

Value for money

Delivering what matters most for you

Independent Governance Committee of Aegon
Annual Report for the year 2021

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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. You can find the framework in Appendix 1.

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

1. 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 their 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 part of 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.

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

2. 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.

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

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

“A key part of our role is to assess whether the Investment Pathway solutions offered by Aegon provide you with value for money.”

Investment performance

The funds have been available for only 11 months. It is unusual to report investment performance over a short period, and we caution against relying on such short-term information when making your investment decisions. The performance of each fund used over the 11-month period from 1 February 2021 to 31 December 2021 is shown below:

Aegon Retirement Choices (ARC)/Traditional Products Pathway funds

Fund	Return (%) – 11 months to 31/12/21
Option 1 : Aegon Growth Pathway	5.1
Option 2 : Aegon Annuity Pathway	-4.2
Option 3: Aegon Flexible Income Pathway	5.1
Option 4: Aegon Cash Pathway	0.0

Source: FE Fundinfo, 01/02/21-31/12/21.

TargetPlan Pathway funds

Fund	Return (%) – 11 months to 31/12/21
Option 1 : Aegon TargetPlan Growth Pathway	7.6
Option 2 : Aegon TargetPlan Annuity Pathway	-3.9
Option 3: Aegon TargetPlan Flexible Income Pathway	7.6
Option 4: Aegon TargetPlan Cash Pathway	-0.3

Source: Aegon, 01/02/21-31/12/21.

Customer feedback and analysis of behaviours and choices

Aegon has conducted research with customers who have been through the retirement journey and who have been offered the Investment Pathway solutions. 1,306 customers have been engaged as part of that research – half of these customers have selected an Investment Pathway solution. We have worked through the data to better understand how customers are using the Investment Pathways solutions.

Although the amount of available data is low given the solutions are so new, we did gain some valuable insight from the findings to date and based on those insights we have challenged Aegon to seek opportunities to further enhance the customer experience.

We observed that the popular choices were Option 1 (16% of customers analysed) and Option 3 (18% of customers analysed). When designing the Investment Pathways in 2020, Aegon conducted customer research on who might use each of the different pathway solutions. The new data on actual experience matches this earlier survey. The financial regulator, the FCA, also publish data on the wider market experience of retirement options and this again matches Aegon's new data. We can conclude that the use so far of the Investment Pathways is both as expected and in line with wider market experience.

For Option 4 – the Investment Pathway leading to cash at retirement – the new data showed 66% of customers using this option had pots with Aegon of less than £50,000. This again matched well with the expectations set in the earlier research.

The majority of customers in the survey reported that they felt confident in the choice they had made. But we have challenged Aegon to provide further evidence that customers are choosing the right funds for the right reasons. We have asked to see further research to test customers' understanding of each fund's objectives, and to make sure the risks are clearly understood from the pre-sale materials.

In terms of customers' experience of the choice, the majority said that the process was easy. But we have identified two areas where improvements can be made. Customers often felt frustrated at the time taken to complete the process. Some customers also reported instances where they were given conflicting information from call handlers. Aegon is now undertaking further analysis of all comments in the survey expressing dissatisfaction and we have challenged Aegon to complete this work and confirm their plan of action to address these areas.

In Aegon's analysis of the investment performance outcomes there were no concerns identified with the fund options meeting their objectives.

The one area the Aegon team did highlight was the potential impact of rising inflation on Option 4 where the customer plans to take out all their money in the next 5 years. This is an area where Aegon is actively reviewing options to reduce the impact of inflation.

Charges

Aegon has compared their charges for Investment Pathways against a comparable competitor set, where this information is publicly available. We observed that the Aegon charges are below average across all Investment Pathway solutions in the set that was analysed. This is based on the costs of the solutions themselves.

We have asked for wider information on all product costs and charges, in addition to the workplace charges we already assess in section 4 so we can make as full a comparison as possible.

Comparison of investment approach to other providers

Aegon analysed the make-up of the underlying investment solutions against a comparable competitor set. In general, Aegon identified there is broad agreement on the investment principles across all the providers in the comparison.

As we noted above, Aegon has highlighted the potential impact of rising inflation on those customers selecting Option 4. Aegon's analysis shows some providers include short-dated credit and corporate bonds alongside a cash fund for their Option 4 investment approach. Aegon believes this is to reduce inflation risk, though at the potential risk of capital loss. Aegon is considering how it might adapt the investment approach for Option 4 to reduce inflation risk.

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.

3. Aegon's workplace customers

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

In last year's report we highlighted that Aegon's business is split into two distinct business areas, **Platform Solutions** and **Traditional Products**, each with its own IT system and dedicated customer service teams.

TargetPlan and ARC customers are part of Platform Solutions, whose policies are administered on Aegon's newest technology systems. Other customers are administered on the Traditional Products systems. You will see us referring to these two parts of Aegon's business in our report.

Our IGC is responsible for seeking to ensure value for money for over two million workplace customers across Aegon's workplace pension schemes. As at the end of 2021 there were 886,000 customers in Traditional Products and 1,165,000 customers in Platform Solutions.

“Our IGC is responsible for seeking to ensure value for money for over two million workplace customers across Aegon's workplace pension schemes.”



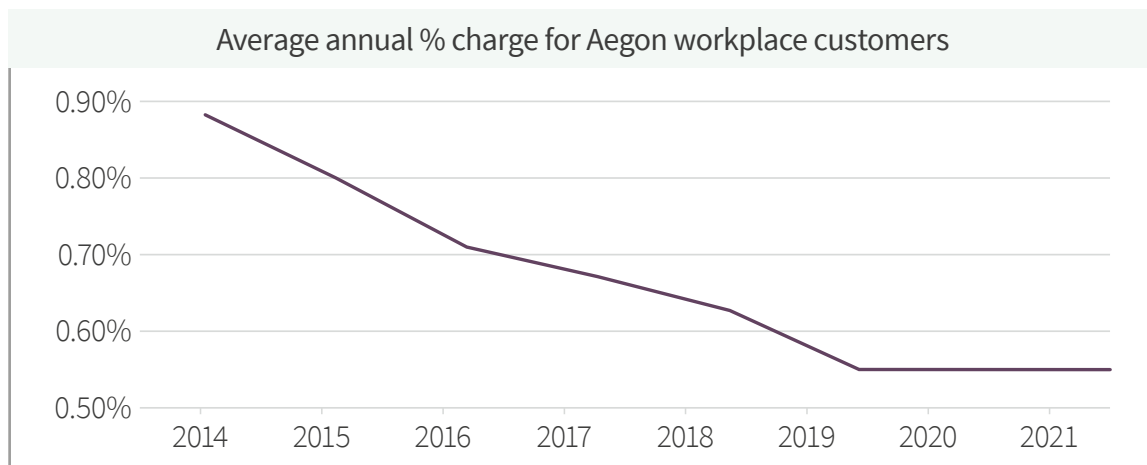
4. Charges

The level of charge set for your pension arrangement is very important as it directly impacts how your fund grows. Our review of the overall price you pay to build up your savings sets out to test how competitive your charge is, relative to those available in the wider market, and the value it offers.

