

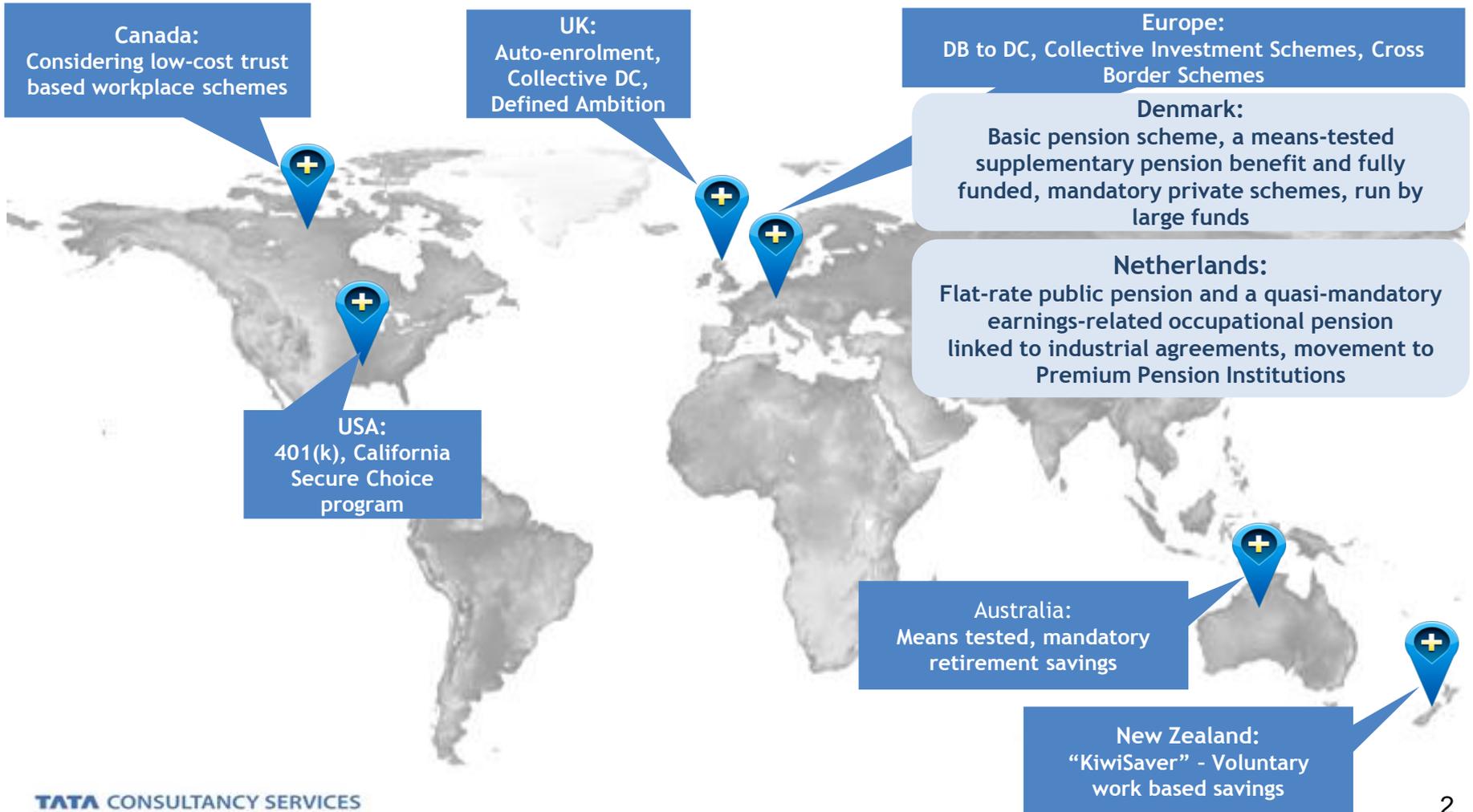


National Employment Savings Trust (NEST)

- a UK Experience in ‘Helping Millions Save for Retirement’

