



Nest

Helping you to support your workforce

Elizabeth Fernando, Chief Investment Officer

Philip Brown, Director of Policy and Public Affairs

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Agenda -

1	Investment update
2	Future policies
3	Salary sacrifice

Housekeeping

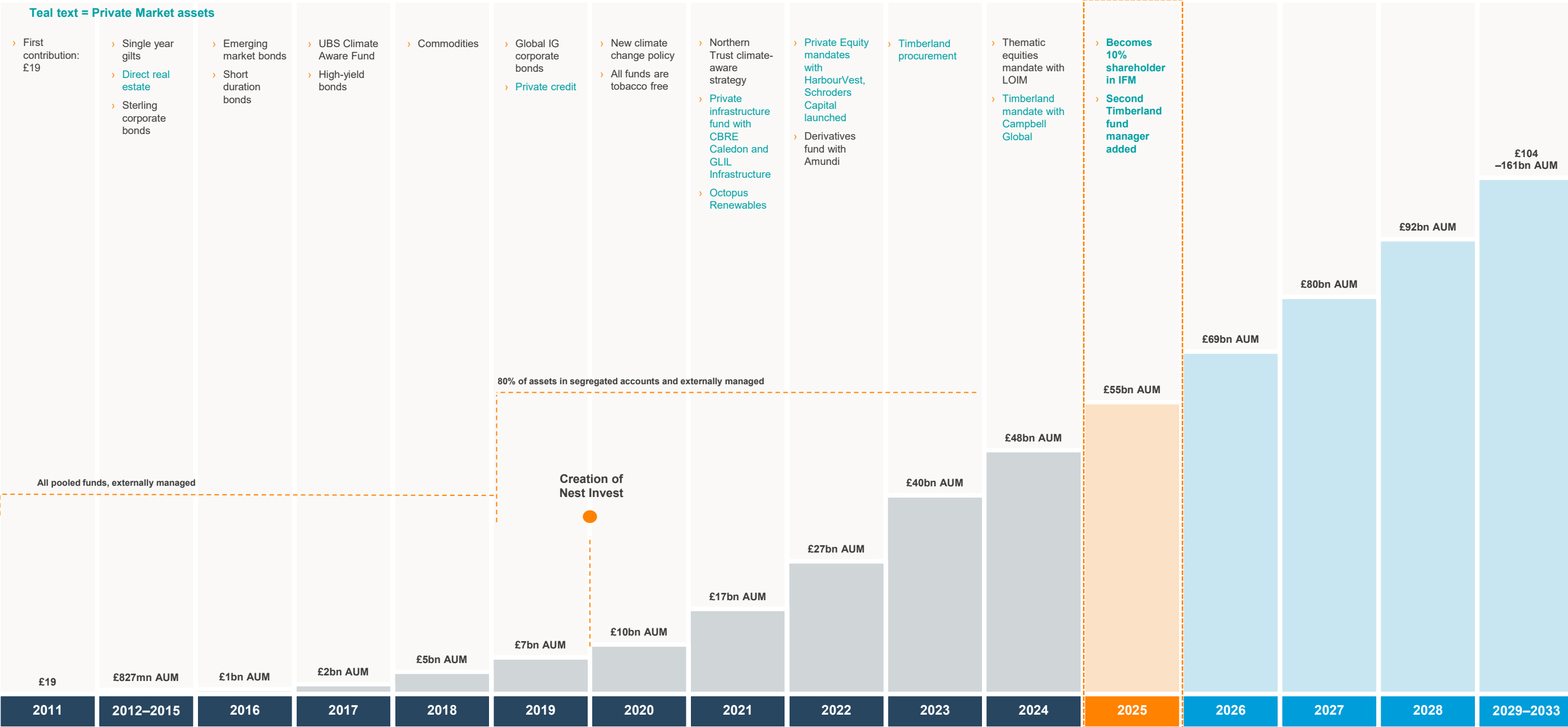
- › Time for questions after each session.
- › Please fill out the feedback form
- › Slides and recording will be sent out after the event