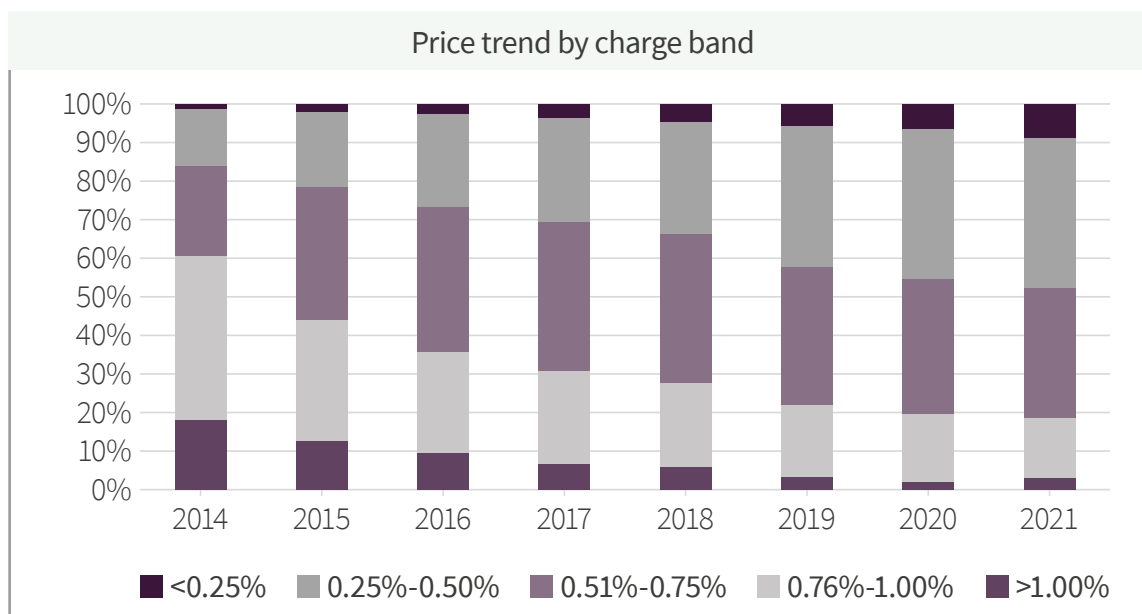
As a reminder you can see the charge that applies to your pension plan by looking at the statement that Aegon sends to you or the personal illustration you got when you took out your pension plan. Alternatively, you can **contact Aegon** and it will provide the required information.

Each year we carry out a full review of the charges across Aegon’s workplace pension schemes.

The average annual charge applied across all Workplace customers currently sits at 0.55%, which has reduced significantly over the last few years but is unchanged since 2019.



As we would expect there is a range of charges for active schemes, reflecting the costs of administering different employers with different employee profiles, up to the regulatory charge ‘cap’ of 0.75% for default funds. We can see that the overall price across the policies we are responsible for has reduced over the years which reflects the competitive market and the type of schemes being written by Aegon.



As we noted in our previous reports there are a relatively small number of customers (c.1.5% of the IGC population), who are no longer in an active workplace scheme, with an effective charge above 1%. All of these customers are invested in products with particular valuable benefits such as With Profits policies with guaranteed benefits or have chosen to invest in more expensive funds taking their overall charge above 1%. While these customers are free to switch away from these products without penalty, many of these customers are invested in funds which offer valuable guarantees which could not be transferred to a new policy. As a result, it may not always be in the customer’s best interest to move to a lower cost option. We recommend you check your annual statement to see if you have a policy like this, and then seek financial advice if you have concerns around whether or not the additional benefits your product offers justify the cost.

We recognise that customers who have left their employer no longer benefit from any negotiating power their former employer carries and are unlikely to have an active relationship with an adviser so are not benefiting from regular pricing reviews. Our analysis of this group of customers has confirmed the majority remain invested in the key default funds and have relatively low fund values. We have asked Aegon to carry out further analysis, including comparing Aegon pricing with the ranges revealed by the Redington report, to demonstrate what these customers are getting for the charge, how this charge is communicated to customers and to test their understanding of the charges. We will report our findings next year.

What did the Redington study say about the charges Aegon apply?

As highlighted earlier we took part in a benchmarking exercise conducted by Redington which provided the IGC with valuable insight into how the prices Aegon charge compare against other providers in the workplace market.

Key findings

- Aegon generally offers competitive prices with no evidence of any pricing outliers.
- While all workplace schemes are now priced within the 0.75% 'charge cap' the report highlighted that pricing for customers who had left their employer before the 'charge cap' was put place, can be in the range 0.76%-1%.
- Some providers differentiate pricing over the duration of a customer's lifetime. This is most likely at later durations as the customer's investments are moved from cheaper tracker funds into more expensive fixed interest funds. Aegon does not differentiate in this manner.

5. Investment solutions

The money paid into your pension is invested in a range of funds offered by Aegon. The way those investments are managed, and the growth or loss in value of those investments, dictates how your pension pot gains, or sometimes loses value over time.

We monitor the investments you are offered to see that they perform in the way they are expected to in different economic conditions. In particular, we look out for any signs that the funds you are offered expose you to unintended risks, and we also monitor the costs of the investments to ensure they are reasonable.

To do this we have a quarterly report on all the funds offered, we meet with key fund managers like BlackRock, and we meet the Aegon Investment team each quarter to fully understand the data and trends. Aegon continue to refine the data they provide us to give a clear indication of any issues we might need to focus on. You will find details on our work, and our conclusions in the sections **Investment Performance** and **Fund Governance**.

We track how much you pay for those investments, to ensure the charges are in line with other pension providers, and that all charges are fair and appropriate. Our findings are in the sections **Costs and charges** and **Transaction Costs**; there are further details in Appendix 4 along with example illustrations which show the impact of those charges on what you might receive as a pension.

A key theme is the way investment strategies incorporate Environmental, Social, and Governance issues (ESG) to help ensure the money you invest is aligned with a more sustainable future. As in previous years, we report on this in detail in the section **Environmental, Social, and Governance (ESG)**. Over the period covered, there has been substantial progress in the implementation of Aegon's ESG plans, in line with their Responsible Investment framework.

We look at the funds offered to ensure they match the likely needs of all customers, giving you opportunity to invest in line with your values and preferences, your attitude to risk, and your plans for your retirement. We have discussed with Aegon the complexity of its current fund range and we report on the work to address this in **Rationalising the funds offered**.

We also take a view on industry developments and future legislation to make sure we believe the way this is implemented is to the benefit of all customers. The UK Government is currently encouraging pension investments to be directed towards longer term 'illiquid' assets such as infrastructure. The UK Government is consulting with providers, and we have had early discussions with Aegon on the potential opportunities and risks for customers. Our early assessment is in the section **Investments in longer term assets**.

Investment performance

The recent period of market volatility highlights why your pension needs to be invested in a portfolio that strikes a balance between your opportunity to benefit when markets rise, and the need to protect you from the worst losses when markets fall. It has also highlighted the need to protect the value of your future income against longer term inflation. The balance will be very different for someone who is many years from retirement and therefore looking for growth, versus someone who is close to retirement and needs greater protection from loss. That change in balance is why Aegon offers default funds that adapt over your working lifetime. The design of these funds aims to balance the use of stocks and shares to deliver performance and to offset inflation risk, while delivering some protection for the value of your investments by investing in bonds and other assets. This protection is not guaranteed, and the value of your investments can still fall. Default funds, by their very nature cannot take your specific risk attitude or growth objectives into account, but they are kept under constant monitoring by Aegon who will change the investment mix if it believes it is right to do so.

Alongside the default funds, Aegon offers funds that place your money in a range of different assets (for instance stocks and shares, corporate bonds, and government bonds), that invest in many different companies, and that may also invest across different geographic markets. This diversification is an important way to lower risk in your investments.

It is essential you think through your own attitude to risk, often referred to as risk appetite, and then use that to ensure the way you invest your pension savings matches that risk you are willing to accept. Risk does not just come from a fall in the value of your savings, it can also come from inflation eroding the value of your money. Aegon provide a host of tools to help you assess risk and your own risk appetite available online.