California Secure Choice Retirement Savings Symposium, UCLA - 27 Mar'14

Retirement initiatives across the globe



The need for workplace retirement reforms in UK

- Ageing population, number of pensioners expected to double to 19 million by 2050
- Average life expectancy in the UK is rising (70 to 80 in the last 50 years)
- 65% of government spending is directed towards retired citizens; £100 billion in 2010-11
- An extra £10 billion per year is required for each additional million people over retirement age

64 %
Of UK employers
employ < 50 workers

11.5 million
Potential workers
outside of coverage

1.2 million
employers seeking
pension provision

Reasons for lack of retirement provision?

New to business - 12%

Not reqd. - 15%

Costly - 23%

Small - 50%

Private workplace
plans not viable for
low to moderate
earners

Employers with smaller
workforce not the
target for plan
providers

UK Pensions Act 2008: UK employers to mandatorily enroll workforce into a scheme (Retirement Plan)
Enabled the creation of NEST

NEST is...

- Part of a UK Government program, aimed at getting the working population to save for retirement
- A statutory occupational pension scheme (retirement plan) overseen by a Trustee Corporation
- A high quality scheme designed for the 'mass market' including those unserved by traditional providers
- Obligated to accept any employer at a single price
- Not-for-profit
- Simple scheme, minimum choice, easy communication; self service to bring down costs
- Delivered at an overall AMC of 0.5 % (pre AE world average market AMC at 1.5%)
- Self-funding in the longer-term, loan from Government in the shorter-term
- Having an unprecedented take-on challenge
- A digital enterprise out of necessity to meet its three key challenges
- www.nestpensions.org.uk



