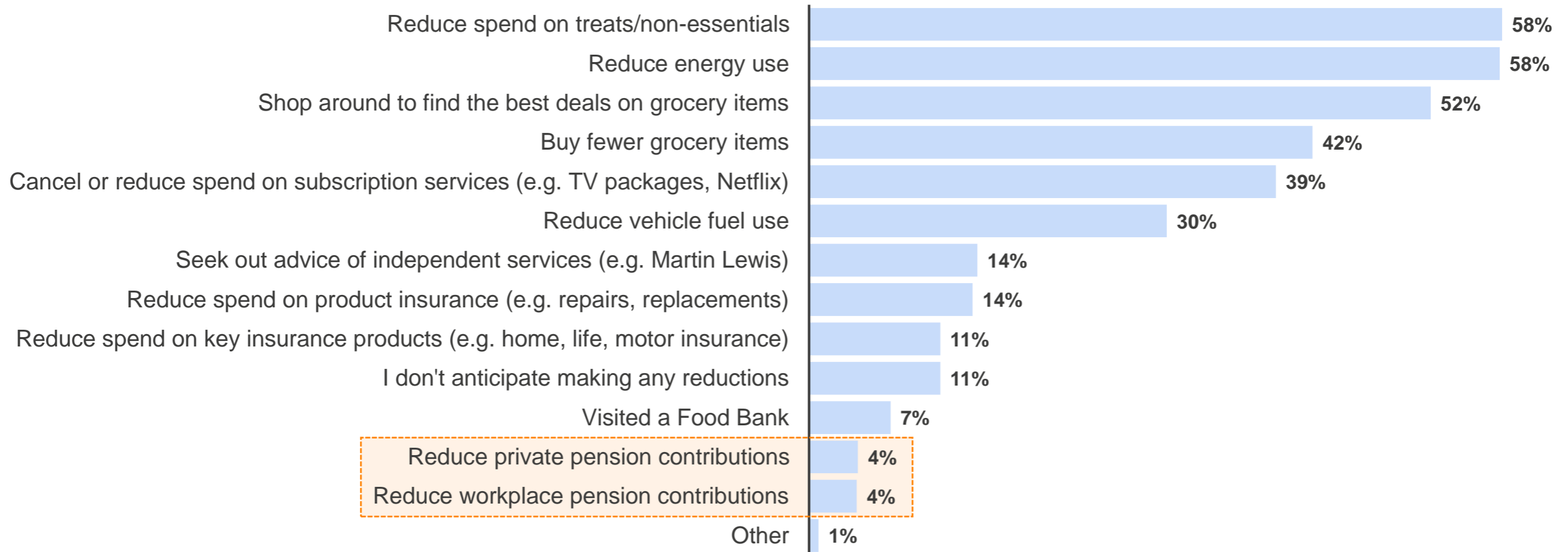
There is evidence of higher resilience among older members

Younger members are focusing cutbacks on non-essential spending

Workplace pensions seem to be “safe” currently

# Members/Consumers are cutting back on spending...

...but not their pensions



Voice of the Customer Nest Member Survey December 2022

Which of the activities below have you done/started to do in the last 3 months? Total sample = 1,843



*“My Nest Pension is the only saving commitment that I still have. I’m a single man in a mortgaged house, so no leeway in where to cut corners; they’re already cut. My daughter recently left for college, so I’m no longer shopping for two at least, but I now make a one pot meal that lasts three days rather than cooking fresh every night; saves on shopping and cooking bill”*

# Summary

## 01

### No reduction in number of people saving or level of savings

- › Contributions and enrolments remain high
- › Nest research indicates no increase in the likelihood of members to stop contributing to their pension
- › For many people pensions saving seems untouchable
- › While inertia appears to dominate, we need to continuously monitor the situation for any signs of change

## 02

### The current economic environment might be the more lasting impact on retirement outcomes

- › Wage growth will have positive impact on contributions but in real terms they are currently not keeping pace with inflation.
- › Difficult to assess ultimate long term impact, but a long period of stagnant or below inflation wage growth is clearly not beneficial in terms of building pot