Performance of Aegon's own default funds

Aegon offers several funds that are designed to be suitable as an employer's pension scheme default fund. These default funds offer a range of options suited for those planning to secure an income in retirement through buying an annuity, those planning to take their fund as cash, and for those planning to remain invested as they enter retirement and to draw down income from their pension. Each fund adapts its asset allocation as you approach retirement age to reduce the risk of not achieving the retirement objective. This is important in those final critical years when you have less time to rebuild any loss.

We confirm the default funds have, in our opinion, all performed in line with their objectives.

Despite the market volatility, the growth stages of Aegon's key default funds showed strong growth in 2021, comparing well against inflation (UK CPI) of 5.4%.

The table below shows the performance for the most used default funds offered by Aegon. You will also find analysis of the costs and charges for the full list of Aegon's default funds in the Appendix.

Fund	Investment approach	Investment performance						Summary of key objectives*
		1 year (%)		3 years (%pa)		5 years (%pa)		
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	
Universal Lifestyle Collection (ARC)	Active and Passive	13.5	10.3	13.7	10.0	8.9	6.5	The Universal Lifestyle Collection aims to outperform the ABI Mixed Investment 40-85% shares sector. The fund has achieved this across 1,3 and 5 years.
Balanced Lifestyle (ARC)	Active	11.4	10.3	14.9	10.0	9.4	6.5	The Balanced Lifestyle fund is actively managed by Aegon Asset Management and aims to outperform the ABI Mixed Investment 40-85% shares sector. The fund has achieved across 1, 3 and 5 years.
Aegon Growth Tracker (Flexible Target) (ARC)	Passive	13.0	13.3	11.7	12.7	8.0	8.8	The Aegon Growth Tracker (Flexible Target) is passively managed and aims to perform in line with its benchmark. As the fund return reflects the markets at midday and benchmark return is at market close, the volatility over Q1 this year has caused a slight deviation in the returns

Fund	Investment approach	Investment performance						Summary of key objectives*
		1 year (%)		3 years (%pa)		5 years (%pa)		
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	
Aegon Default Equity & Bond Lifestyle (ARC)	Passive	13.0	-	11.7	-	7.9	-	The Aegon Default Equity & Bond Lifestyle solution is passively managed and aims to track the markets it invests in.
Aegon Workplace Default (ARC)	Passive	13.0	-	11.8	-	-	-	The Aegon Workplace Default was launched in May 2018 and when writing this report was just shy of a 3 year track record. The fund is passively managed and aims to track the return of the markets it invests in.
Aegon BlackRock LifePath Flexi 2058-2060 (BLK)	Passive with active asset allocation	21.2	20.9	17.5	17.4	11.7	11.7	Aegon's LifePath Flexi solution is passively managed but with active fund allocation by BlackRock's LifePath Investment Committee. The strategy aims to perform in line with its benchmark, which the fund has achieved across 1, 3 and 5 years.
Aegon 50/50 Global Equity Index Lifestyle (ARC)	Passive	16.7	16.8	12.2	12.1	8.4	8.2	The Aegon 50/50 Global Equity Index Lifestyle, is passively managed and aims to perform in line with the its benchmark. The fund has achieved this across 1, 3 and 5 years.

31/12/2021 Source: Aegon

*See fund fact sheets for full objective

The returns reflect the fact that the growth stages invest mostly in stocks and shares to help generate growth over the longer term that will hopefully beat inflation. The funds each have different investment strategies, with LifePath and the 50/50 Global Equity Index Lifestyle investing the highest proportion in stocks and shares.

All the above funds change their investment mix as your retirement date gets closer, to place more of your money in what are regarded as less risky investments such as corporate and government bonds. While this means that the returns are lower than during the growth stages, the risk is also reduced as shown below:

Fund	Return (%pa) – 3 years to 31/12/21	Risk (%pa) – 3 years to 31/12/21
Growth stages		
Aegon Workplace Default	11.8	12.0
LifePath Flexi 2064-66	17.5	15.1
Retirement stages		
Aegon Workplace Default Retirement	6.3	6.3
LifePath Flexi	9.6	6.8
Inflation (UK RPI)	3.6	–

Sources: FE analytics and Aladdin, 3-year annualised returns to 31 December 2021. Risk is measured by the 3-year standard deviation.

Aegon reports to the IGC on the performance of those funds each quarter, providing analysis on any funds that are underperforming against their objectives and their benchmark. Where concerns are flagged, we discuss the cause with Aegon and if required, any corrective actions planned.

In addition to the data on other pension providers' fund performance, this year we have been able to draw on the Redington data. In their independent review they provided a forward-looking assessment of three key default funds in the Aegon range, based on the long-term expected return and risk of those funds across different stages of a customer's lifetime. This assessment provides us with a view on whether you can expect the fund or strategy to deliver a good outcome going forward, based on Redington's own investment assumptions. The funds included in the analysis cover 23% of customers. All the Aegon default funds analysed by Redington scored well in this analysis.

Redington also undertook a review of the historical performance of the default funds they analysed. This has once again highlighted the different nature of the funds offered, and the fact that some of the Aegon funds hold a different balance of assets (like equities, bonds, property) than the funds of other pension providers. The Redington study shows this has largely been to the benefit of customers this year, though we have asked Aegon to consider if changes should be made to use a more typical balance of assets in its portfolios.

In our opinion, the Aegon designed default funds have performed in line with their objectives and delivered returns in line with other default funds in the market.

Judging performance in volatile markets

In a period where there is such volatility in the markets meaning the value of assets rise and fall regularly, it can be difficult to assess what is 'good performance'.

We look to the longer-term performance, over a three-year time span, to decide on any corrective action. We also check that the funds are all performing in line with their benchmark, a pre-agreed comparator for other similar funds. In discussions with Aegon we make sure that any deviation from those benchmarks can be explained by the way the fund has been designed to work.

For instance, early in the year we saw a small number of funds underperform their benchmarks. When we investigated we saw those funds had a strategic choice to hold more UK equities in their portfolio, and it had been a quarter when UK equities had underperformed.

By contrast, later in the year saw investments in equities do well, rewarding the Aegon funds that hold a higher percentage of assets in equities than some of the peer group of funds. In that period the majority of funds Aegon offer were ahead of benchmarks. The Universal Balanced Collection performed strongly, while the LifePath growth stage, used by TargetPlan customers, was first quartile amongst its peer group and the corresponding retirement stage was ahead of the benchmark.

With the breadth and variety of the funds offered it is likely there will always be those that 'win' in any given period, while others will underperform. What we aim to ensure is there are no funds that fail to perform over a longer period, and we challenge Aegon to make sure all funds perform in line with their objectives.

As noted, some funds have been highlighted because of their higher weighting of investments in UK equities. In the broader market we have seen pension funds increasing their allocation to global assets, something noted in the Redington analysis. While we do not believe there is any immediate issue we have asked Aegon to consider if the UK weighting remains appropriate. We look forward to seeing this analysis.

Fund governance

In Redington's comparative data study for IGCs they found clear evidence of strong governance and oversight over the Aegon workplace investment proposition. We also saw the level of reporting and interaction we have with the investment team is among the most frequent and comprehensive in the Redington study. This gives us the tools and oversight to challenge on your behalf.

We have reported an ever-stronger governance and reporting structure in recent years, and this has continued this year. We have seen reporting evolve and strengthen. We also acknowledge the level of internal challenge within Aegon as this demonstrates a determination to continually improve.

Aegon has again demonstrated to us that it has strong governance of investment funds through its Management Investment Committee and the process followed to monitor outliers or poorly performing funds. This process gives us the reassurance and the management information needed to monitor the breadth of workplace investments, and to allow us to focus our attention on the most significant issues.

