

Insights from behavioural research (and experience) for pensions policy and practice

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nest
Insight



Session outline

Brief intro to Nest and Nest Insight

Five key insights:

1. Headline behavioural evidence under auto enrolment
2. Positive aspects of the strength of inertia and defaults
3. (Potentially) negative aspects of the strength of inertia and defaults
4. Impact of AE on adjacent financial behaviours
5. Retirement-adjacent emergency savings – evidence from trials

Brief introduction to Nest and Nest Insight

- › Auto enrolment mandate since 2012.
- › Workers can opt out.
- › Those who remain in contribute a minimum of 8% of salary, minimum 3% from employer.



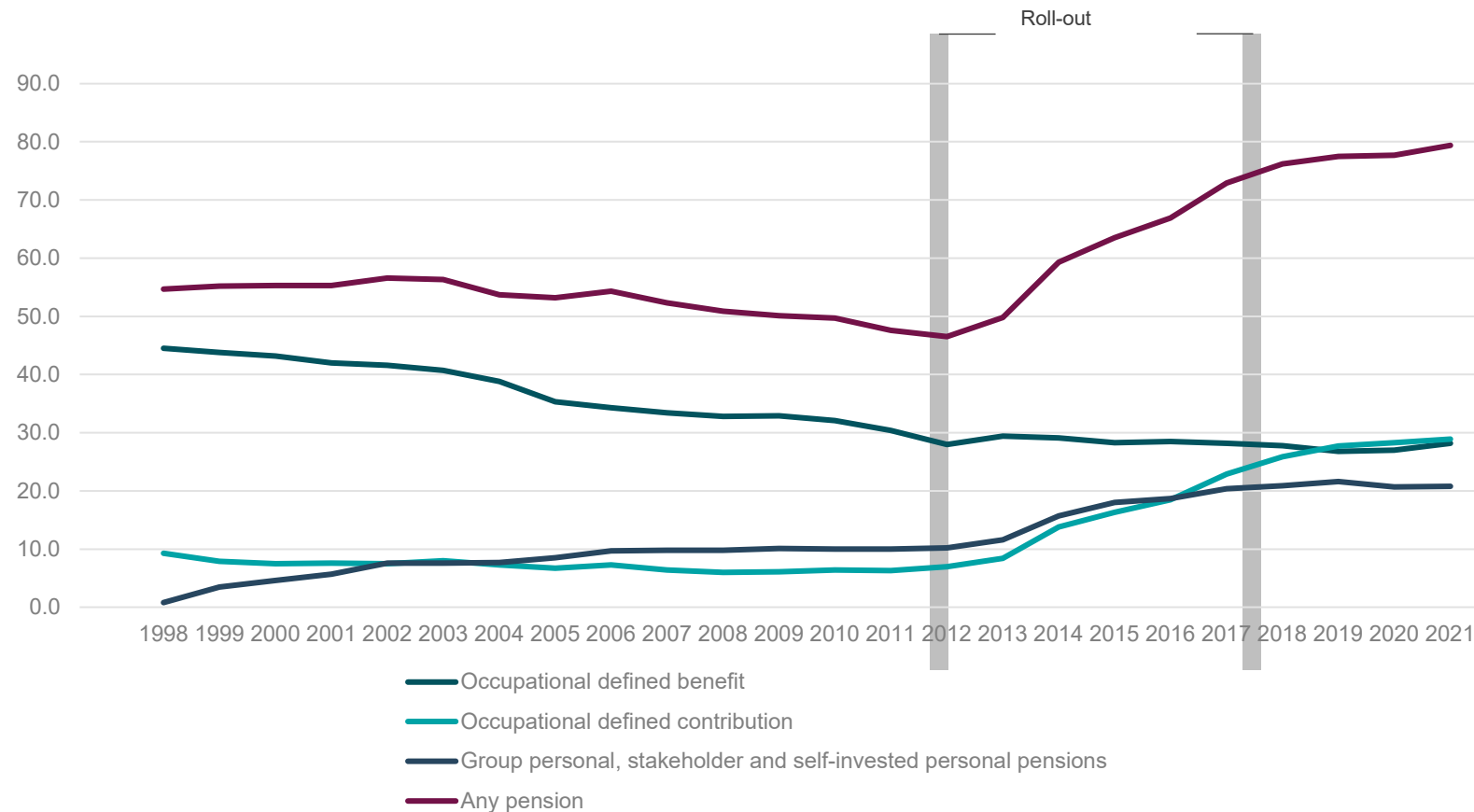
- › One plan employers can use – no-one has to
- › Multi-employer Master Trust (like an open MEP?)
- › Statutory obligation to accept all business...
- › ... means members skew lower income, higher-churn sectors, younger
- › 13 million members, £40 billion AUM



