

Value for money

Delivering what matters most for you

Independent Governance Committee of Aegon
Annual Summary Report for the year 2021

Chairman's statement



I am pleased to share with you the annual report from Aegon's Independent Governance Committee (IGC) for the year 2021.

The main focus of the report is the 2021 calendar year, and our ratings are based on our view of Aegon's performance in this period. However, we also provide an update on any significant changes that have occurred in the early months of 2022. We have done this because we recognise that this remains a time of significant change with the rising cost of living, volatile investment markets, the war in the Ukraine and the effects of the global pandemic continuing to impact us all – and influencing the factors that we review in our assessment.

Following guidance from the Financial Conduct Authority (FCA), this year's report is published later than in previous years as we, along with all the main providers of workplace pension schemes, have taken part in a benchmarking exercise run by the independent investment consultancy Redington. This allows us to see how Aegon is performing against its peers in key areas of value for money. We have considered the findings of the Redington report when coming to our final value for money conclusions, and cover this in more detail throughout our report.

Last year we noted a number of areas of focus for the IGC, including the progress Aegon has made on Environmental, Social and Governance (ESG) matters and on introducing Investment Pathways solutions. ESG is a fast-developing area for investments as the fund management sector grapples with how best to move investment into companies that are helping address global challenges like climate change and social inequality. It has been a year where we have seen Aegon embed its framework for Responsible Investment, further strengthen its team and move £12bn-worth of assets across the most used default funds into ESG-oriented funds. Our priority for the next period is to ensure you have the information you need to make well informed decisions about which options suit your own preferences and beliefs.

In February 2021 we saw the launch of the Investment Pathways solutions and although it is still too early to determine their impact, we are encouraged by the investment performance results for the first year as well as the feedback from customers on how they're being communicated. We have identified some areas for improvement, though, which we note later.

One significant development we put in place last year was our new customer outcomes framework which builds on the core pillars of value for money set out by the FCA. This framework is made up of a series of statements which capture the outcomes we believe customers aspire to achieve as they build up and draw down on their pension savings. We use it to help focus our agenda throughout the year, and to build a dashboard of metrics which indicate how well Aegon is doing in helping customers to achieve these outcomes – and so deliver value for money.

We also present a version of these statements to a group of customers each month to see how closely they feel they represent their personal experience. Over time, this gives us an invaluable customer perspective on how Aegon is doing, and where we should challenge it on your behalf to improve further. Thank you to all those who have taken part over the last year. Combining these results with feedback we have heard from employers, we can see there are three important areas that require attention:

- Improving communications to give customers a better understanding of the charges they pay and what they receive in return.
- The pace and accuracy with which Aegon deals with your instructions.
- Making it easier for customers to complete a death benefit nomination, and highlighting how important it is that they do this.

We have challenged Aegon to clarify what actions are being taken in each of these areas and to demonstrate this has improved your experience and outcomes.

Indeed, the support and service Aegon provides to you has been a focus throughout the year. As we reported last year this is an area which has suffered a decline in performance throughout the pandemic, driven by staff shortages, the initial difficulty with working away from the office and wider recruitment challenges. Although we did see signs of improvement during the first half of 2021, this fell away in the second half as Covid-19 restrictions were lifted and the economy re-opened. This led to a shortage in resources which had a negative impact on the service you receive. We recognise that this is an issue which has impacted service levels across the industry and beyond, but we have challenged Aegon to take the necessary steps to close this capacity gap. At the time of writing this report we have seen details of the investment and changes Aegon has made in this area as well as some signs of improvement. However, we need to see this continue over a prolonged period before we are confident that service has returned to the levels you require.

Overall, our IGC believes that Aegon is working on the right areas to further improve value for money and customer outcomes. There are a number of areas we will focus on during 2022:

- **On service levels:** we will closely monitor the progress made to improve service levels for all Aegon customers, and will look for assurance that these will be stable and more reliable in the future.
- **On ESG:** we will be looking to see that customer insight and views are informing Aegon's strategy; and that communications about the ESG make-up of funds are clear and understood by customers.
- **On deferred customers** (those who have savings in a scheme but have now moved to a different employer): we will be looking to understand better the experience of these customers and how the value for money they receive compares with 'active' customers. We shall also look to identify whether there are other significant groups of customers who may be receiving poorer value for money.
- **On 'Investment Pathway' solutions:** we will continue to monitor the impact of Investment Pathways solutions, seeking feedback from customers on the communications of the funds and reviewing the options offered in the market to ensure Aegon is offering value for money.
- **On communications and engagement:** we will continue to challenge Aegon to demonstrate the impact and effectiveness of its activity, and specifically how it is helping customers to take actions which are likely to improve their outcomes and financial wellbeing.

I would like to express my thanks to my fellow IGC members and to the Aegon employees for their ongoing support of our IGC activities and their co-operation in responding constructively to our challenges.



As always, we are very keen to hear from Aegon's customers, to understand your needs and opinions, and to use these to drive a better outcome for you. We are also interested in meeting workplace customers or employers to improve our understanding, and have an ongoing programme of face-to-face and virtual meetings if you would like to join us. You can share your thoughts and find out more about our discussion groups by emailing us at igc@aegon.co.uk.