We constantly monitor Aegon’s fund governance framework, meeting regularly with those responsible across the Aegon team.

Environmental, Social, Governance (ESG)

‘Responsible investing’ is commonly defined as the incorporation of ESG factors in investment processes and decisions. Many of you want to know where your money is invested, to ensure it is aligned with your values and supporting the transition to a more sustainable world. Responsible investing is also seen as a way to reduce investment risk, as companies that don’t manage ESG issues wisely are likely to face headwinds, from changing customer preferences to increasing regulation. It is also seen as a source of opportunity, as businesses around the world respond to major challenges such as climate change, environmental destruction and social inequality.

Last year, we reviewed Aegon’s new Responsible Investment framework and the way they are integrating ESG into the investments you are offered. The framework defines how Aegon embeds ESG into its investment structure and processes, setting out expectations of fund managers and how Aegon monitors them. It commits Aegon to be responsible stewards of the assets managed on behalf of customers. It details its governance process to select, manage, and change fund managers. The framework spells out what the fund managers who invest customers’ money are expected to do and is published on [Aegon’s website](#).

“ESG-oriented funds, these are funds that use screens to avoid investing in companies with a poor record in ESG areas; some ESG-oriented funds go further and proactively invest in companies with good ESG records.”

We believe the framework clearly articulates how Aegon applies its responsible investment approach.

Early in the year we saw Aegon further expand their investment team, including dedicated and experienced resource for Responsible Investments, creating the focus to implement their plans.

The movement of assets to ESG-oriented strategies has been significant over the period. There were regular and sizeable transfers of assets throughout the year, kept within approved cost limits.

By year end, a total of £12 billion across the most used default funds had been moved into funds that take ESG factors into account.

ESG considerations include:

- **Environmental** – climate change, energy efficiency, water use and conservation, deforestation, waste and pollution, and use of natural resources.
- **Social Impacts** – human rights and labour standards, product safety and reliability, diversity and inclusion policies, nutrition and health, workplace safety, workplace benefits and supply chain controversial sourcing.
- **Governance** – Board independence and diversity, shareholder rights, executive pay, ownership and control, accounting integrity and tax transparency.

Further advances in the ESG offering were presented to us in Aegon’s draft ESG roadmap. In time this will see the default funds shift from the screening of investments to avoid companies based on ESG criteria, to a more active investment policy seeking out potential leaders from the global drive to address climate change and other sustainability issues.

We think it is a priority for Aegon to ensure that customers have an accurate understanding of what its approach to responsible investing means for the funds they are investing in, and that the strategy is informed by customers’ own beliefs and preferences. Aegon plans to do more in both of these areas.

While we are supportive of the work to evolve the incorporation of ESG we have asked Aegon to provide risk/return information, as well as further data on transition costs and tracking error on the changes made to date. This is to assure ourselves of the Value for Money for customers in incorporating ESG.

In their independent review, Redington judged Aegon’s implementation of ESG integration in the default strategies to be a positive development, though they suggested Aegon consider joining industry initiatives such as the UN-supported Principles for Responsible Investment (PRI). We have spoken with Aegon and understand their plans include greater participation in industry initiatives going forward.

We continue to monitor the evolution of the wider market and believe the opportunities for responsible investing are likely to grow significantly as companies’ long-term success increasingly will be determined by their sustainability credentials.

It is our role to assess the adequacy and quality of Aegon’s policy in relation to financially material ESG considerations. We feel they have made good progress on their ESG journey this year, through the shifting of assets and strengthened future plans.

Rationalising the funds offered

Aegon also plans to simplify the range of options for people who want to choose something different from the default fund, including the choice of ESG investments. Having a range of differentiated and clearly explained choices should help customers to select funds that match their goals. In time this should begin to standardise elements of those investments like the glidepath phases (the way a default fund moves from a growth phase to prepare for your approach to retirement). We welcome this work, and Aegon's commitment to simplify the fund range and to provide a route that makes it easy to transition to a customer's retirement stage through Investment Pathways. It will be some time before you see the outcome of this large undertaking, and we will continue to monitor how this project develops to ensure your interests are always to the fore in the planning.

“Having a range of differentiated and clearly explained choices should help customers to select funds that match their goals.”

Investments in longer term assets

In the UK £114 billion of investments are held in Defined Contribution (DC) Workplace Pension funds. Through the Productive Finance Working Group, the UK Government has encouraged larger DC pension funds to invest in longer term assets like real estate, technology and infrastructure. The UK Government is especially keen to encourage investment in green and low-carbon technologies, services, and infrastructure as part of its Green Finance Strategy.

We examined the implications of such investments with Aegon, who presented the IGC with detailed analysis into the topic. Aegon believes illiquid assets have potential to add value in the growth stage of a pension portfolio, where their long-term nature is best matched to an investor's time horizon. However illiquid assets present practical and operational challenges such as the requirement for daily trading and potentially higher costs.

We are particularly concerned to understand how such investments might perform in periods of uncertainty, like the period experienced during the pandemic. By their nature illiquid assets present different risks than listed equity and bond investments; we are reminded of the recent spate of property fund suspensions as an example of this. We will continue to push for clear understanding of the risk involved in any further investments in illiquid assets. This is clearly a long-term discussion and one we expect to return to in future reports.

Cost and charges – how they impact your pension pot value

The Financial Conduct Authority (FCA) now requires IGCs to help you understand the impact of the costs and charges you are paying for your workplace pension. Every year, as part of your yearly statement, you receive a personalised communication which sets out a brief description of the costs and charges on your policy.

In addition, we have included in the appendix of this report a number of illustrations of returns for a representative range of funds before and after cost and charges over different time periods.

These illustrations won't tell you exactly what your plan could return. Instead they are examples of how fund related costs and charges can affect the overall value of the funds over time.

In their independent analysis, Redington observed that the total expense ratio (TER) of the largest 50 funds (excluding default funds) on Aegon's ARC platform were below average compared to other providers in the study based on employer arrangements of a similar size.

Transaction costs

The IGC receives a quarterly update on transaction costs, incurred when funds buy and sell underlying stocks and shares, and we examine these to ensure they represent fair trading costs and do not contain unwarranted hidden costs that are passed on to you.

The volatility in the investment markets that has resulted from the impact of Covid has driven up the frequency of trading and therefore the scale of transaction costs. So we have continued to probe these to ensure they are appropriate and can see transaction costs have gradually fallen back to normal levels.

Transaction costs are paid from the fund when the underlying stocks and shares are bought or sold so are not deducted explicitly from your plan. The costs include elements such as tax, dealing charges and an indication whether the change in price between when the trade was instructed and carried out has cost the fund. An example of what this means in monetary terms is given below for the Aegon Workplace Default which had transaction costs of 0.14% for 2020:

Amount invested	Tax, dealing and other explicit costs (£)	Indirect costs and impact of change in price (£)	Total (£)
1,000	0.40	1.00	1.40
10,000	4.00	10.00	14.00
25,000	10.00	25.00	35.00
50,000	20.00	50.00	70.00

“We were encouraged to note their positive view of the transaction costs of the funds offered by Aegon and to receive the external validation of Aegon’s internal analysis of transaction costs.”

Transaction costs only apply when a fund buys or sells the investments held, so they will change from year to year.

As part of their comparative data study for IGCs, Redington reviewed and compared Aegon’s transaction costs with other providers. They found the Aegon default funds they examined had transaction costs at a level that is comparable relative to the other providers. We were encouraged to note their positive view of the transaction costs of the funds offered by Aegon and to receive the external validation of Aegon’s internal analysis of transaction costs.

