



The group of MPs is expected to come out in favour of a model without a ceiling on contributions

## DWP to declare Nest cap 'hampers' model

### Katie Morley

The National Employment Savings Trust's (Nest) cap on contributions should never have been allowed, believes the Department for Work and Pensions (DWP) select committee.

The committee is conducting a review of the 2012 reforms, and in private meetings evidence-givers – including former Nest trustee board member Baroness Jeannie Drake, and Hermes chair David Pitt-Watson – said the £4,200 annual limit should have been scrapped from the start because it “hampers” the Nest model.

For this reason, the influential group of MPs is expected to come out in favour of a model without a ceiling on contributions and will push for Nest to remove the cap, when it publishes its final recommendations early next year.

But despite this pressure, regulation cannot change until 2017, when it will undergo another review.

DWP select committee chair, Labour MP Dame Anne Begg, told *PW* she agreed the cap should have been scrapped before Nest policies were finalised.

She said: “It would mean companies could place all their employees in Nest, rather than

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just the lower earners. It's because of the pressure the pensions industry has put on the government that they've effectively hamstrung Nest.”

Tim Jones, chief executive at Nest, said: “In establishing Nest, the contribution cap was part of the political consensus that worked to ensure the scheme focused on parts of the pensions market that had not been well-served by the private sector.

“In the context of employers starting to implement their plans for automatic enrolment, we have highlighted the practical implications of the contribution cap for employers. In some circumstances, this means using Nest and another provider, when the preference might have been to have a single provider.”

The select committee gathers industry evidence to scrutinise DWP regulation in order to improve it.

It will soon meet with Steve Webb to discuss a Nest and auto-enrolment consultation paper.

## DC case study

Paul Bannister  
Chief executive

### BlueSky Pension Scheme

## Creating a compelling alternative to Nest

I joined the JIB Pension Scheme Trustee Company just over eight months ago, with a remit to enhance the structure of our scheme for both employers and members, and to provide an enhanced alternative to the National Employment Savings Trust (Nest).

The scheme, which has since been renamed BlueSky, is an industry-wide, multi-employer, defined contribution (DC) arrangement for the electrical contracting industry. We have around 15,000 members and £230m of assets under management.

We saw the impending auto-enrolment issue as a positive catalyst for change. It was an opportunity to get closer to both our employers and their employees, and help ensure positive outcomes for all parties.

In practical terms, the mission, as I saw it, was to make the scheme more accessible and visible to employers and their employees, and to enhance the investment strategy and proposition. Our members deserve a scheme that is at the forefront of our industry, one that delivers a high-quality pension, with good value for money.

As the overwhelming majority of our members use the investment default fund, the first challenge I faced was to improve the default fund investment strategy. On reviewing the market, in tandem with our consultant Dean Wetton, the trustees concluded that AllianceBernstein's flexible target date approach most suitably met the requirements of our members.

This approach combines investment diversification, flexibility and dynamism in a ‘single fund for life’ for our members. It allows the trustees to easily change the strategy or funds at any time, while giving the members the flexibility to adapt their pension to their changing retirement patterns.

In addition, by using a multi-channel approach, we set out to make the scheme more accessible and visible to both employers and employees. And in completely refreshing and reinvigorating our range of communications, combined with the change in scheme name, we have seen a much greater interest and engagement with our various stakeholders.

Finally, we believed too much emphasis is often placed on low-cost solutions that do not deliver optimal outcomes for members. Our total offering is designed to cost members significantly less than Nest, while providing a compelling pension package. We continue to monitor our offering to ensure it offers members a great value and straightforward platform to save for their future.

  
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