# Important actions for your workers to take

David Knight, Head of Strategic Account Management

# What happens to a member's pension if they die?

- › Pension money is paid out
- › Who should we pay
- › We want to pay out quickly
- › We want to pay it to the right people
- › Some Nest pensions remain unclaimed



# Mortality rates of UK population

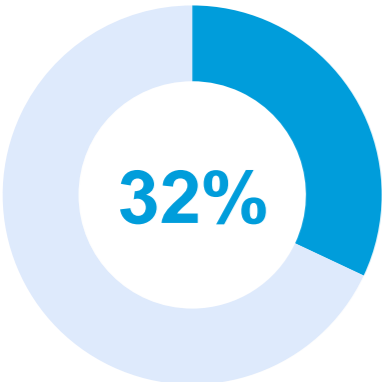
ONS data for UK population

Lower Age	Upper Age	Mortality – Deaths per 100,000
20	29	38
30	39	80
40	49	181
50	59	407
60	69	966
70	79	2,604





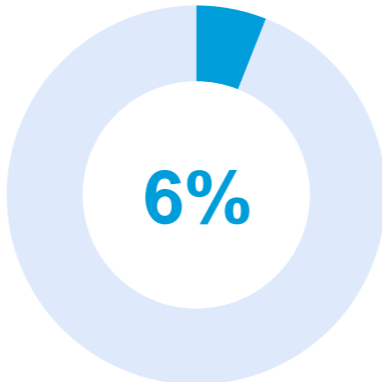
# What we see at Nest



of members have registered for an online account.



Registered members are more likely to keep their details up to date.



of members have selected a beneficiary.



Young workers are less likely to tell us who we should pay.



Members who have nominated a beneficiary share some common characteristics.

Member High contrast A- A A+ Search

nest My Account

## Hi Paul

**Your retirement pot value** £25,000.00 [Transfers in](#)  
 Calculated on 25 August 2020

**Your contributions**

£12,000.00 You  
 £10,000.00 Your employer(s)  
 £3,000.00 Tax relief  
 £25,000.00 Total contributions

**Your Nest retirement date**  
**7 September 2050**  
 You have 30 years till your Nest retirement date.

**Your current fund**  
**Nest Retirement Date Fund**

**Latest contributions**

01/11/2019	From your salary - Company	£80.00
01/11/2019	Employer - Company	£70.00
30/09/2019	From your salary - Company	£80.00