- › Public benefit research and innovation centre
- › Finding ways to help the Nest target population to be financially secure, today and into retirement

Headline findings from the introduction of Auto Enrolment

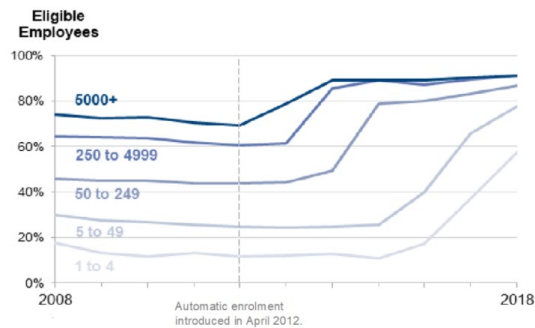
The proportion of employees participating in a workplace pension has increased dramatically



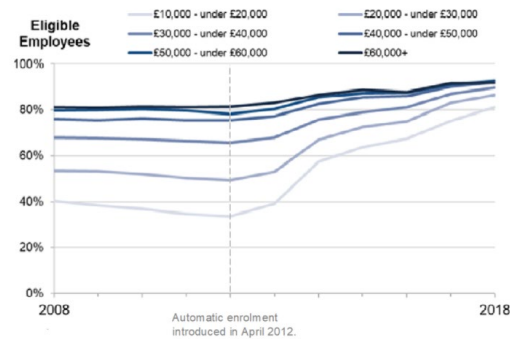
Source: Office for National Statistics - Annual Survey of Hours and Earnings (ASHE)

Headline findings from the introduction of Auto Enrolment

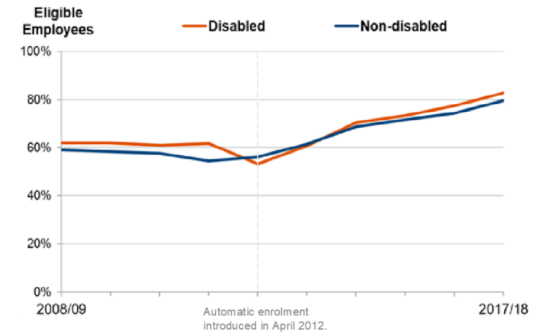
This trend is consistent across almost all socio-demographic variables



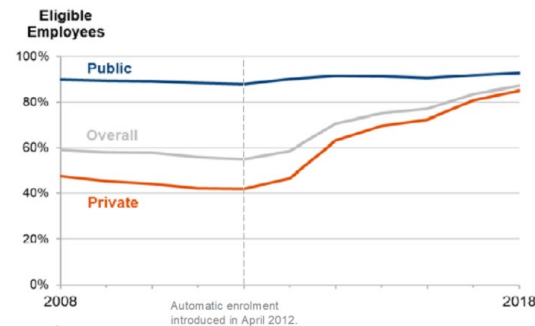
Source: DWP estimates derived from the ONS ASHE, GB, 2008–2018.



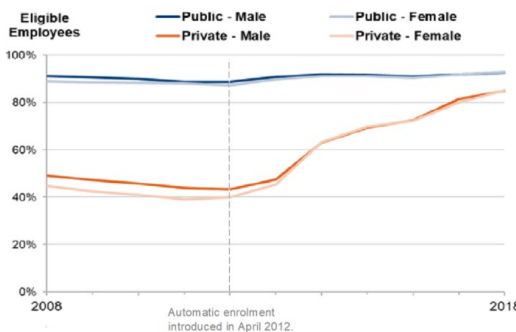
Source: DWP estimates derived from the ONS ASHE, GB, 2008–2018.



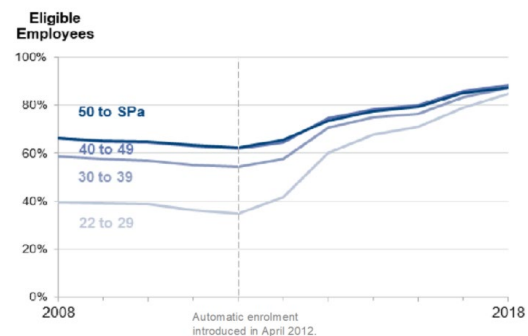
Source: Modelled analysis derived from the FRS, UK, 2008/09 to 2017/18.



Source: DWP estimates derived from the ONS ASHE, GB, 2008–2018.



Source: DWP estimates derived from the ONS ASHE, GB, 2008–2018.