In several instances Aegon’s ongoing monitoring of transaction costs has led to concrete action. In quarter four, seven funds were rated as red because of their transaction costs. For three of these funds this was a temporary issue with some justification and they were reclassified as green; two were moved to amber as the causes for the higher transaction costs were understood, but these are kept under review. The final two funds where there was no mitigating evidence for the transaction costs are now being removed from the fund options, with any customer invested in these contacted and offered cheaper alternatives.

One area where we saw a rise in transaction costs has been in LifePath. These higher transaction costs were a result of the planned strategic changes made to increase ESG weighting and reduce investment in UK equities. These were expected costs and are in line with the estimates provided before the work.

Transaction costs overall are in line with expectations, and in line with the market norm. We continue to see Aegon’s Transaction Cost reporting as robust. We asked Aegon to consider what actions would be required if in the future a fund were removed because of high transaction costs, and we together agreed customers would be both notified and moved to a similar fund.

We share more detail on transaction costs and the methodology in Appendix 4 of this report.

Fund suspensions/closures

There were no fund suspensions over the course of 2021.

Three funds originally suspended in 2019 and 2020 re-opened to trading in 2021 and are listed below:

Aegon Janus Henderson UK Property (AOR)	Suspended in 2020, re-opened 02/02/2021
Scottish Equitable M&G Property Portfolio	Suspended in 2019, re-opened 10/05/2021
Scottish Equitable M&G Property Portfolio (ARC)	Suspended in 2019, re-opened 10/05/2021

This reporting period also saw a small number of fund closures, in each case these reflected rationalisation of the fund range by the fund manager and did not negatively impact customers.

What did the Redington study say about Investment Solutions?

- Redington had a positive view on the forward-looking assessment of the Aegon default funds they assessed.
- Redington noted historical performance of the Aegon default funds they assessed and how they have benefited from the higher-than-average use of stocks and shares in the defaults, though at a higher potential risk.
- The study showed Aegon's fund governance is strong and the reporting and oversight provided to the IGC is among the most frequent of providers in the study.
- The ESG integration in the default strategies assessed was seen as positive.
- The transaction costs customers pay are in line with the wider peer group.

Areas to improve or investigate

- Redington note Aegon uses a higher-than-average weighting of stocks and shares in the defaults, and suggest this is monitored to ensure it remains to the benefit of customers.
- Redington suggest Aegon consider joining broader industry initiatives on ESG, for instance the UN-supported PRI.

6. Customer service

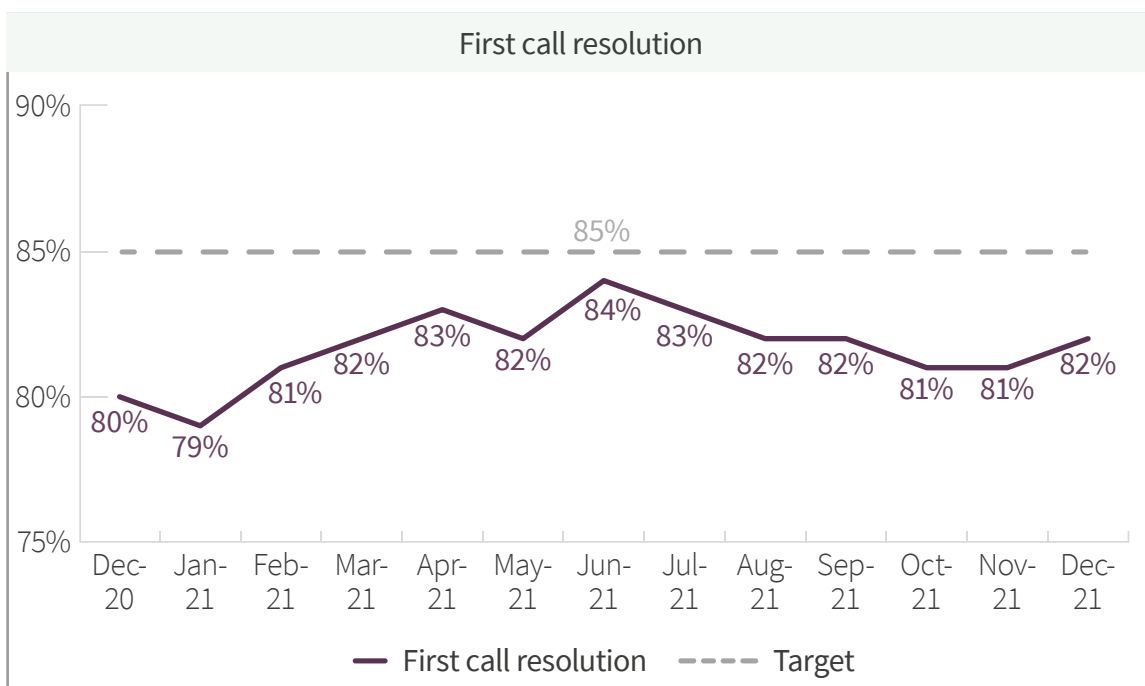
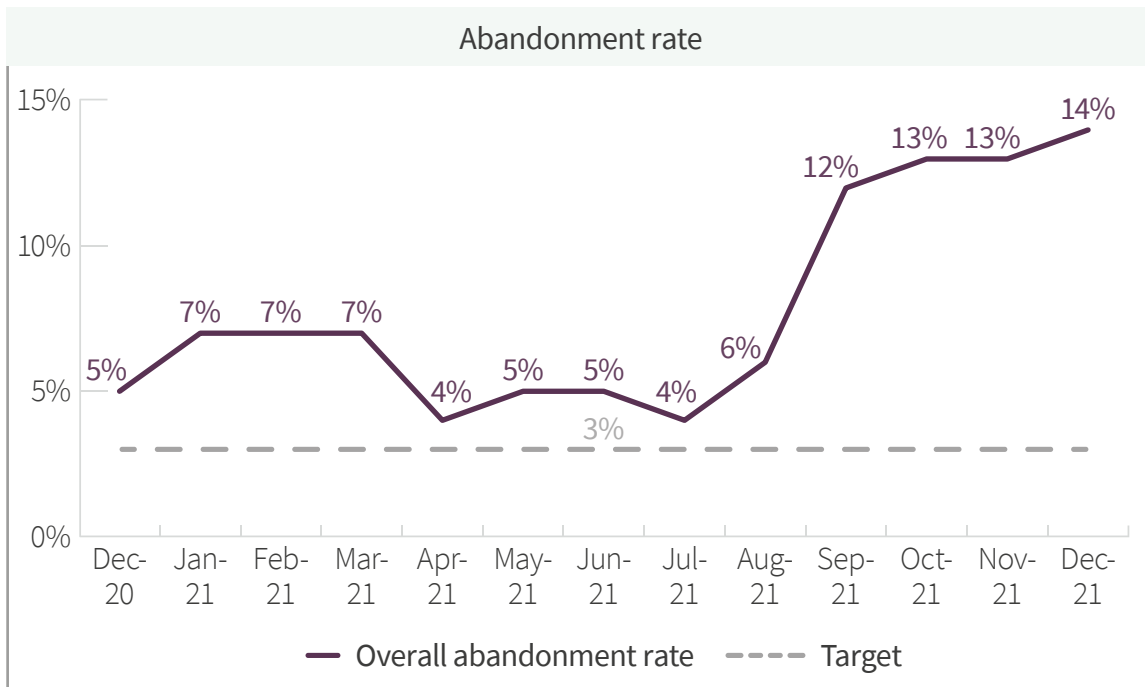
As we reported last year this is an area which has been impacted throughout the pandemic, driven by staff shortages, the difficulty of working away from the office and wider recruitment challenges. While we recognise the last two years have been very challenging for all those working in customer service areas we did expect to see improvements throughout 2021 in the key customer metrics we review and that has not happened.