Investment update

Elizabeth Fernando

Nest's investment journey



Market landscape

**US
tariff announcements**



**Equity markets
rebounded**
**Strong company
earnings**



Renewed AI optimism

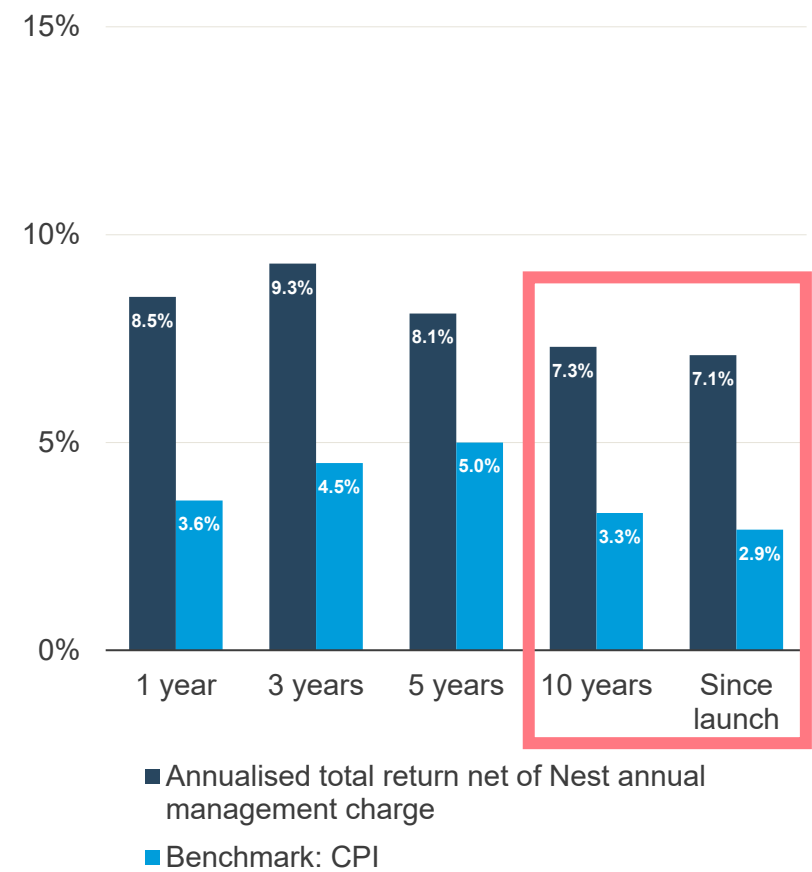


**Bond market concerns
amid budget deficit**

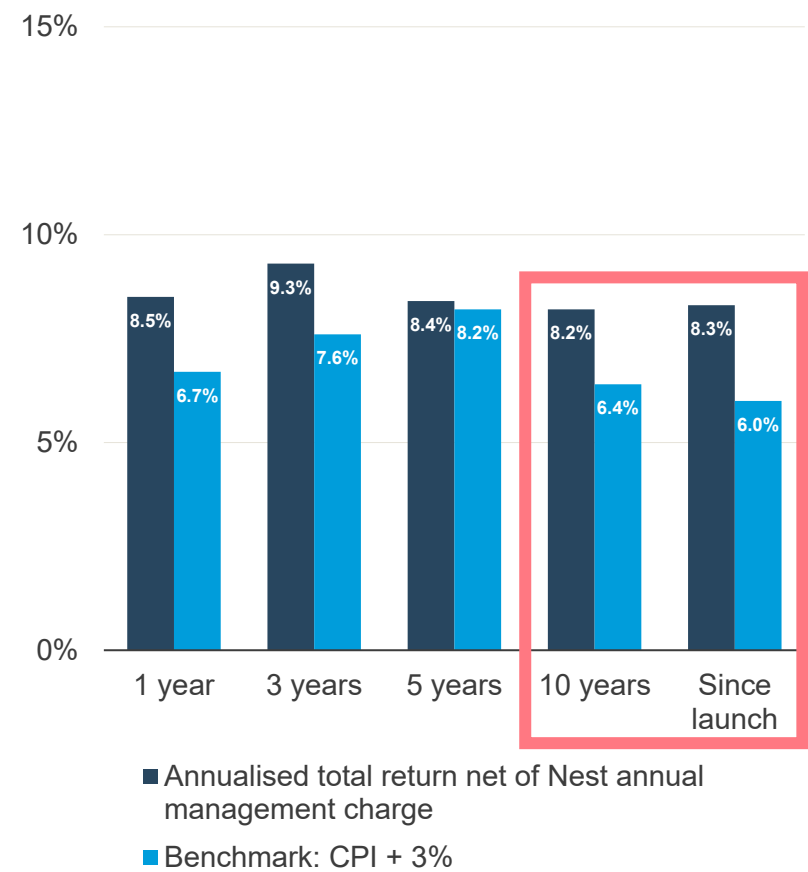


Retirement Date Fund performance (as at end of June 2025)

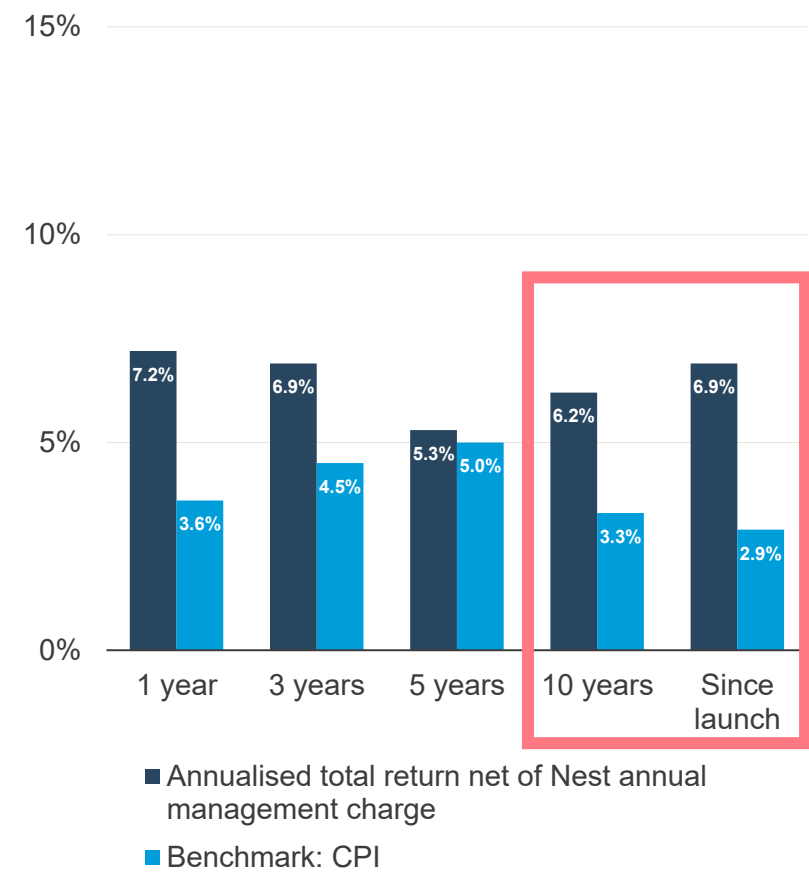
Nest 2060 Retirement Date Fund Foundation phase



