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Nest partners with Rothesay to deliver solution to the DC retirement puzzle

- Nest has appointed Rothesay to co-design an insured longevity risk solution for its members as an important part of its sustainable lifelong retirement income offering.
- Ian Cornelius, Nest's Chief Executive Officer, says: "We will deliver a lifelong pension income solution with the ambition to provide a higher average income to Nest's members, allow flexibility for them to change their minds about how their money is being managed throughout most of their retirement, and provide certainty they will not run out of money."
- Graham Butcher, Chief Financial Officer at Rothesay, added: "Rothesay is purpose-built to protect pensions. We are delighted to have been chosen to design and deliver this innovative solution that will be transformative for the DC pensions market, bringing enhanced, long-term financial security to Nest members and DC pension savers across the UK, allowing them to maximise their retirement resources without the fear of running out of money."

Nest can today announce it has partnered with Rothesay to develop elements of its new retirement income offering for the defined contribution (DC) generation.

The partnership with Rothesay, the UK's largest pensions insurance specialist securing the pensions of nearly one million people, will be to co-design a bulk deferred annuity for DC pension savers – a market first in the UK. Once the co-design has been completed successfully, Nest will purchase bulk deferred annuities for cohorts of members from Rothesay. The bulk deferred annuity will pool longevity risk and be a key part of Nest's trustee-managed sustainable income solution for members.

By blending an insured solution alongside the predominantly invested elements of a member's retirement income portfolio, Nest will aim to provide higher incomes for its members than traditional approaches. Income levels and investment strategy will be set by Nest to ensure sustainability whilst the deferred bulk annuity will provide certainty members won't run out of money in retirement. All this will be done while allowing flexibility for members to change their minds about how to fund their retirement.

With the move from Defined Benefit (DB) to Defined Contribution pensions, the responsibility for making retirement savings last has shifted to individuals. This means people now face the challenge of estimating how long their money needs to last and face the risks of either running out of funds too soon or missing out on a higher level of comfort in retirement by spending too little.

Following the completion of co-design, Rothesay will be able to develop similar insurance solutions for other DC schemes in the UK and around the world. Nest believes this will improve outcomes for all UK DC pensions savers.

Ian Cornelius, Nest's Chief Executive Officer, said:

"We know our members are finding it hard to manage the multiple risks they face in retirement on their own. It's our role to do everything we can to help them achieve great outcomes in



Rothesay

retirement. The government, in its Pensions Bill, is calling on all pension schemes to offer guided retirement pathways for UK savers.

"To deliver this, and support our members, we're developing a lifelong retirement income solution which will play a vital role for those members who want and expect their pension provider to deliver a pension income for them, not a pot.

"We want to help build financial peace of mind for all UK savers. Our solution will aim to provide a lifelong income solution to Nest's members and provide certainty that they will not run out of money in retirement.

"Our members will know that Nest is helping them every step of the way as they make the transition from working life to retirement, where they are faced with some of the most complex financial decisions of anyone's lives. This partnership with Rothesay has the potential to be transformational not only for our members, but all DC savers."

Graham Butcher, Chief Financial Officer at Rothesay, commented:

"This partnership brings together the UK's largest specialist pensions insurer with one of the UK's largest workplace pension providers to create an innovative and sustainable retirement model for nearly 14 million Nest members.

"Rothesay will leverage its purpose-built systems, risk management and execution capabilities developed in the DB pensions market and apply these for the benefit of DC pension scheme members.

"This is an important step forwards in transforming retirement outcomes for DC members and we are delighted to have been selected to partner with Nest in this groundbreaking initiative. It has been a hugely collaborative process so far and we are excited to continue our partnership to secure the long-term future for millions of DC savers in the UK."

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Notes to Editors

About Rothesay

Rothesay is the UK's largest pensions insurance specialist, purpose-built to protect pension schemes and their members' pensions. With over £69 billion of assets under management, we secure the pensions of nearly one million people and pay out, on average, over £350 million in pension payments each month.



Rothesay is dedicated to providing excellence in customer service alongside prudent underwriting, a conservative investment strategy and the careful management of risk. We are trusted by the pension schemes of some of the UK's best known companies to provide pension solutions, including British Airways, Cadbury's, the Civil Aviation Authority, the Co-operative Group, National Grid, NatWest, Morrisons and Telent.

Rothesay has two substantial institutional shareholders, GIC and Massachusetts Mutual Life Insurance Company ("MassMutual"), who provide the company with long-term support for its growth and development.

Rothesay refers to Rothesay Limited and its subsidiaries and is the trading name for Rothesay Life Plc, an insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number: 466067. Rothesay Life Plc is registered in England and Wales with company registration number: 06127279 and registered address: Rothesay Life Plc, The Post Building, 100 Museum Street, London WC1A 1PB. Further information is available at www.rothesay.com

About Nest

- › Nest published its 'blueprint for retirement' in 2015, which laid out plans for a default lifelong retirement income solution where a trustee or governance oversight body would manage investment, longevity and liquidity risk for pension scheme members who wanted the growth potential and flexibility of drawdown with the security of an annuity and the oversight and expertise provided by a trust based (or similar) organisation. Within that document we suggested the longevity risk management could be delivered through the use of bulk deferred annuities (as seen in some US schemes; the development of internal mortality pools (as seen in some Canadian schemes); or using CDC (as seen in some Dutch schemes).
- › A bulk annuity is an insured policy purchased in bulk by a pension scheme and issued by regulated insurance companies, paying insured benefits for the lifetime of each individual covered. If the annuity is deferred, the policy promises to pay the buyer a sum of money at an agreed date in the future.
- › Nest was set up by the government to give every UK worker somewhere good to save after the introduction of auto enrolment. Since then, it's grown to become the largest workplace pension scheme in the country with nearly 14 million members. One in three UK workers saves with Nest.
- › Nest's members benefit from an award-winning investment strategy and one of the most diversified DC portfolios in the industry. It practices responsible investment that aims to deliver long-term growth while carefully managing risk.
- › Nest safeguards more than £60 billion in assets on its members' behalf. It takes approximately £500 million a month in new contributions, and that figure is expected to rise. By the end of the decade, Nest will have close to £100bn invested on its members' behalf.