Ian Pittaway

Workplace Value for Money assessment

The IGC is responsible for seeking to ensure value for money for more than two million customers across Aegon's workplace pension schemes. The following summarises our view for our key Value for Money principles across all Aegon workplace customers.

Principle	Overall RAG status	IGC conclusion
Charges		<p>We carried out a review of the product charges paid by the 2.05m workplace customers Aegon has, testing them against the charges disclosed in other IGC reports and the analysis from the Redington survey. We did not identify any obvious outliers with the pricing offered, although we note that some customers remain uncertain as to what their charges are and this is an area we have challenged Aegon to further investigate and improve.</p> <p>Outcome – GREEN – We believe the charges customers pay on your Aegon plan are reasonable and in line with terms available in the wider workplace market.</p>
Investment Solutions		<p>Last year we asked Aegon to accelerate the work required to apply ESG considerations across the funds available to you. We have seen substantial progress with this, especially the significant movement of assets into ESG-oriented funds. As the move to incorporate ESG-oriented assets into the funds required selling and buying assets, Aegon agreed strict criteria to minimise costs, and the work was done cost effectively within these pre-agreed limits. The movement of assets has been complemented by a clear framework for broader responsible investment issues including engagement and stewardship. The commitments made previously have been backed by increased, dedicated resources in the Aegon Investment Solutions team.</p> <p>We have seen further strengthening of Fund Governance within Aegon, with stronger and more impactful reporting provided. Redington's comparative analysis with other providers reinforces our positive view of Aegon's Fund Governance process.</p> <p>Our monitoring of the funds show these have performed in line with their objectives and compare well with the comparable funds of other providers. Transaction cost data and analysis has continued to allow us to track and challenge as appropriate, and we note that transaction costs are at the lower end of the comparative providers.</p> <p>Outcome – GREEN – Following a period of considerable work within the Aegon Investment team in bolstering governance, processes, and resources we are confident that the investment solutions on offer represent good value.</p>

Principle	Overall RAG status	IGC conclusion
Customer Service	 	<p>We have closely monitored the service levels provided by Aegon throughout 2021 and the impact of the pandemic on resourcing levels. We did see a steadily improving picture during H1 of 2021 but a deterioration in service during the final four months of 2021 due to significant resource challenges. This continues to be an area of concern reflected in the rising number of customer complaints. We acknowledge this is a problem affecting many service providers but need to see improvement following the actions put in place by Aegon.</p> <p>Outcome – RED – There continue to be challenges with the service provided by Aegon, with areas that clearly need to improve so you get the service you require, albeit we note the steps taken by Aegon to prioritise financially critical transactions.</p>
Communication and Engagement with Customers	 	<p>Aegon continues to produce a wide range of creative content and useful tools to support customers with their pension choices, and to encourage the actions and mindsets that are likely to lead to greater financial wellbeing. It also has clear and well developed plans for further improvement. Aegon has accepted our challenge that it must consistently be able to demonstrate the impact of its engagement activity for us to be confident that it is delivering good value for money in this area. This work has started but has further to go.</p> <p>Outcome – GREEN – Aegon has continued to make positive improvements in this area to help you better understand your savings and to help you make the right choices for you. Next year, we will award a green rating in this area only if we can see more extensive evidence that Aegon’s communications are having a positive impact on customers.</p>
Security of Customer Information and Money	 	<p>We are satisfied that Aegon is taking the steps required to keep your information and money secure. In particular we acknowledge the internal training and controls in place combined with the proactive customer engagement and collaborative approach to sharing good practice and intelligence across the industry.</p> <p>Outcome – GREEN – We are satisfied that Aegon is taking the steps required to keep your information and money secure, and to help you avoid scams.</p>

The IGC believes that Aegon continues to deliver value for money overall to its workplace customers and is making changes that should maintain or improve this in the future. That said, the service many of you have received this year has not been good enough and must improve in the current year. We believe that the right steps have been taken to achieve this, although it is taking time for them to improve customers’ experience in all areas.

Investment Pathways Value for Money assessment

In February 2021, we saw the introduction across the pensions sector of 'Investment Pathways', which is an initiative introduced by the FCA requiring providers to create four clear investment solutions for those planning to make use of their pension pot, based on an individual's plans for the next five years. The initiative covers all pension customers, not just those from workplace schemes. A key part of our role is to assess whether the Investment Pathway solutions offered by Aegon provide you with value for money.

Investment Pathways value for money summary

Overall, we are satisfied that the Investment Pathways solutions are providing customers with value for money; that they are operated to match their objectives; and that the investment options are competitively priced. We are yet to see a full review of all costs and charges associated with the products from which pathways can be accessed and have requested this is covered during 2022.

Our assessment of the customer journeys is that these are fit for purpose, albeit we note there are some areas where improvements are needed. We welcome Aegon's commitment to introduce improved communications to make options clearer, and to encourage customers to consider their retirement options earlier. Alongside the communications we look forward to the introduction of enhanced planning tools for customers to understand the likely outcomes of each option.