

# Value for money

Delivering what matters most for you

Independent Governance Committee of Aegon  
Annual Summary Report for the year 2022

# Chairman's statement



## I am pleased to share with you the annual report from Aegon's Independent Governance Committee (IGC) for the year 2022.

At the outset of this report I must look to the impact of the cost of living crisis. The period of this report (the 2022 calendar year) has been marked by a further significant increase in inflation. At the time of writing this report there are signs this may be trending slowly back down. Nevertheless, the impact on everyone has been considerable.

Inflation was already a concern in early 2022, but this was exacerbated by Russia's invasion of Ukraine that began on 24 February 2022. All UK pension funds have seen the impact of this, and none has been immune from the economic consequences. Those members who don't plan to draw on their savings in the next few years should hope to see recovery in value over the future years. But those who are retiring now or in the near future are likely to have been impacted by a fall in value of their pension savings and may need to think through how such falls impact their retirement plans.

I understand times are tough, and many will be looking at ways to cut back on outgoings – some will doubtless look at their pension contributions as one possible source of savings. Saving into a pension is key to help secure the retirement that you plan for, and we've therefore scrutinised the work Aegon has carried out throughout the year to inform and support members on this very important issue. One particularly useful resource Aegon has created is its **Cost of Living Hub**, with a library of materials to help members understand how they can manage their money during difficult times.

We, as the IGC, have also continued to scrutinise investment performance. While market downturns have delivered results that are challenging for all investors, we are looking for any indicators that Aegon's funds have performed significantly worse than their peer group, or in a way that is not in line with the stated objective of the fund.

In last year's statement, I detailed the new customer outcomes framework we had implemented which built on the core pillars of value for money set out by the Financial Conduct Authority (FCA). We have gone a step further this year, and structured our report around these customer outcomes, detailing what we as the IGC have investigated, what we concluded, and where we have challenged Aegon to do more. We are also increasingly focussed on the experiences of members across the different Aegon propositions. We plan to scrutinise evidence and consider value for money wherever possible in a more segmented way in the future, and will report in this way next year. We have already taken the step to report on customer service in this way in this year's report.

On the pages that follow, you will find our overall assessments of both Workplace (for those building up their savings) and Investment Pathways (those at or nearing the point of using their savings to take an income in retirement). The detail behind those assessments is broken down throughout the remainder of the report, with the Workplace sections first, followed by the Investment Pathways sections. As we reported in respect of 2020, customer service is an area where we felt Aegon fell below expectations. The Covid pandemic had a significant impact, with staff shortages, the complexities of working away from the office, and recruitment challenges across the industry all impacting the levels of customer service Aegon was able to provide. We had expected to see improvements in 2021 that didn't materialise, and as part of our ongoing monitoring, we witnessed some of these issues continue into the early parts of 2022. However, we did see Aegon make significant progress in the second half of the year, with many of the key customer service measures reporting ahead of target by the end of 2022. We also know that at the time of writing, these improved levels of customer service have continued into 2023 for the majority of members. We cover this in greater detail in section 6 of this report.

I would like to express my continued thanks to my fellow IGC members and to the Aegon team who support our work and who continue to respond constructively to our challenges.

As always, we are keen to hear from Aegon's customers to understand your needs and experiences, 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, details can be found in section 13 of this report. You can share your thoughts and find out more about our discussion groups by emailing us at [igc@aegon.co.uk](mailto:igc@aegon.co.uk).



**Ian Pittaway**

# 1. Workplace Value for Money assessment








To help set the context of our report, we start by confirming the workplace population the IGC is responsible for.

Aegon’s business is split in to two distinct business areas, Platform Solutions (TargetPlan and ARC customers) and Traditional Products, each with its own IT system and dedicated customer service teams.

The IGC have a duty to scrutinise the value for money for over two million workplace customers across Aegon’s workplace pension schemes. As at the end of 2022 there were 887,000 customers in Traditional Products and 1.28 million customers in Platform Solutions.



Principle	Overall RAG status	IGC conclusion
Costs and Charges	<p>2022</p> <p>2021</p>	<p>We carried out a review of the product charges paid by the 2.17m workplace customers Aegon has, testing them against the charges disclosed in other IGC reports and the analysis from the Redington survey (see section 3 for an explanation of what this is). Aegon’s charges decreased marginally this year, and charges for schemes that are still taking new members and contributions are in line with what we observe from other providers.</p> <p>We continue to challenge Aegon to demonstrate the value that members at the higher end of the charge scale (especially the c58,000 or 2.7% of members who pay more than 1%) are receiving and to accelerate the implementation of its existing commitment to put in place a 1% charge cap for the majority of these members. In 2023, we shall also maintain our focus on those that aren’t in scope of this cap, the rationale for this and what plans Aegon has to review its approach.</p>