In previous reports we have highlighted that Aegon's business is split into two distinct business areas, **Platform Solutions** and **Traditional Products**. Customers with a pension plan in TargetPlan or ARC are part of Platform Solutions, and have their policies serviced by Aegon. Customers who have a pension plan in Traditional Products are serviced by Atos, the customer service company who Aegon has partnered with.

Platform Solutions

Throughout 2021 the most significant challenges on servicing levels have been faced by the Aegon call centre teams servicing the Platform Solutions customers. Two of the key metrics we review are call abandonment rates which are the percentage of customers who hang up before their call is answered and first call resolution rate which is the percentage of calls where Aegon is able to answer your query, to your satisfaction, at the first time of asking.

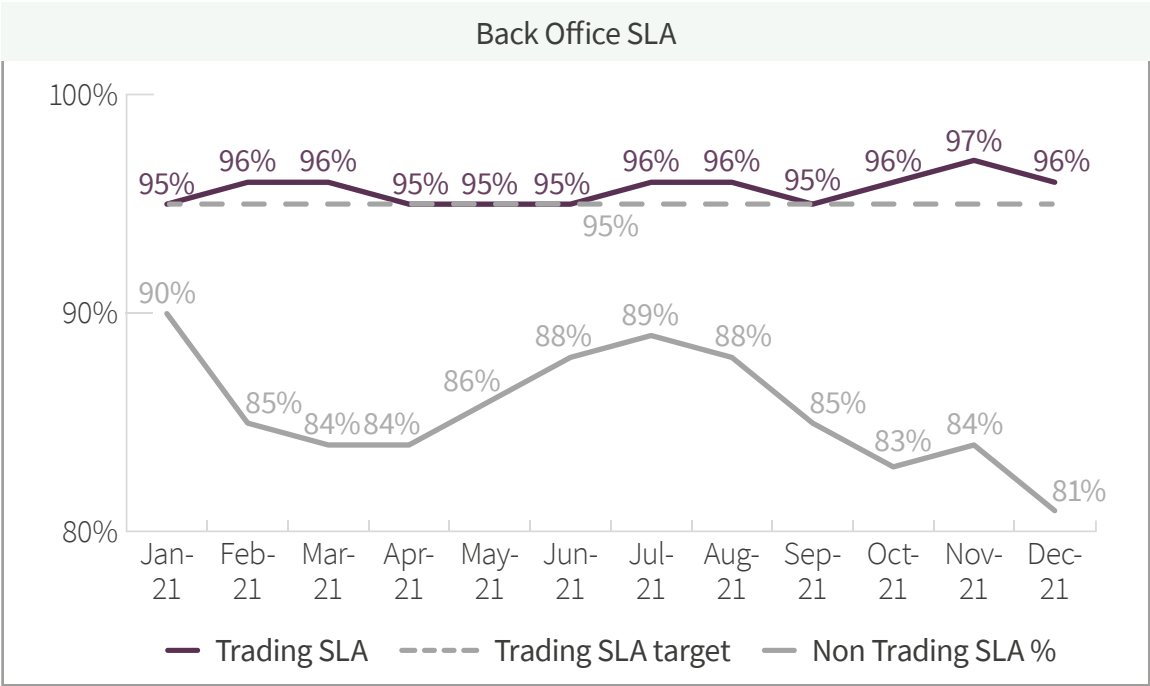
We did see a steadily improving picture during H1 of 2021 but a deterioration in service during the final four months of 2021 occurred due to significant resource challenges in the period as the Covid-19 restrictions were lifted.



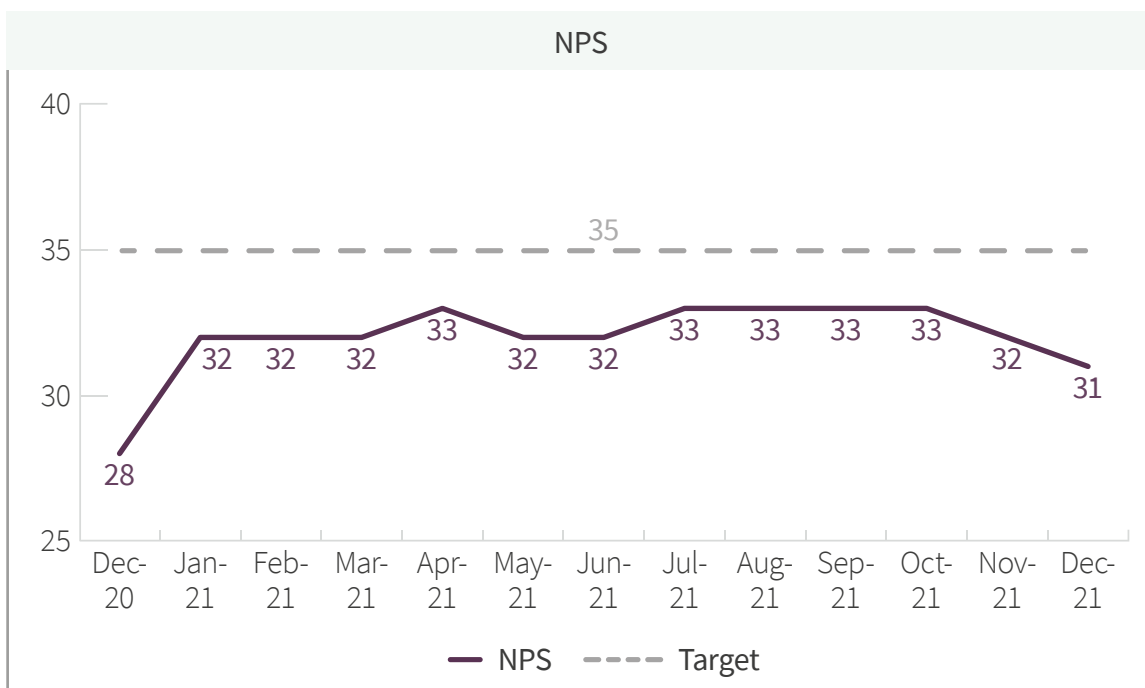
Aegon confirmed that during this period the amount of staff leaving was double the normal levels. We recognise this is a cross-industry challenge and acknowledge the steps taken by Aegon to close their recruitment gap. At the time of writing in Q1 2022 we continue to see a challenging position but alongside that note the accelerated recruitment that Aegon has successfully undertaken. As those new colleagues are trained the expectation is that service levels will return to normal in the second half of 2022.

It is also noteworthy that despite the challenges answering phone calls, first call resolution performance has remained constant suggesting that when customers get through the quality of experience has remained consistent.

We are aware that the customer service challenges also apply to the back office administration teams. Aegon continue to focus on financially critical transactions, such as paying money in or taking money out, to mitigate the risk of financial detriment to you. This is shown as 'trading SLA' in the graph and has continued to perform above benchmark, with 'non-trading SLA' covering items which are not financially critical such as change of address falling below benchmark.



The capacity challenge and deterioration in service clearly impacts the experience you have with Aegon and is reflected in the customer satisfaction metrics we review. We have seen the number of complaints made by customers increase by 17% in comparison with the previous year, and a marginal deterioration in the Net Promoter Score (NPS) which Aegon uses as a key measure of customer satisfaction.



Further analysis of your complaints highlights the need for Aegon to improve your experience when withdrawing your money on retirement, transferring money into Aegon and managing your online profile. The feedback you have provided confirms these activities take too long to complete and the process is not always user friendly. Another key area of concern we are aware of is being able to contact Aegon by phone which has increased the level of complaints during 2021 and into 2022. We understand the actions taken by Aegon to accelerate recruitment in Operations to cope with the increased demand is starting to have a positive impact and there is significant improvement in this area, albeit we need to see this sustained over a longer period.