Two business models considered by NEST

Single provider

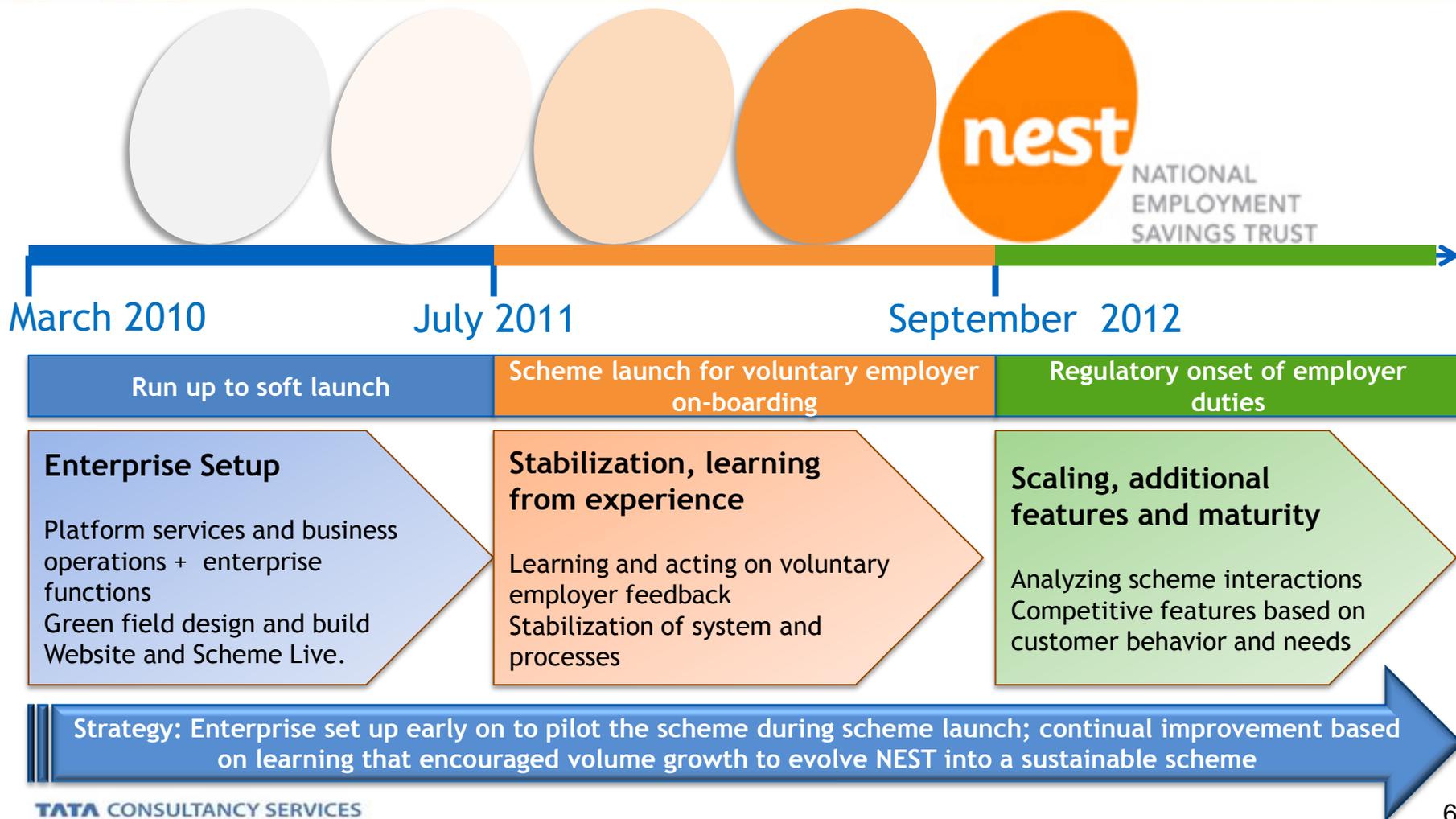


Ecosystem with NEST + Third party providers

NEST deliberately limited itself to core plan provision and has encouraged markets in the other services



The implementation journey



Realizing NEST vision; where we stand today

NEST Target

2-5 M members
by 2016



>30% AE
market
share



3,500+
employers



1,000,000+
members

- > Scheme set up 100% online
- > >95% target for STP
- > Automated contribution processing - direct key, file upload via the web or B2B file transfer
- > Reducing employer burden of Opt out (97% over digital channels)
- > Leverage of behavioral economics expertise in design resulted in < 10% rate of opt-out; significantly less than projected



3 M member, 1 M employer communications
delivered over electronic channels



>200,000 calls to contact centre;
> 45% concluded at IVR



75,000 Opt outs
processed



Web - 61%



IVR - 36%



Paper - 3%

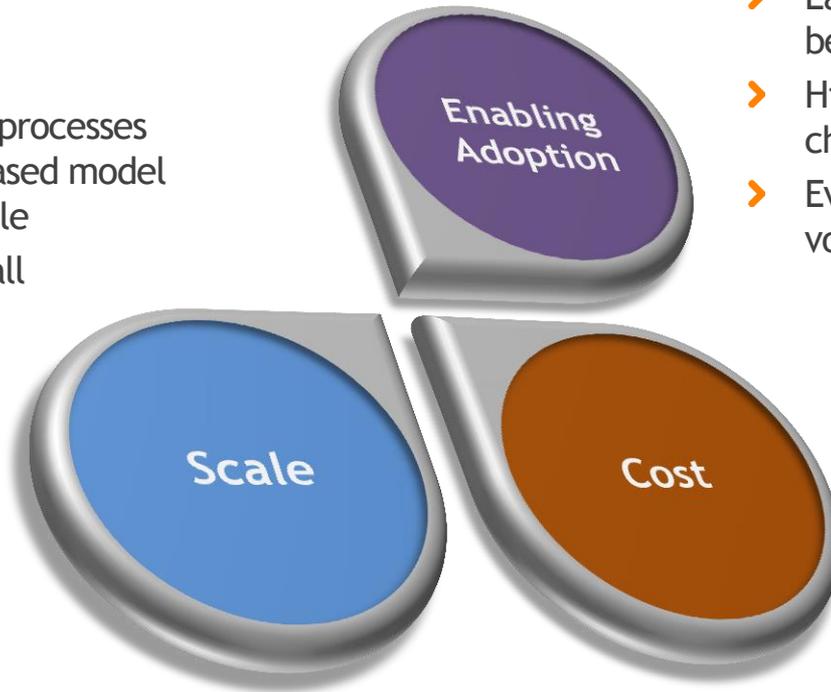
97% over digital channels

3 million new savers - its a BIG DEAL for UK !