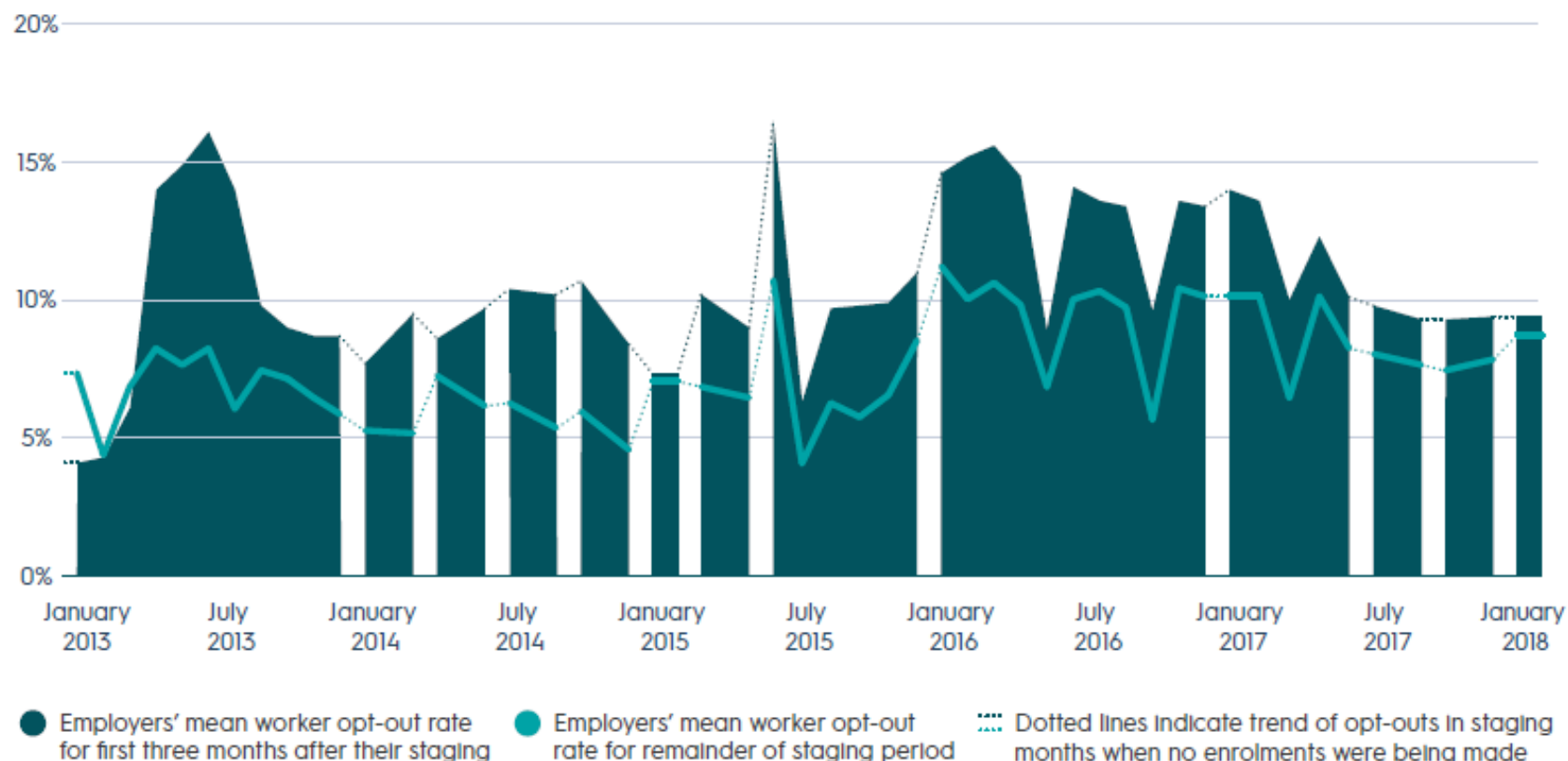
Source: DWP estimates derived from the ONS ASHE, GB, 2008–2018.