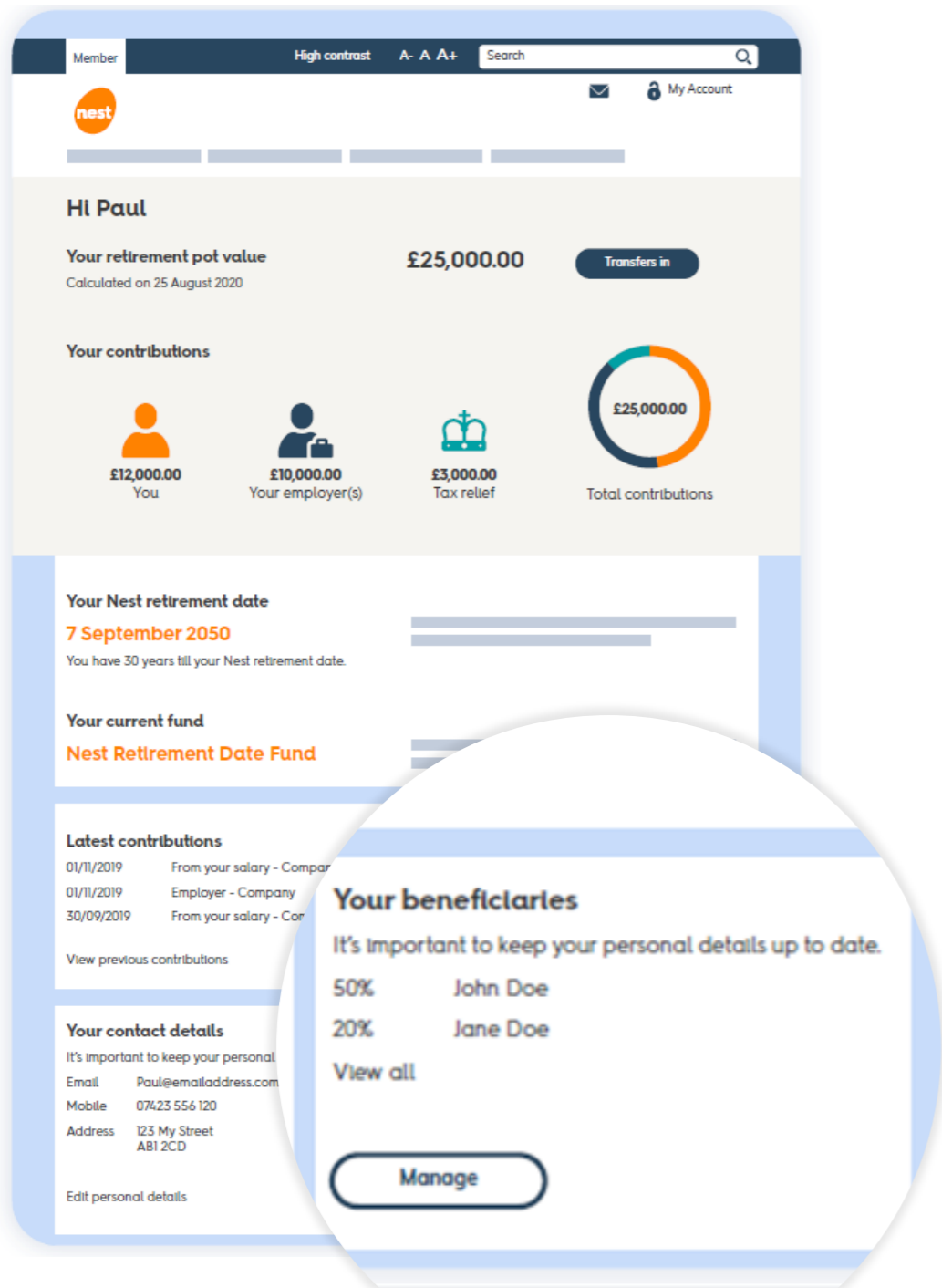
[View previous contributions](#)

**Your contact details**  
 It's important to keep your personal details up to date.  
 Email Paul@emailaddress.com  
 Mobile 07423 556 120  
 Address 123 My Street  
 AB1 2CD  
[Edit personal details](#)

**Your beneficiaries**  
 It's important to keep your personal details up to date.  
 50% John Doe  
 20% Jane Doe  
[View all](#)  
[Manage](#)

# Member dashboard

Screenshot of our Nest member dashboard



# Member dashboard

Screenshot of our Nest member dashboard with death benefit section highlighted



Find out more details on [what happens to your pot when you die](#) in our help centre.

## Manage your beneficiaries



You don't currently have any beneficiaries. It's important you choose one of the options below.

You can choose to tell us about who you'd like your retirement pot to be paid to if you die before taking all your money out. You can add as many people as you like. It could be an individual, an organisation, or a combination of both. These are known as beneficiaries.

If you don't tell us who you'd like to receive your money, it will usually be paid to your estate or a family member. Your estate is made up of your assets and any other property and possessions you have.

It's important you understand the options which are available to you for inheritance tax purposes. You can find out more information on inheritance tax by visiting the [HMRC website](#).

There are two different options you can choose from. Once you've made your choice, you can change the details of your beneficiaries at any time. We understand that circumstances can change, so it's important that you review the information regularly and keep it updated.

It's a good idea to seek professional advice before making your decision. NEST can't provide you with any advice on which option to choose. Details of independent financial advisors can be found at [www.unbiased.co.uk](http://www.unbiased.co.uk). NEST won't be responsible for any fees you may be charged for this advice.

**You have two choices when telling Nest how to pay a beneficiary.**

### Which option to choose?

There are two options for telling us who you'd like to receive your NEST pot if you die. These options are to either nominate a beneficiary or to make an expression of wish. We've made this video to help you understand the differences between these options before you make your choice.

