

[NEST Building](#) [1]

Written by [Jan Boucek](#) [2] | Monday 1 November 2010



Have you heard of NEST? If not, you probably will ? and soon.

The National Employment Savings Trust was created by the previous Labour government to facilitate implementation of the Pensions Act 2008 which aims to greatly increase the number of people saving towards their pension. The Act requires virtually all employers to automatically enrol their staff into a qualifying workplace pension scheme. The new coalition government confirmed this week that the scheme will go ahead as planned in 2012.

In broad terms, the Act calls for employers to put in a minimum contribution, together with the jobholder's contribution and the government contributing the rest in the form of tax relief. Specifically, all employers will have to contribute a minimum of 3% of a jobholder's qualifying earnings which, when added to tax relief and the jobholder's contribution, gives a total minimum contribution of 8% of qualifying earnings. The contribution level will be phased in to reach the 8% minimum by 2017.

The role of NEST is to offer ?a new workplace pension scheme? designed specifically to meet the needs of low-to-moderate earners and their employers.? In effect, it?s a basic and simple scheme, offering smaller employers an easy way to introduce the now-mandatory pension-savings requirement. Its structure is that of a non-departmental public body, accountable to Parliament through the Department of Works and Pensions (DWP). In other words, a government agency.

The [NEST website](#) [3] goes to some length to stress its independence from the government through its trust-based structure and limited mandate to serve the low-paid and the smaller employer. And, to be fair, the folks running NEST, both Trustees and management, do mostly come from outside government.

The risk, though, is that NEST soon becomes too big for politicians to not meddle. Consider NEST?s own numbers. It points out that some 750,000 employers currently offer no workplace pension scheme at all. Since most of these would be small businesses, it?s not hard to imagine most of them signing up for NEST?s quick and ready offering. The DWP itself is hoping that ?between four and eight million people will start to build up savings?in a workplace scheme.?

Coincidentally, The Pensions Regulator (TPR) this week reported that only some 2.5 million people currently have pension savings in a Direct Contribution (DC) scheme but that just 1 million are actively contributing. (By contrast, some 2.5 million are contributing to private Define Benefit schemes, a dying species.) TPR notes that some 130 large schemes dominate the DC business but also notes that there?s another 44,000 schemes with fewer than 12 members.

All this suggests that NEST has the potential to get very big, very fast and, in the process, squeezing out

many smaller private schemes. Remembering that National Insurance began life as a pure insurance scheme against illness and unemployment, NEST's development over the coming years will bear close monitoring.

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