Critical contributors to success

- ⦿ *Decided to make a virtue of the absence of legacy business*
- ⦿ *Redrew the line between the provider and customer; Key administrative tasks sit with the customer*
- ⦿ *Customers are guided towards the online option. For employers it is **the only option***

- Greenfield design of processes - traditional paper based model will struggle with scale
- Extensive testing of all aspects of scale (esp. IT platform)



- Easy to use - designed around customer behaviour
- High quality web experience mitigating channel risk - “Digital by Default”
- Evolving & communicating a jargon free vocabulary

- e-enabled, self service model to ensure low cost, seamless operations
- Vendors with shorter supply chains adding agility and helping optimize the business model

What could we have done better ?

- In hindsight, a lot of things
 - Engage with employers and benefit consultants early to tailor solutions
 - Address policy hurdles such as ‘Contribution Limits’
- Some pointers
 - Policy changes can be confusing - create awareness early
 - Market and customer behaviors change, faster than before - agile platforms are key
 - Put User Experience first and evolve design based on market testing of behaviors
 - Design for scale - notoriously difficult to achieve incrementally
 - Be ready to balance “Digital” with traditional channels



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TCS snapshot

45+
years in
business

11.57 B USD
FY13 revenue

285,250
associates

118
nationalities

1065
clients

98.6%
repeat
customer
revenue

**First North American
client in 1971**

**Opened first U.S.
office in New York in 1979**

Over 25,000 employees

19 facilities in 15 states

Accounts for ~54% of TCS revenues

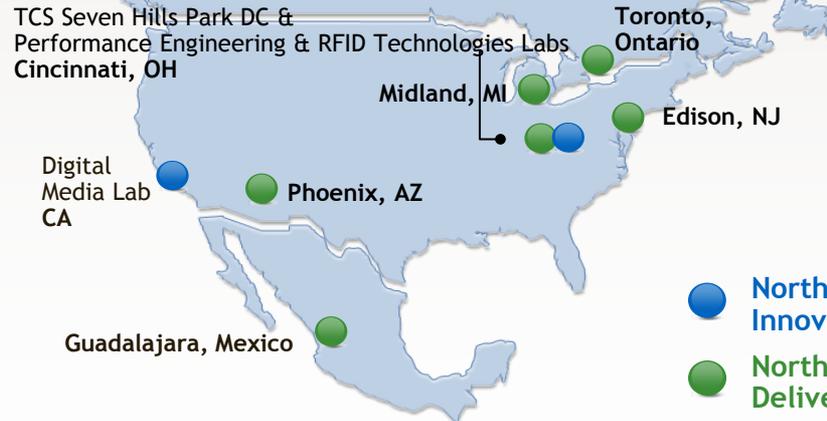
56 of Fortune 100 are clients

More than 500 customers

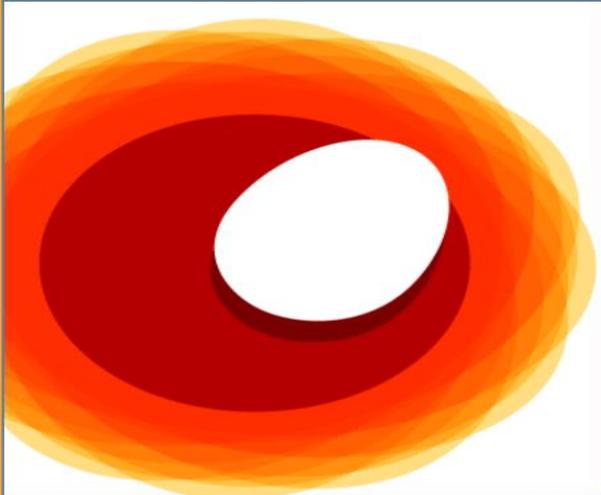
**7,000+ children in Ohio and Michigan
benefited from TCS volunteered
education program since 2008**