[Click here to watch the video](#)

### Make an expression of wish

We'll assess whether we pay your pot to the named beneficiaries you've told us about, or to your estate. This is called an expression of wish.

Making an expression of wish means your pot won't usually be impacted by inheritance tax. If you choose this option, you won't be able to change to the other option, but you will be able to change who you put as a beneficiary at any time.

[See an example for more information](#)

Make an expression of wish

### Make a nomination

We'll pay your pot to the named beneficiaries you've told us about. These will be called nominated beneficiaries.

Choosing a nominated beneficiary means that your pot will usually form part of your estate for inheritance tax purposes.

[See an example for more information](#)

Make a nomination

# Make an expression or wish or make a nomination page

Screenshot of our the next page in the journey



Find out [how to change your nominated beneficiary](#) in our help centre

## Your nominated beneficiaries

You'll need to tell us who you want your beneficiaries to be. Once you've nominated your beneficiaries, we'll list them on this page.

Nominating a beneficiary means that NEST will pay your retirement pot to whoever you have instructed us to unless they have died or we can't contact them. If we're unable to pay to your nominated beneficiary we'll usually make payment to your estate, or we may pay it to certain family members if the value is £5,000 or less.

Your retirement pot will usually form part of your estate for inheritance tax purposes.

You can change the details of your beneficiaries at any time. It's important to make sure this information is kept up to date.



You currently have no beneficiaries. To tell us who you'd like to give your retirement pot to in the event you die before taking your money out of NEST, click [Add new beneficiary](#).

Cancel

Add new beneficiary

# Adding a beneficiary

Screenshot of the next page in the process.



Find out [how to change your nominated beneficiary](#) in our help centre

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\* Please fill in all fields marked with an asterisk.

Please choose beneficiary type

Individual  Charity, trust or other organisation



Title \*

Select one

First name \*

Middle name

Last name \*

Relationship

Select one

Address location \*

UK  non-UK

We'll use this address for important correspondence. Please make sure you've got the most up-to-date address.

Building number or name



Postcode \*

Find address

### Allocate your pot

Percentage of the retirement pot you will give this beneficiary \*

%

Cancel

Save

# Adding a beneficiary

Screenshot of the next page in the process.

# Summary

## Three steps for members

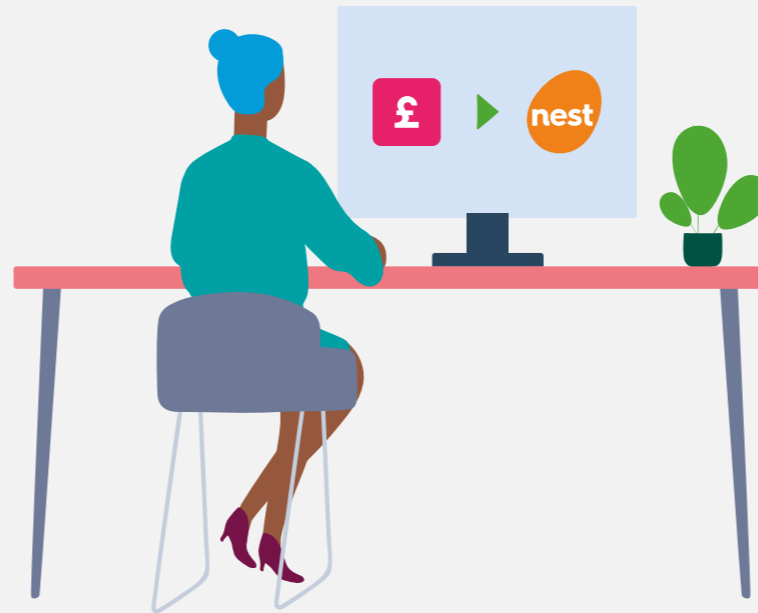
1

Login or register for a Nest online account.



2

Let us know where we should pay the pension if they die.



3

Let people know that they have money in a pension with Nest.



[nestpensions.org.uk/login](https://nestpensions.org.uk/login)



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