During 2021, 33% of your concerns raised were upheld by Aegon. The main reason for the upheld complaints was the delay in the time taken to meet your requests and we note the actions taken by Aegon to address this. We are aware that Aegon are conducting end-to-end reviews of their processes and how customers experience them in key areas in order to identify further improvements. We look forward to seeing how all these actions improve your experience and continue to closely monitor complaint volumes and feedback in 2022.

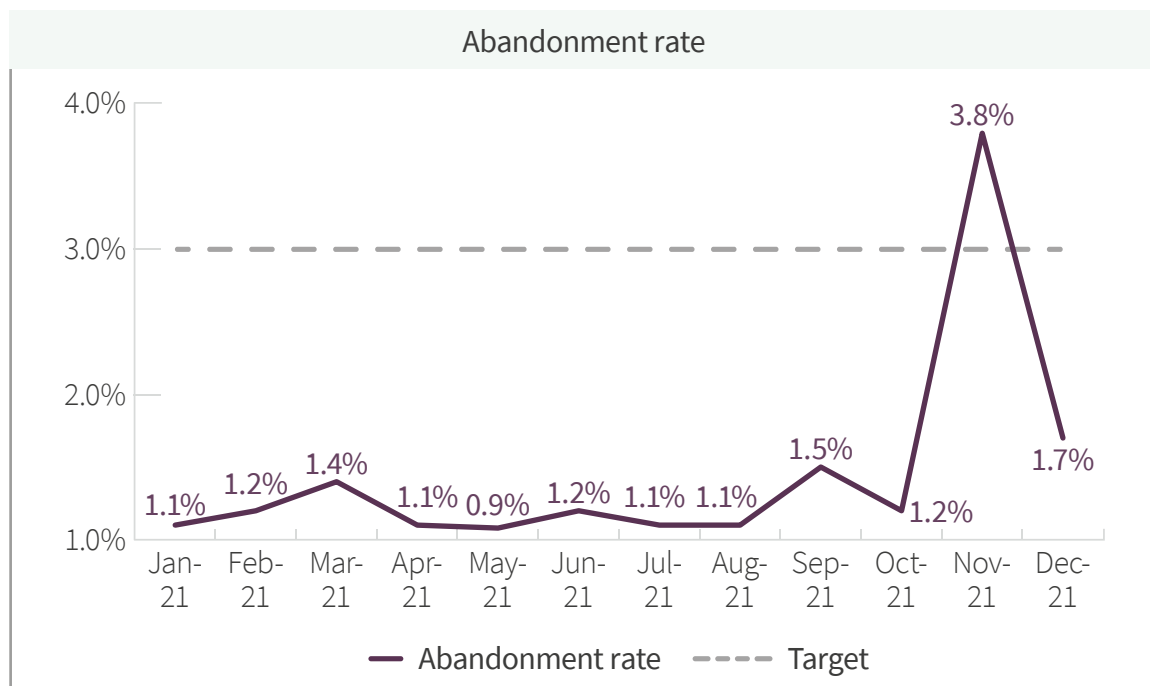
The Committee noted the learnings Aegon has taken from the onboarding of staff during high levels of attrition, the investment they have made to help recruit and retain staff, and the benefits they expect to see from moving to a hybrid working model which combines office and home working.

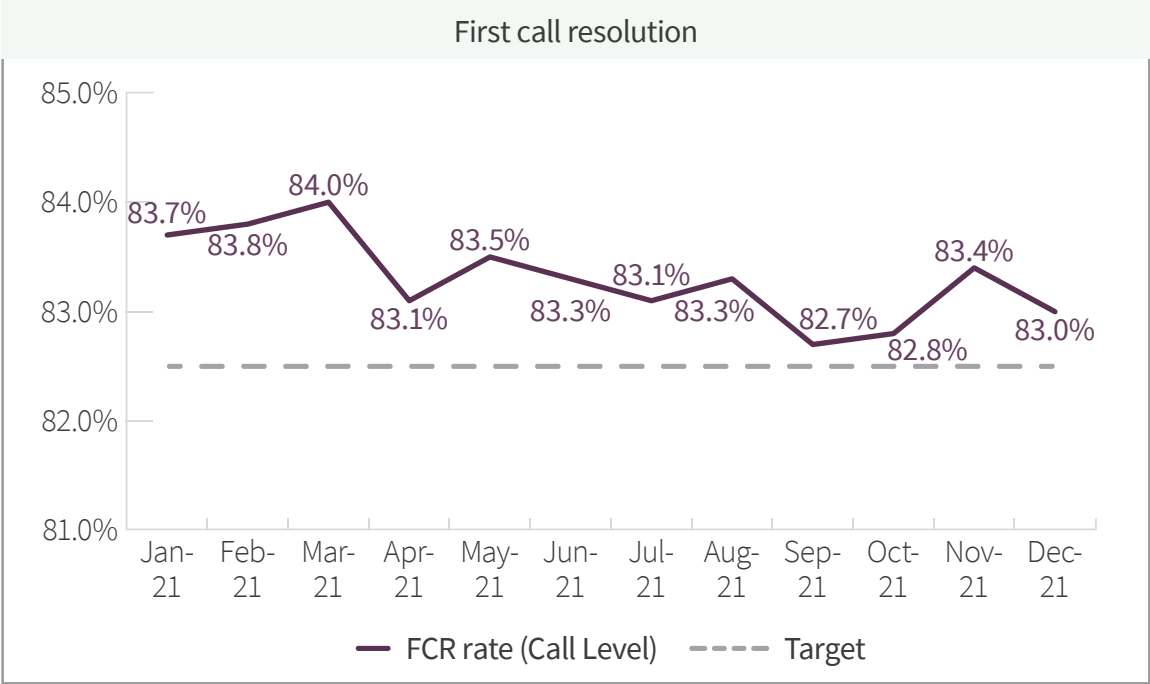
While there are positive signs of improvement this is an area we have challenged Aegon to make improvements in by addressing the recruitment gap, reducing backlogs and improving the overall service during 2022 along with taking learning from complaints to drive improvement in areas of greatest concern to you.

Traditional Products

As detailed in previous reports the administration of Aegon’s Traditional Product customers is carried out by the external customer services company Atos. We receive regular updates from the Aegon Oversight team as to how this service is performing, covering the same key measures as highlighted above for Aegon’s Platform Solutions customers.