Nest 2045 Retirement Date Fund Growth phase



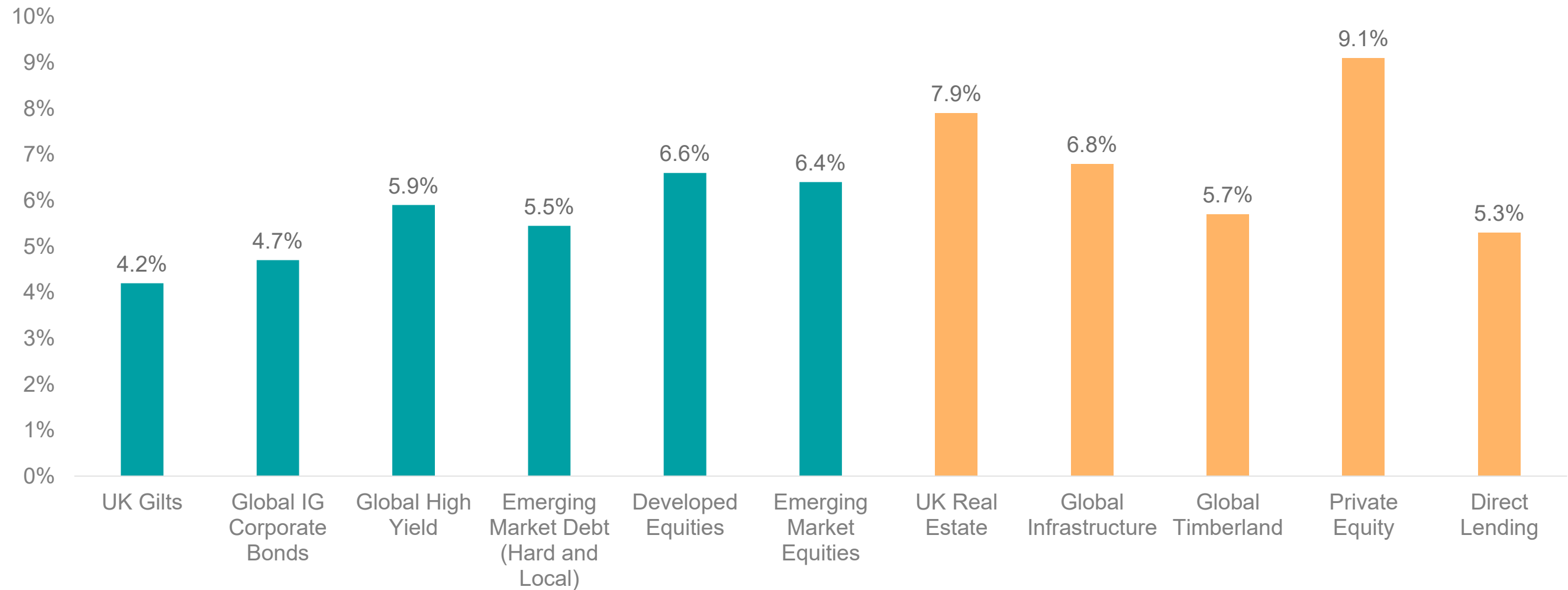
Nest 2025 Retirement Date Fund Consolidation phase



*Annualised returns data as at end of June 2025.
Figures are net of Nest's annual management charge and transaction costs but not contribution charges.