Source: Office for National Statistics - Annual Survey of Hours and Earnings (ASHE)

Strength of inertia as a positive

High participation is driven by low opt-out – higher for the initial ‘stock’ of workers but lower (<10%) for the ‘flow’

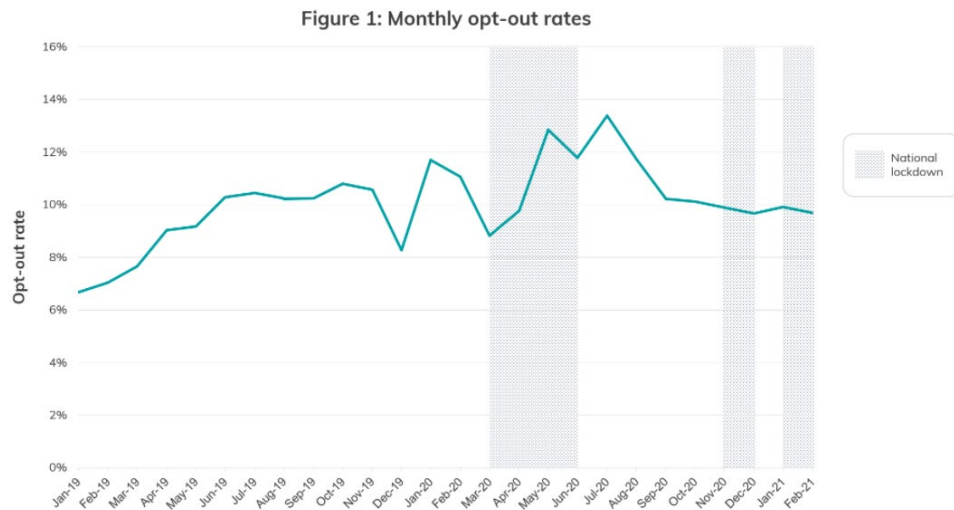
Figure 8. Initial and ongoing opt-out rates by staging date



Source: Nest Insight – Retirement Saving in the UK 2021

Strength of inertia as a positive

Participation behaviours remained broadly constant through the Covid-19 pandemic and resulting lockdowns

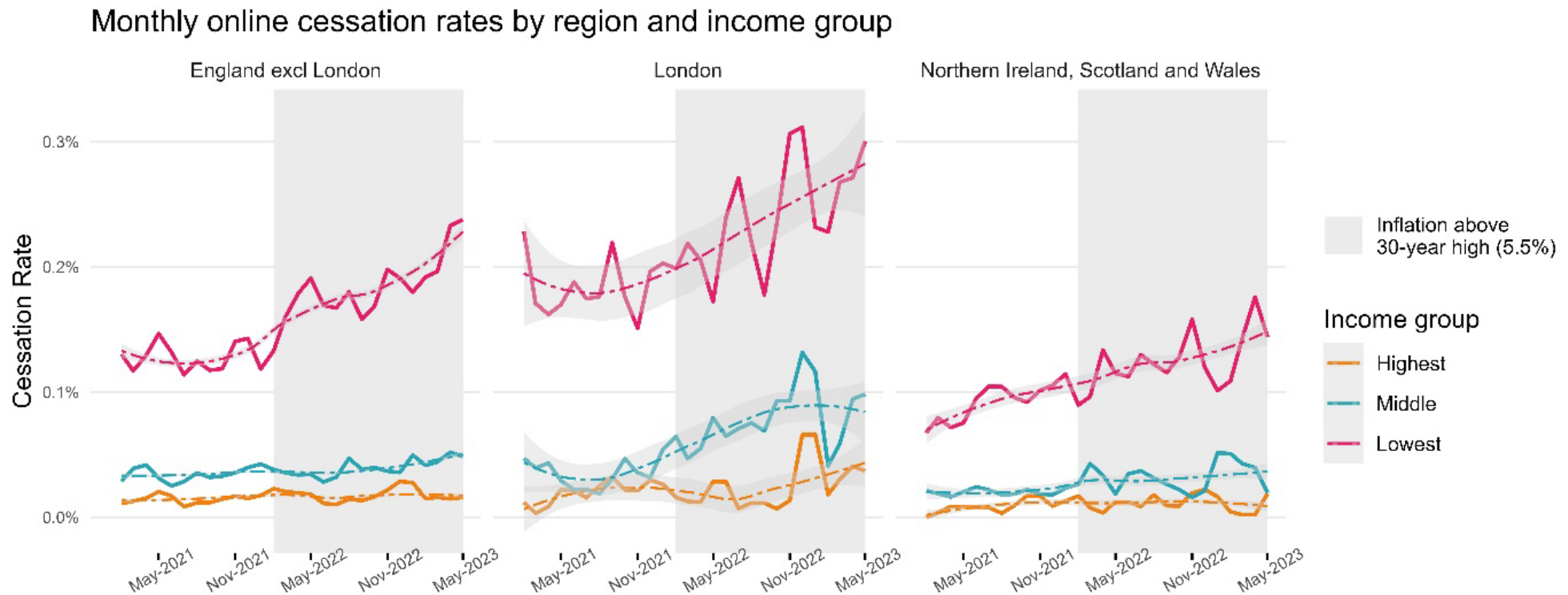


Period of national lockdown

Source: Nest Insight 2021 – the Impact of Covid-19 on low- and moderate-income savers

Strength of inertia as a positive

There has been a small uptick in cessations among lower-income groups in response to the cost of living crisis but rates remain very low overall



Source: Nest Insight 2024 – What happens to pension contributions when the cost of living is high?

