
Is NEST a threat to Britain's private pension providers?

By Editor Test Thu, Feb 14, 2013

Launched last October, NEST (National Employment Savings Trust) is a government-supported defined contribution for Britain's under-savers. Changes to NEST that would make it more competitive with private plans are controversial.

A committee of Parliament has urged the UK government to lift the restrictions on transfers into and contributions to Britain's new national, centrally-managed auto-enrollment employer-based defined contribution plan, known as NEST, *IPE.com* reported.

A failure to lift the restrictions would "lead to a less than optimal outcome for auto-enrolled pension savers," the press report said. According to the committee, the cap makes NEST more complicated and the transfer ban prevents participants from consolidating their savings at NEST.

"We therefore reiterate our previous recommendation that these two restrictions on NEST be lifted now, rather than waiting for the 2017 review," the committee report said. "This is necessary to support the continued success of automatic enrolment implementation."

The removal of restrictions now would increase the likelihood that smaller employers - who can begin offering NEST in April 2014 - would consider NEST as one of their options, said Lee Hollingworth, a partner in the London pension consulting firm, Hymans Robertson.

The select committee expressed concern about restrictions stopping employers from opting for NEST.

"If employers decide they cannot opt for NEST because of the restrictions," it said, "there is potential for consumer detriment because employees may not then be offered the best value [plan] available."

Though NEST was designed for workers who don't have access to an employer-sponsored defined contribution plan, it could present competition to private retirement plan providers in the UK. Lifting current restrictions could make it all the more competitive against the private sector.

Some pension providers have spoken out against the lifting of any restrictions, arguing that they should remain in place until NEST is self-financing and no longer has the advantage of receiving government funding for its operations. Unions, employer groups, the National Association of Pension Funds and NEST itself have urged removal of any barriers to its competitiveness.

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