Expected returns of different asset classes using CMAs

2025 Capital Market Assumptions (Compound Return, GBP)

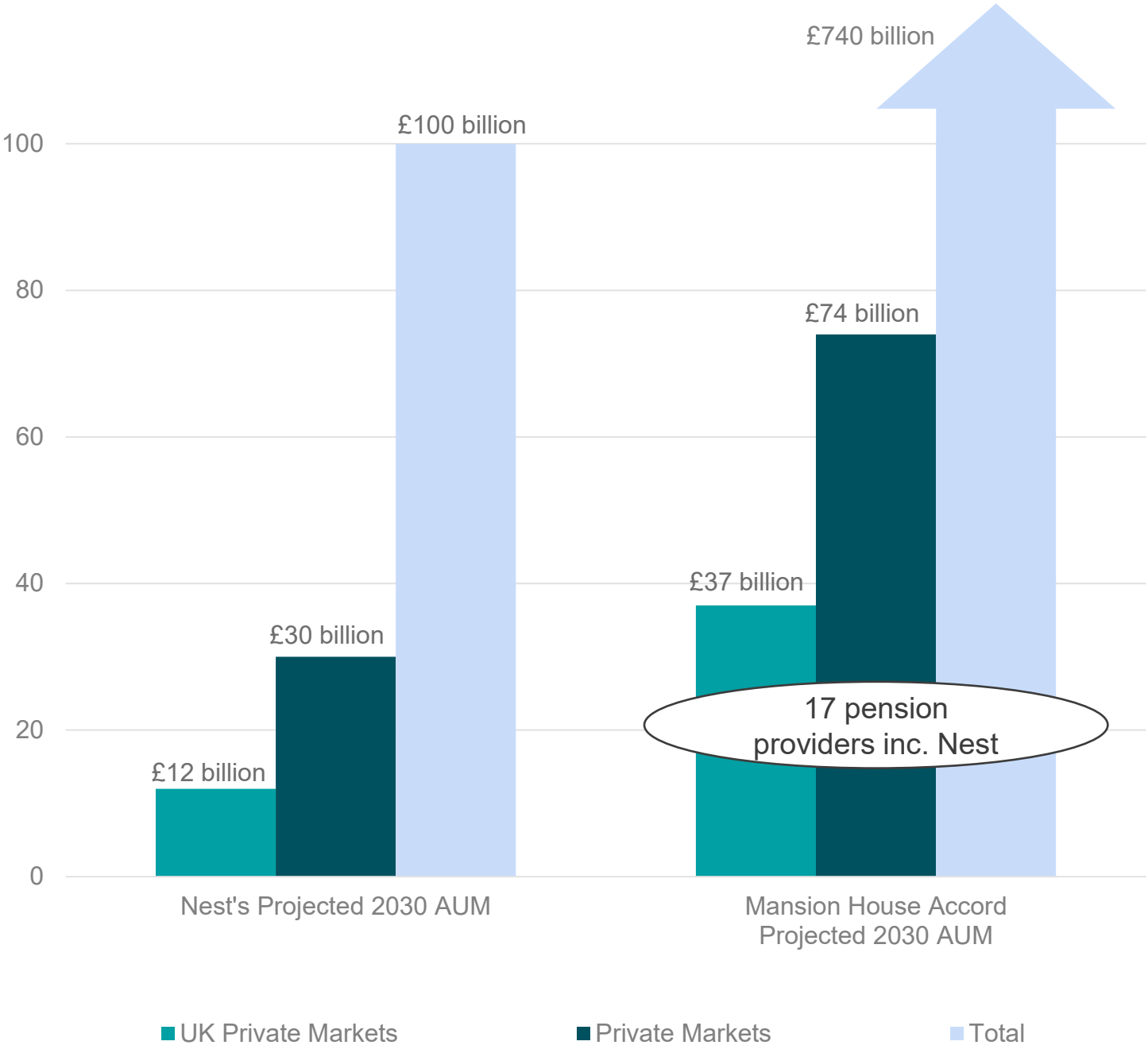


JP Morgan December 2024 Capital Market Assumptions

Mansion House Accord

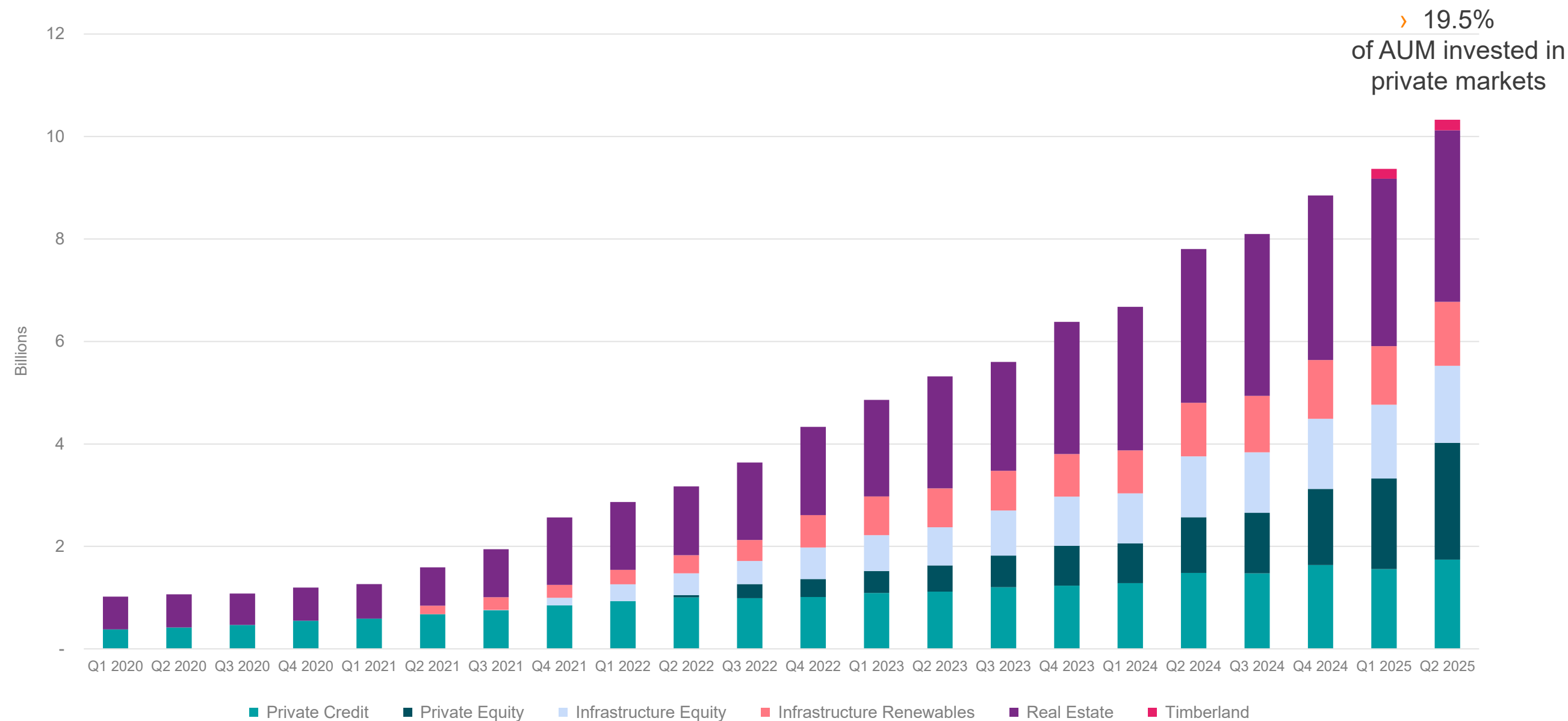


- › In 2024, Nest announced its ambition to have 30% AUM invested in private markets by 2030
- › In 2025, Nest signed the Mansion House Accord:
 - 10% of AUM in private markets by 2030
 - 5% of AUM in UK private markets by 2030



Data correct as of June 2025.
Projected data is indicative and subject to change.