Strength of inertia as a negative

The vast majority of members are enrolled at the legal minimum of 8% of earnings...

Table 11. Relationship between employer and member contribution rates, by percentage of members

		Member contribution rate*					Total
		0%	More than 0% up to 5%	5%	More than 5% up to 8%	More than 8%	
Employer contribution rate	Less than 3%	0.0%	0.1%	0.8%	0.1%	0.0%	1.0%
	3%	0.0%	0.4%	85.1%	3.8%	0.3%	89.6%
	More than 3% up to 5%	0.0%	0.9%	2.1%	1.3%	0.1%	4.4%
	More than 5% up to 8%	2.6%	0.9%	0.2%	0.2%	0.1%	4.0%
	More than 8%	0.4%	0.1%	0.3%	0.1%	0.1%	1.0%
	Total	3.1%	2.3%	88.5%	5.5%	0.7%	100.0%

*Member contribution rate includes tax relief. A rounding tolerance of ± 0.05 has been applied to all contribution bands, for example a 3% contribution rate covers rates in the band 2.95% to 3.05%.

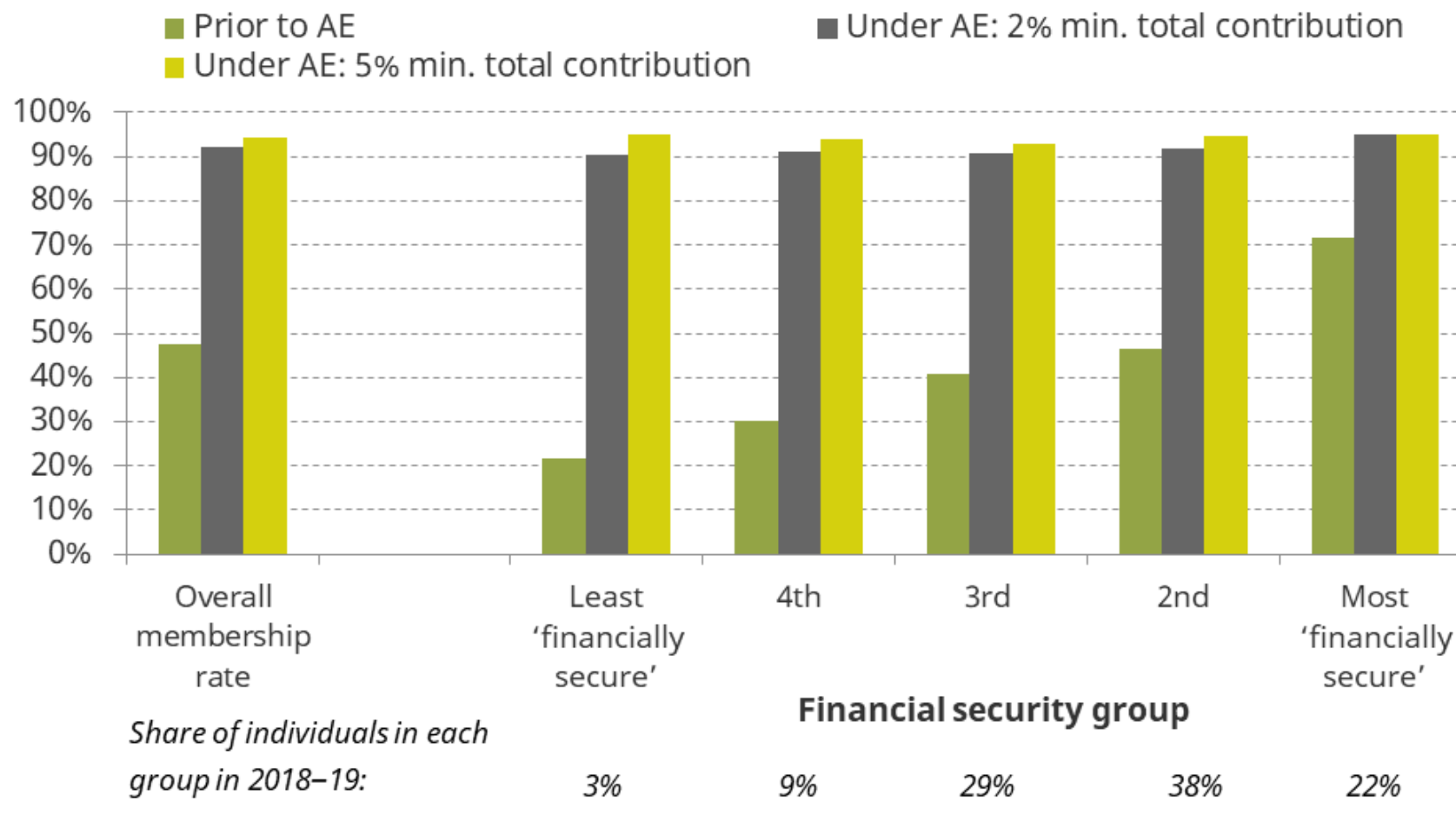
Source: Nest scheme management information, 2022