Principle	Overall RAG status	IGC conclusion
Investments	 	<p>We have seen many positives in relation to investment management within your Aegon pension, such as the continued development of Environmental, Social, Governance (ESG) provisions and in the continued strengthening of the fund governance approach. Our monitoring of the funds shows that, despite the losses across the range, the funds have generally performed in line with their objectives and other comparable funds in the market. There is one default fund (the BlackRock LifePath Flexi (Retirement Stage) fund) we are concerned isn't delivering returns commensurate with the risk level associated with it, and will continue to monitor Aegon's actions in relation to this fund. We continue to monitor transaction costs, which don't present any concerns at present. We also agree with Aegon's conclusion that the range of default funds needs rationalising, as well as modernising to better reflect members' choices at retirement.</p>
Service: Customer Service	<p>Platform solutions</p>  <p>Traditional products</p>  <p>Overall</p> 	<p>We have closely monitored the level of service provided by Aegon throughout 2022 following a disappointing year in 2021, when we were clear on the areas we expected Aegon to improve.</p> <p><b>Platform Solutions</b> Aegon made progress throughout the second half of 2022, with some of the key customer service measures reporting ahead of target by the end of the year. We recognise however that many of you who were in touch with Aegon throughout the year won't have received the level of service you should expect, and for that reason have scored Platform Solutions as red.</p> <p><b>Traditional Products</b> Customer service levels in Traditional Products faced similar challenges, but fared slightly better. Most customer service measures reported ahead of target for at least half the year. However, those who made contact with Aegon over the phone in the first half of the year may not have received an acceptable level of service. This is reflected in our amber rating.</p>
Service: Communication and Member Engagement	 	<p>Aegon continue to encourage and support members to engage with their pension with a wide variety of materials, tools and services. The Q&amp;A-style educational sessions – face to face and online – have particular potential. This year, we've seen Aegon make progress with evidencing the impact of their communications, and showing how they use insight to target further improvements. However, given the relatively low levels of member engagement in some important areas, we shall continue to challenge Aegon to find new and effective ways to ensure that members are aware of, and using, the content and services on offer. Communications is an area where members' experience will differ considerably depending on the particular type of Aegon pension they have. We will investigate this in the context of value for money more fully in 2023.</p>

Principle	Overall RAG status	IGC conclusion
Service: Security	 	We are satisfied that Aegon continues to take the steps required to keep your information and money secure. We reviewed the outcome of an independent benchmarking exercise on cybersecurity in which Aegon scored well, and the continued proactive approach Aegon takes to training colleagues and collaborating across the industry.

The IGC believes that Aegon continues to deliver value for money overall to its workplace customers, and has the right focus to further improve your experience as a customer. The customer service many of you received when getting in touch with Aegon wasn't good enough, although we are encouraged to see the improvements made by the end of the year. We will be monitoring this closely, and expect this to be sustained into 2023.

We explore each of these findings in more detail throughout the report.





## 2. Investment Pathways Value for Money assessment

Investment Pathways have been on offer since their introduction in February 2021. They are the result of 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, and a key part of our role as the IGC is to assess whether the Investment Pathway solutions Aegon offer provide customers with value for money.

The investment solutions are designed to be suitable for the following four customer situations:

- **Option 1:** Aegon Growth Pathway - You have no plans to touch your money in the next five years.
- **Option 2:** Aegon Annuity Pathway - You plan to use your money to set up a guaranteed income (annuity) within the next five years.
- **Option 3:** Aegon Flexible Income Pathway - You plan to start taking your money as a long-term income within the next five years.
- **Option 4:** Aegon Cash Pathway - You plan to take out all your money within the next five years.

Principle	Overall RAG status	IGC conclusion
Costs and Charges		We carried out a review of the Investment Pathways charges Aegon has, testing them against competitors from publicly available information. In general, Aegon's charges compare well. However we would like Aegon to review the annual fee that it charges Workplace ARC customers in years when they withdraw income. We want to understand the impact of this fee on the overall charge paid by customers taking an income, especially those with smaller pots who draw down a relatively small amount over several years.
Investments		Our reviews have shown the funds met their objectives and therefore performed as expected in difficult market conditions. However, in 2022 Investment Pathway 4 was the only one to deliver positive returns, and in real terms (after inflation) all four delivered negative returns. Investment Pathway 2 fell the most. In comparison to competitor funds, the Aegon funds in Pathways 1, 2, and 3 have performed the worst. Aegon's Pathway 4 was the best performer in the market comparison. For Pathways 1 and 3 on TargetPlan, Aegon has agreed changes with the asset manager, Blackrock UK, to use shorter duration bonds to seek to address the impact of a period of high interest rates.
Service: Customer Service		Investment Pathways customers have been affected by the overall levels of service Aegon (Platform Solutions) has provided throughout 2022. Aegon made significant progress throughout the second half of 2022, with many of the key customer service measures reporting ahead of target by the end of the year. We recognise however that many of you who were in touch with Aegon throughout the first half of the year won't have received the level of service you should expect.
Service: Communication and Member Engagement		Aegon continue to provide a wide variety of creative content and useful tools designed to support informed choices. Aegon are the only provider in the Redington survey to offer virtual 1-2-1 guidance sessions to customers moving to drawdown, through their Aegon Assist service. As we have said elsewhere, we shall continue to challenge Aegon to drive up awareness and usage of these options including those specifically designed to support members as they choose and use Investment Pathway options. Instances of conflicting information given in the process of moving into drawdown that were detailed in last year's report have been investigated, with no issues specific to the drawdown process identified.



Service: Security		We are satisfied that Aegon continues to take the steps required to keep your information and money secure. We were pleased to see the outcome of an independent benchmarking exercise on cybersecurity in which Aegon scored well, and the continued proactive approach Aegon takes to training colleagues and collaborating across the industry.
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The IGC believes that Aegon has provided value for money overall to its Investment Pathways customers. We have some concerns with the investment performance of three of Aegon’s four Investment Pathways, but also recognise all have met their fund objectives. We noted that in most cases the charges continue at the same level as customers paid before entering drawdown, although with some potential additional fixed charges for drawing money out. Aegon was the only provider in the Redington survey to charge this type of fee. These charges have a particular impact on members with smaller funds drawing an income over a prolonged period of time. The service many of you received in 2022 hasn’t been good enough, although we are pleased to see the improvements made by the end of the year.

We explore each of these findings in more detail throughout the report.