Private market investments 2020-2025



Data as at end of June 2025

New timberland fund manager



2024 2025

btg

Second timberland fund



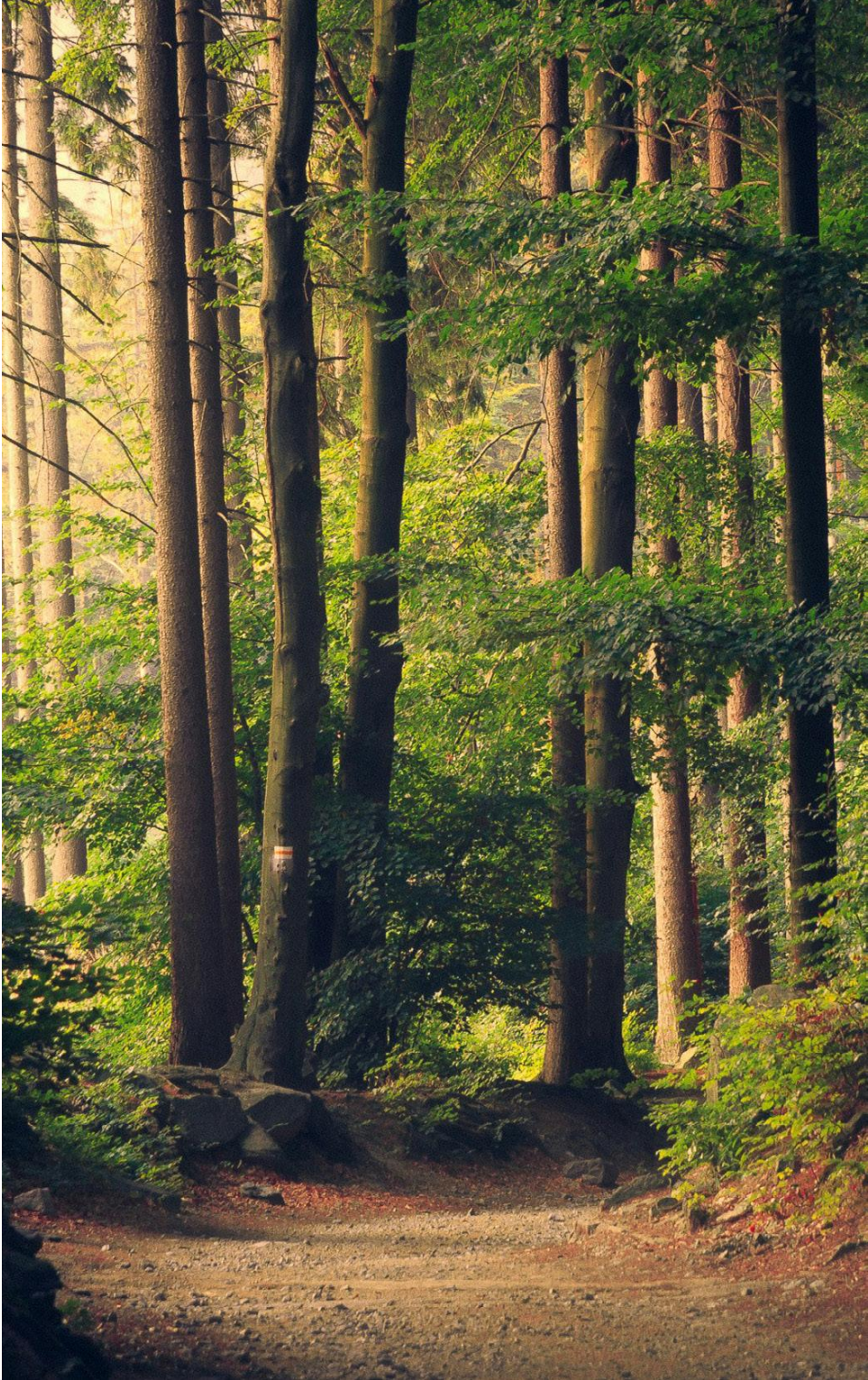
Global assets



£550m invested



Financial resilience through sustainability

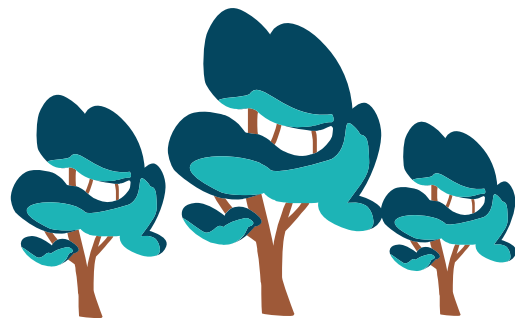


Key takeaways

Expert team managing
£55bn focused on
member outcomes



Using our size to
access a wide range of
assets classes at low
cost



Investing in private
markets in the UK and
globally



Real world impact
during members'
working and retired
lives





What the future might hold

Philip Brown

Pensions Review – Phase one

- Launched in July 2024. Final report published in June 2025.
- Focussed on tackling fragmentation in DC workplace pensions and improving saver outcomes.

Key Themes

- Scale and consolidation – *fewer, larger, better governed schemes.*
- Productive investment – *further investment in private markets/patient capital, particularly in the UK.*