...and only 1.5% of Nest's total membership has ever made an elective additional contribution

Source: Nest Insight - Retirement saving in the UK 2021

Strength of inertia as a negative

Opt-outs don't appear to vary at all by income or levels of financial resilience

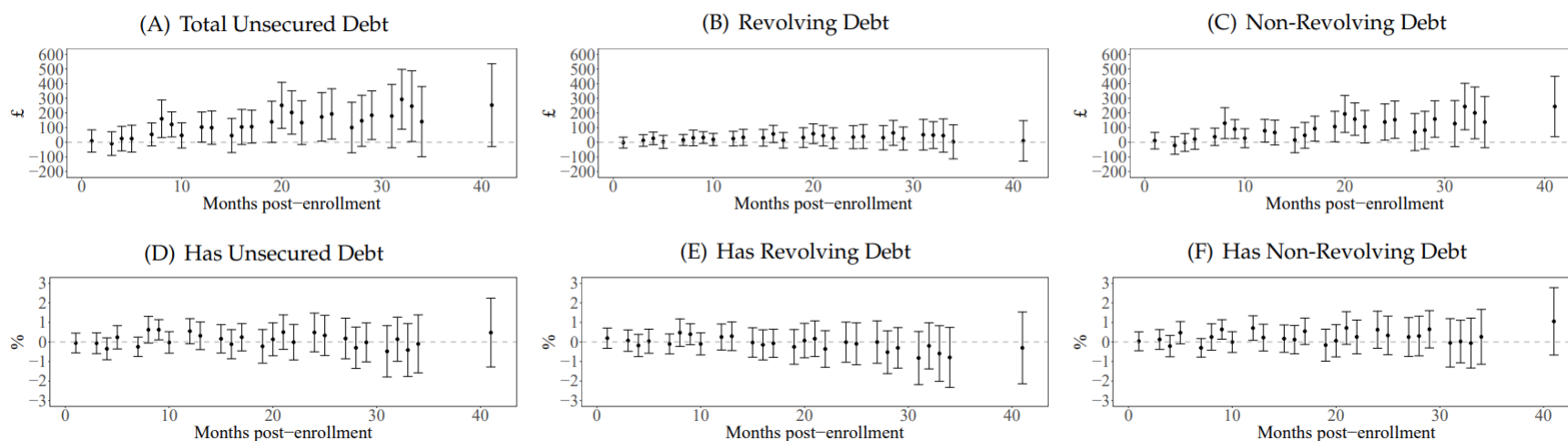


Source: Institute for Fiscal Studies (2018) – Auto Enrolment – too successful a nudge to boost pension saving?

Behavioural impact on adjacent financial behaviours

Some evidence that new pension contributions from AE are partially offset by increases in unsecured debt (though with nuanced wider impacts)