**Created 1700
US jobs in 2012**

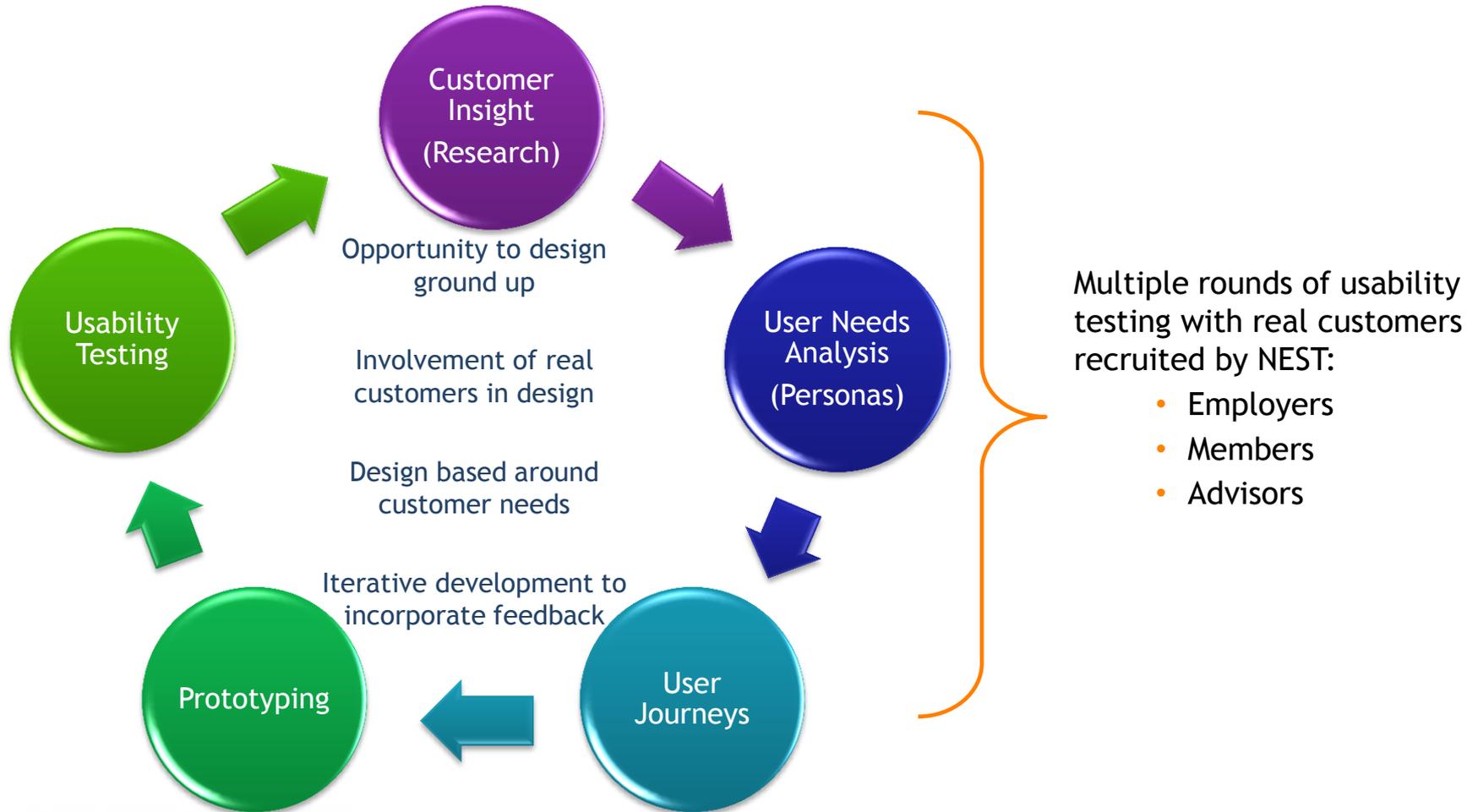
**4 TCS offices in last 2 years
Santa Clara, Troy, Bloomington, Bentonville**