Pensions Review : Scale and Consolidation

All multi-employer DC schemes to have at least £25bn in a central default arrangement by 2030.



'Transition Pathway' for those who can reach £10bn by 2030 and £25bn by 2035.



Some exemptions for dynamic new entrants, CDC schemes and for ethical, religious, or diversity reasons.



New default strategies to require regulatory approval.



Contractual override for contract-based providers – overseen by independent experts. Transfers must be in members' best interests.



Pensions Review : Phase one

Productive Investment

- 17 large providers (including Nest) signed Mansion House Accord in May2025 – pledged to allocate 10% of AUM to private markets, with 5% in private markets in the UK, by 2030.
- Government to take a reserve power to set binding investment allocation targets if sufficient progress is not made.



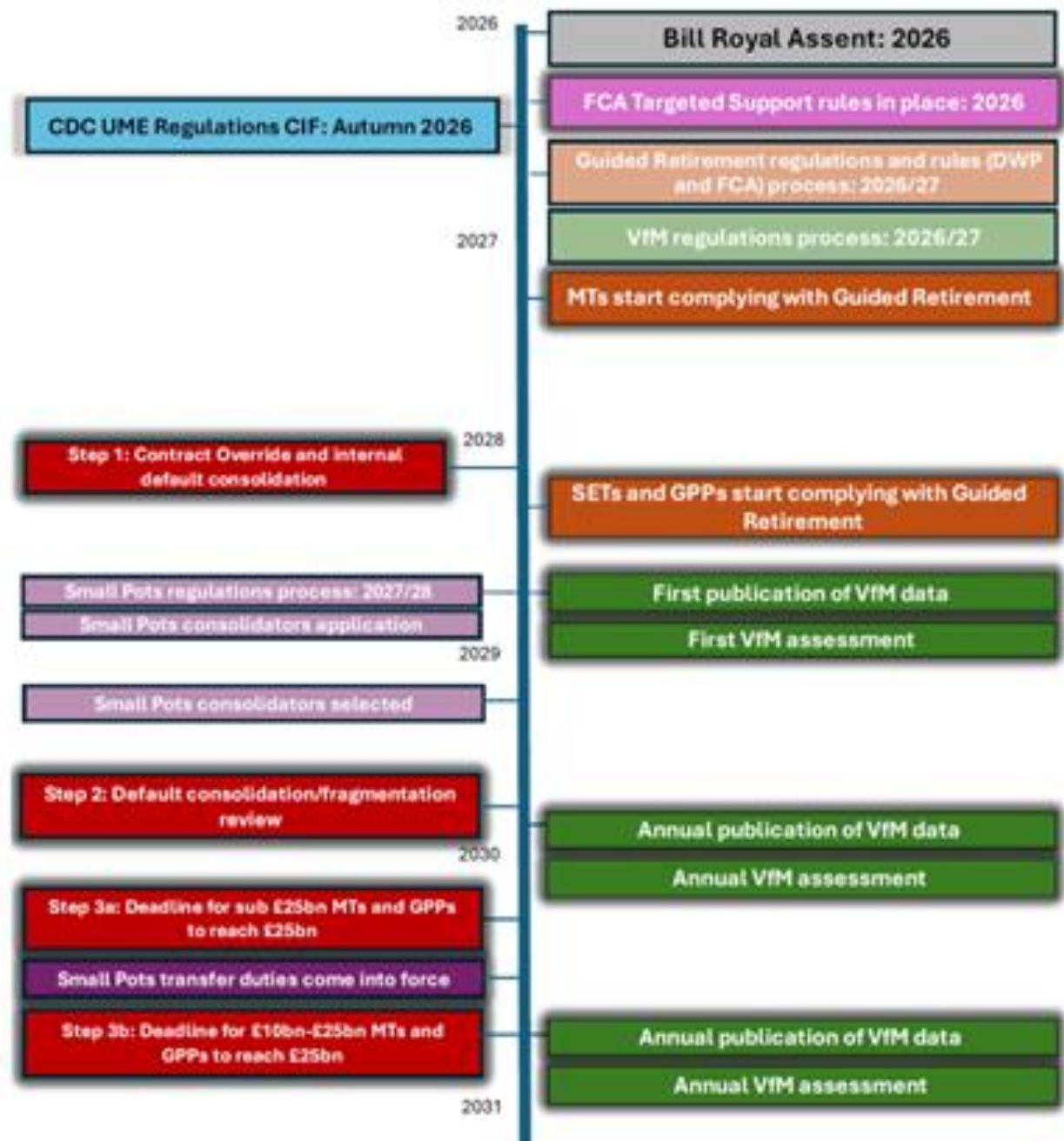
DWP Roadmap



Indicative timeline for reform. Sequencing rather than precise timing likely to be key.