Figure 2: Automatic Enrollment Treatment Effects on Unsecured Debt



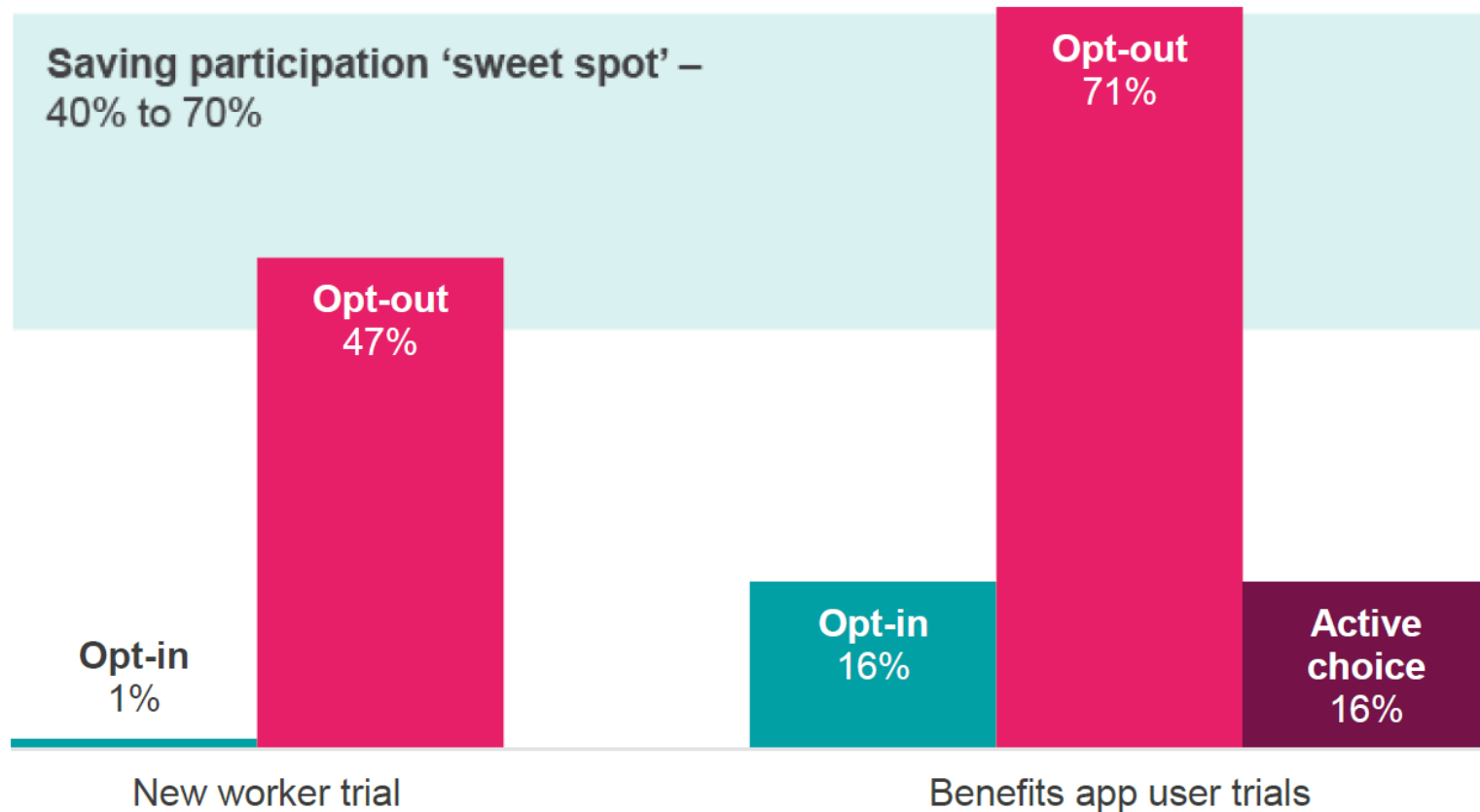
Source: Beshears, J., Blakstad, M., Choi, J. J., Firth, C., Gathergood, J., Laibson, D., ... & Stewart, N. (2024). Does Pension Automatic Enrollment Increase Debt? Evidence from a Large-Scale Natural Experiment (No. w32100). National Bureau of Economic Research

Retirement-adjacent emergency savings – findings from research

- › Since 2018, we've tested a series of workplace emergency savings tools with large employers:
 - Initial trials: opt-in 'sidecar' account with a rollover into pension saving once a set emergency buffer is reached
 - Subsequent trials of opt-out or 'autosave' tools auto-enrolling workers into a simple accessible savings account

Retirement-adjacent emergency savings – findings from research

Opt-in models are often popular in theory but see low take-up – but an opt-out mechanism is highly effective in increasing take-up