Focus on Customer Centricity



Customer Centric Design



Distilling Scheme setup to five easy steps

Traditional occupational schemes have long onboarding cycle, running into weeks

Even post AE, turn around times have reduced, still running into few days

Employer rep. creates an online account

Employer rep. logs in to enter all required business info.

Employer rep. authorizes users who can administer the pension scheme

Employer setup is completed and employer can start enrolling employees



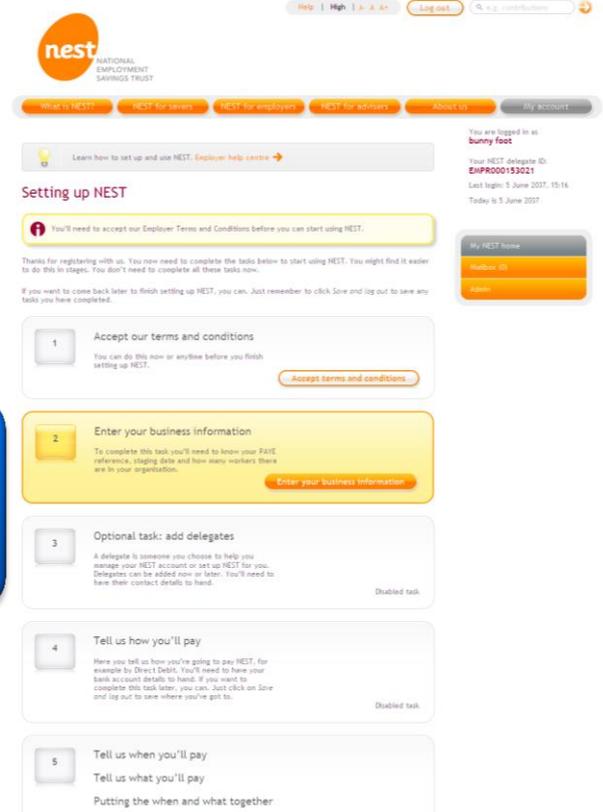
Start

40 minutes



Stop

NEST offers near to real time processing



Pension scheme sign up

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Experience certainty.

Customer Centricity driving behavioral design

Customer behaviors leveraged in our design

⦿ Inertia

- Automatic Enrolment addresses the basic need to start saving by “nudging” people into saving, but people can also stop saving (opt -out)

⦿ Loss framing

- NEST Opt-out process: helping enrolled workers understand what they stand to lose in terms of employer contributions and the government contributions in terms of tax relief if they opt out.

⦿ Loss Aversion

- Investment Proposition: Incorporation of a “foundation phase” into our risk profile

⦿ Procrastination

- NEST Opt-out process: you don't need to make a decision today - you can always start saving and cease later

Loss framing

Opt out: [Employer A]

1. Can you afford it? 2. Happy to lose out? 3. Confirm opt out 4. Opt out complete

You are logged in as
[Member A]

Last login: [17 September 2011, 17:35]

2. Are you happy to lose out on money from your employer?

Wording
targets loss
framing

If you opt out now you'll lose out on money from your employer.

As an example, based on earnings of £ and the rate your employer has agreed to pay, you could lose out on as much as...

£ [xxxxx]

...in the first year if you opt out.

Over the next few years as minimum contributions increase, you could get at least...

£ [xxxxx] per year. 

If you're happy to keep saving and get extra money from your employer click on Cancel to leave the opt-out process.

If you want to opt out of NEST with this employer, click on Continue opt-out.

Cancel

Back

Continue opt-out

How “digital” is NEST ?



Scheme website



Interactive Voice Response



Web chat



Structured and unstructured e-mail



Mail room services



Voice services