Implementation driven principally by the 2030 date for the £25bn requirement.



The Pensions Review – Phase two

“It is time to finish the job. Two decades ago, under the last Labour government, the first Pensions Commission laid the groundwork for a new pensions landscape, with a simple State Pension and Automatic Enrolment into retirement savings. That has created savings pots, but it has not yet delivered a pensions system. Instead, too many future pensioners face incomes that are too low, risks that are too high and a system that is too unequal. So, the new Pensions Commission we have launched today has one task: to finish the job by mapping out a path to a pensions system that is truly adequate, in the broadest sense of that word.”

Phase two - Government focus

- › The government has revived the Pensions Commission of 2006, with a new mission to examine why tomorrow's pensioners are on track to be poorer than today's and make recommendations for change.
- › It will be composed of **Baroness Jeannie Drake** (a member of the original Commission), **Sir Ian Cheshire** and **Professor Nick Pearce**, and aims to put out its final report by 2027.
- › This new Commission will explore the complex barriers stopping people from saving enough for retirement, as well as examine the pension system as a whole and look at what is required to build a future-proof pensions system that is strong, fair and sustainable.

In addition to the Pensions Commission, the government has also launched the State Pension Age Review. This includes independent reports commissioned from Dr Suzy Morrissey on factors government should consider relating to State Pension age, as well as from the Government Actuary's Department on the proportion of adult life in retirement.

Phase two - Terms of reference

The scope of the Commission is outlined as follows:

- Outcomes and risks for future cohorts of pensioners on current trajectories through to 2050 and beyond
- How to improve retirement outcomes, especially for those on the lowest incomes and at the greatest risk of poverty or under saving.
- The role of private pension provision and wider savings, building on the foundation of the State Pension, in delivering financial security in retirement and supporting those approaching retirement.
- The long-term challenges of supporting an ageing population.
- Proposals for change beyond the current Parliament, that build on the measures in the Pension Schemes Bill and ensure Britain in the mid-21st Century delivers financial security in retirement through a pensions framework that is strong, fair and sustainable.



QA

Salary sacrifice

David Knight

What is it?

- › Employees give up part of their salary (i.e. the amount they would normally pay as a personal contribution)
- › You use that to pay their pension contributions

Why?

- › As salary is reduced the employee pays less National Insurance
- › Employer also saves on their National Insurance contributions



“An agreement between an employer and employee in which the employee gives up their entitlement to part of their future remuneration in exchange for the employer providing them with a non-cash benefit.”

National Insurance rates

2025/26 (Class A)

Employees:

8% on earnings above Primary Threshold to Upper Earnings Limit
(i.e. £12,570 p.a. to £50,270 p.a.)

2% on earnings above £50,270 p.a.

Employers:

15% on earnings above £5,000 p.a.
(secondary threshold)

Savings

National Insurance

Assume employee is paying 5% of Qualifying earnings

Employer saves:

- › If earning £23,000 = £125.64 per annum saving
- › If earning £25,000 = £140.64 per annum saving
- › If earning £27,000 = £155.64 per annum saving



What can be sacrificed?

- Salary
- Contractual bonuses
- Redundancy payments
- Termination payments

In exchange for pension contributions which are paid by the employer

	› Salary	› Employee contribution	› Employer contribution
› Pre- salary sacrifice	› £20,000	› £1,000	› £600
› Post- salary sacrifice	› £19,000	› -	› £1600

Does it work for your employees?

Cannot include an employee if the sacrifice takes the employee below the National Minimum Wage

Reducing salary may affect the employee's entitlement to state benefits or their ability to take out a mortgage or loan etc.

You should also think about other employer provided benefits – e.g. life assurance where it is a multiple of salary

Documentation to make the changes

- **Clear employee communications to explain the change and impact on salary**
- **Formal notification of a change to terms and conditions of employment**
- **Detailed explanation of how employees can choose to “opt-out” of salary sacrifice**
- **Revised “new joiner” contract terms**
- **Remember to also review and update:**
 - Staff handbook (or equivalent)
 - Relevant policies – including family leave policies
 - Payroll processes and forms



What happens if the salary sacrifice arrangement is not valid?

HMRC requires:

- › The employment contract must be effectively varied so the employee gives up the right to receive the relevant amount of wages / salary before employee becomes entitled to receive it
- › The true construction of the revised contract must be that employee is entitled to lower cash remuneration plus a benefit

If the salary sacrifice is not valid:

- › The employee will remain taxable on the higher level of cash remuneration (with the result that there will be no NIC saving); and
- › The pension contributions that were the subject of the failed salary sacrifice will be treated as member contributions, not employer contributions.

Can employees change their mind?