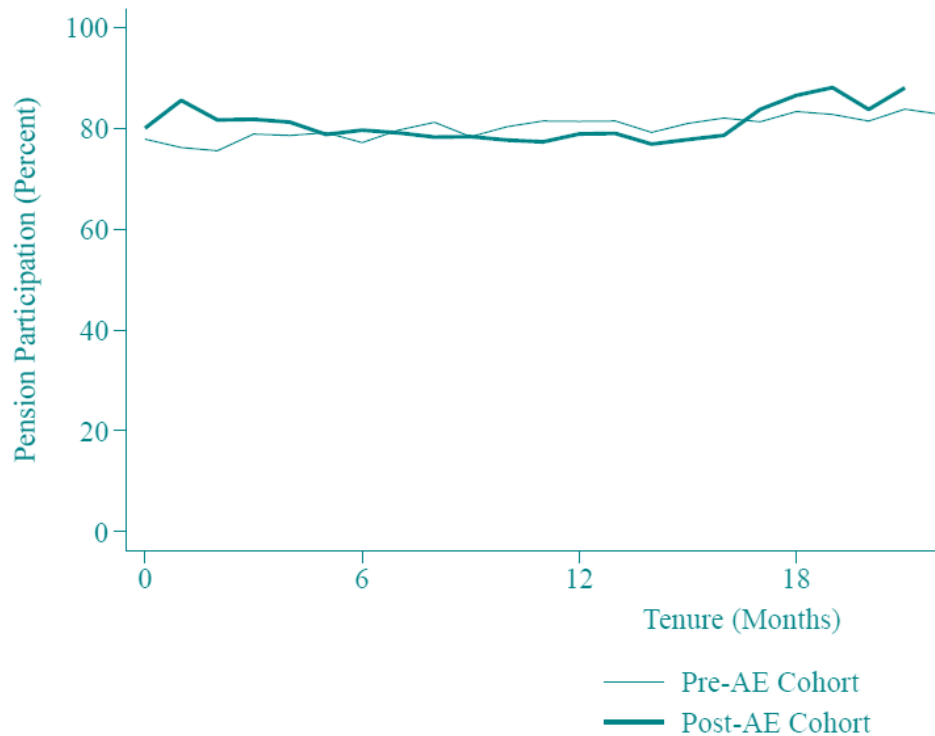


Source: Nest Insight 2023 - Opt-out payroll saving new worker trial (SUEZ) + Opt-out payroll saving benefits app user trials (Co-op and Bupa)

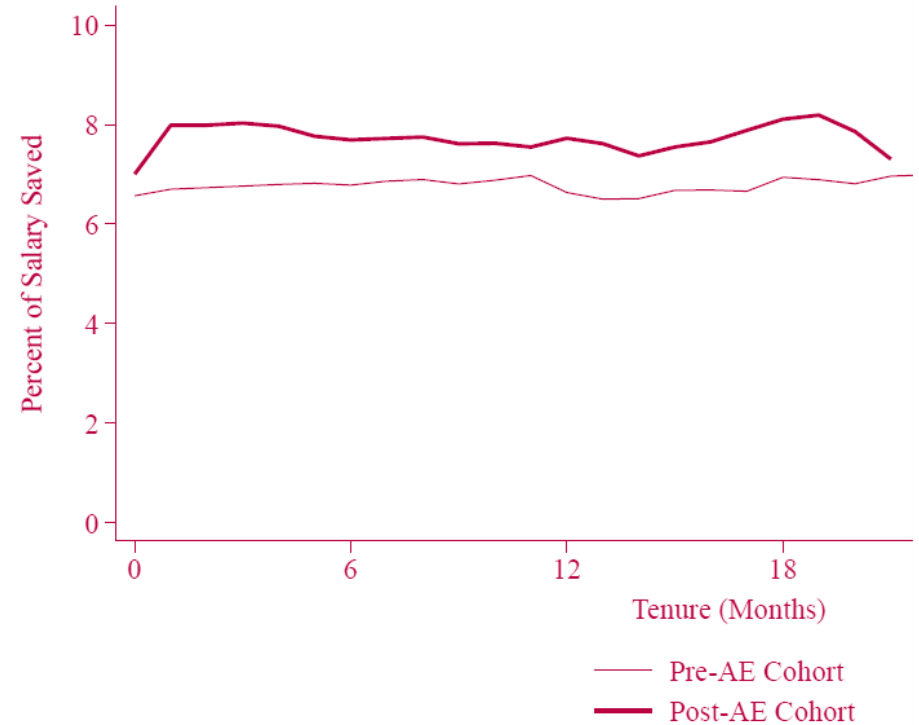
Retirement-adjacent emergency savings – findings from research

There is no crowd-out of pension savings from enrolling people into emergency savings as well

Participation in pension saving for the pre- and post- autosave cohorts



Total contribution rates for the pre- and post-autosave cohorts



Source: Berk et al 2023 analysis of Nest Insight new worker opt-out payroll savings trial (SUEZ)

Retirement-adjacent emergency savings – findings from research

- › Small sample size and observational data only, but...
- › ...c. 4% of those opting in during the ‘sidecar’ savings trial had reached the rollover level and started to make additional contributions to their pension by the end of the trial period.
- › Compares to the 1.5% of total members making additional contributions.
- › Average additional contribution £100 per month.

Thank you



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