Employees should not be able to ‘swap’ between cash earnings and non-cash benefit whenever they wish -

- This would prejudice the effectiveness of the change in contract terms

Employees can have the option to ‘opt-out’ with employer agreement where there is a “lifestyle” event -

- Marriage
 - Divorce
 - Partner becomes unemployed
 - Parental leave
-
- **Consider aligning with an annual “flexible benefits” timetable**
 - **Monitor compliance with National Minimum Wage / statutory pay levels**
 - **Address these scenarios in a Salary Sacrifice Policy**

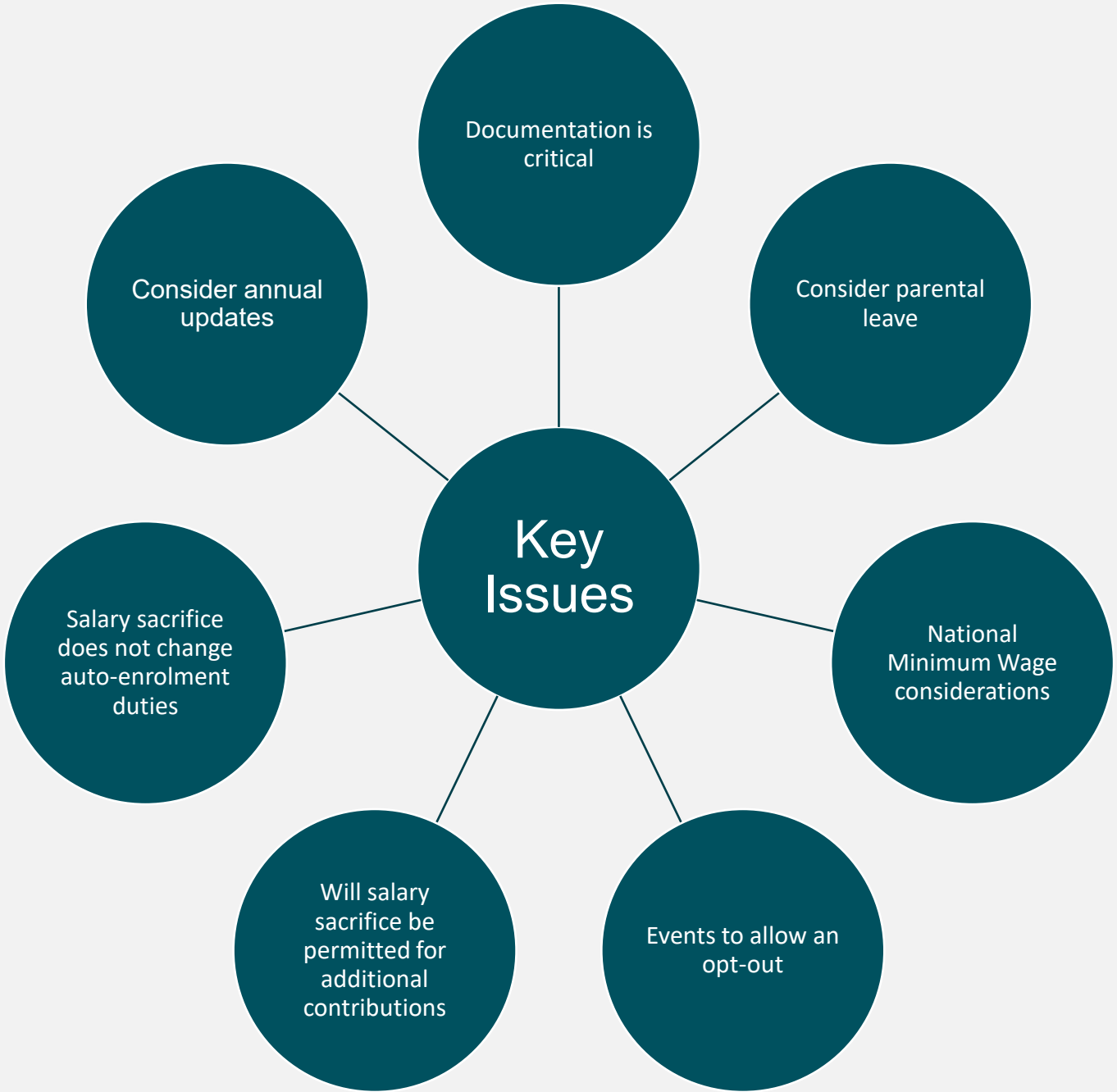


Practical considerations

- › Does your payroll cope with salary sacrifice?
- › Employer change to the employees' contractual terms
- › Dealing with those who don't qualify for, or don't want to use, salary sacrifice
- › Additional payments by employees, salary sacrifice or not?
- › Will the employer use their National Insurance saving for the benefit of employees – e.g. increased pension contributions?
- › Enrolment in the pension scheme cannot be dependent on salary sacrifice

Salary sacrifice contributions are deemed employer contributions, therefore when submitting contributions to Nest all contributions for these employees must go in the employer contribution field

Summary



Links

Nest

How to set up salary sacrifice [Salary sacrifice | Nest pensions](#)

General information [Salary sacrifice \(nestpensions.org.uk\)](#)

121 help email events@nestcorporation.org.uk

HMRC

[Salary sacrifice for employers - GOV.UK \(www.gov.uk\)](#)

Money & Pensions Service – MoneyHelper

[Salary sacrifice and your pension | MoneyHelper](#)





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