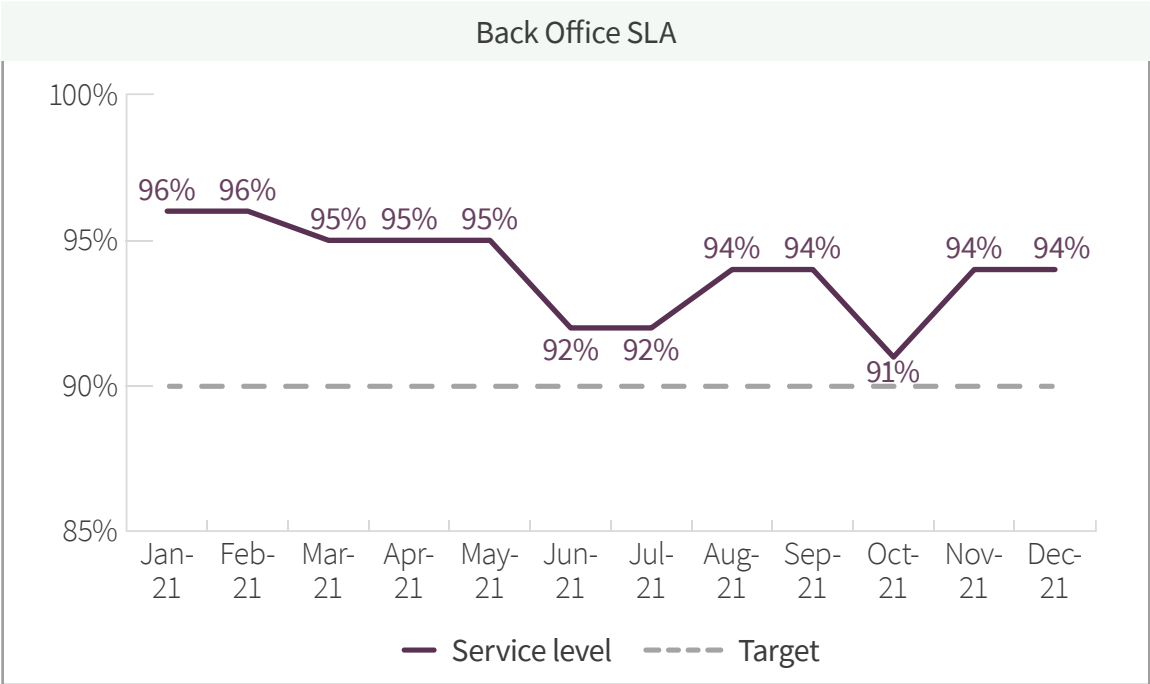
Throughout 2021 we have seen a stable and good performance across all the key customer metrics. We note that Atos are facing into similar challenges as Aegon with staff working away from the office and there are some recruitment challenges emerging into Q1 2022 which are beginning to impact service levels which we will monitor closely.



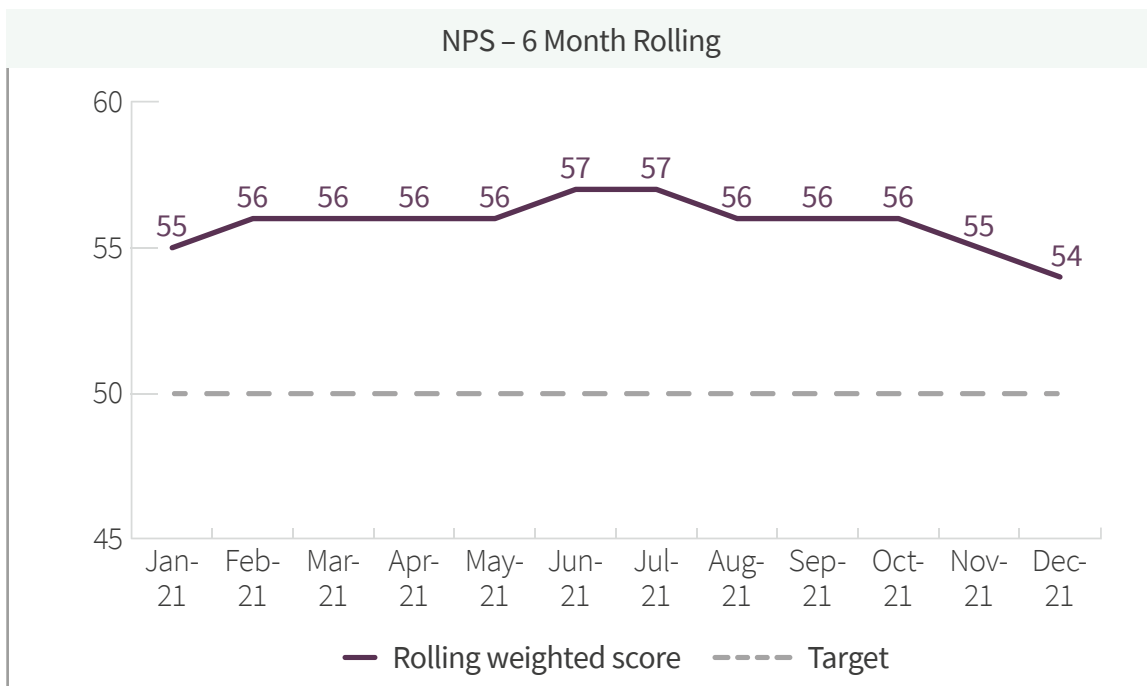
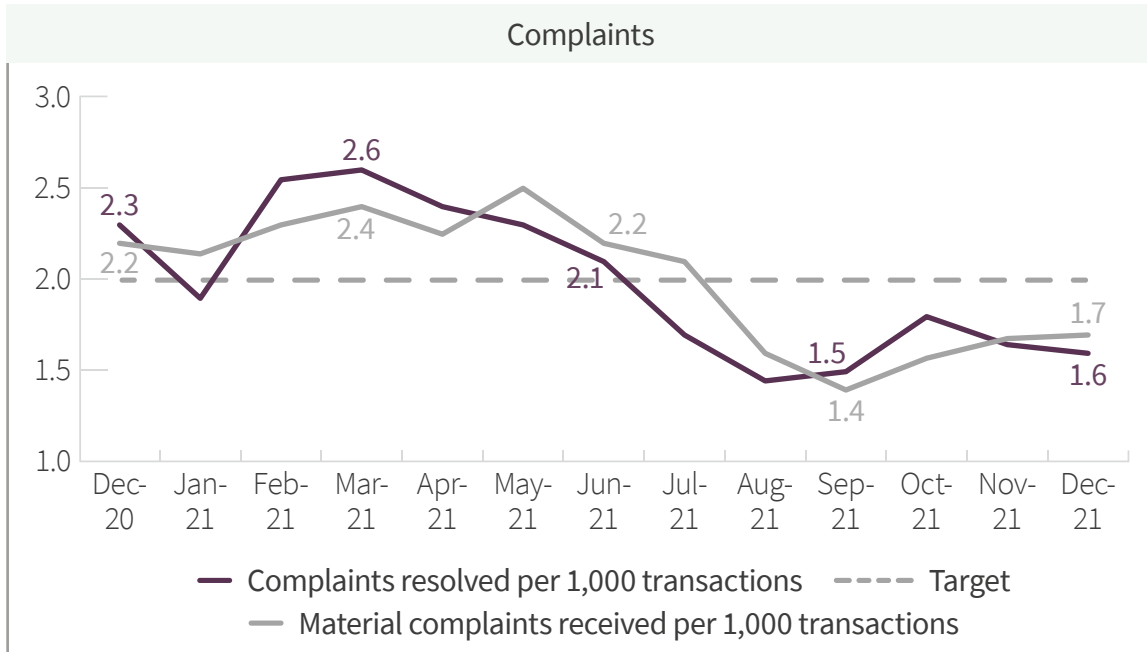


Throughout the year the Atos call centre teams have delivered a consistent performance, with the one exception being in November due to a temporary system outage.

Similarly in the back office administration team they have maintained a steady above target performance throughout the year and have been able to meet benchmark targets on both financially critical transactions and non-trading transactions to the required service levels.



Looking at the key customer satisfaction metrics, we have seen the number of complaints received reduce throughout the second half of 2021, achieving the target set by Aegon. The IGC also note the steady and positive results achieved in NPS which reflects how you feel about the service you are receiving.



At the time of writing this report we have seen a deterioration in the key service metrics during Q1 2022 as a result of resourcing challenges. While we are assured that actions to enable recovery back to previous levels are underway, we will continue to closely monitor progress and challenge Aegon to ensure service levels are returned to an acceptable position as quickly as possible.

What did the Redington study say about the customer service Aegon provide?

Key findings

Aegon's service results were generally positive with performance ranked highly across several elements of the survey. For those ranked lower, in most cases the results were only a fraction below average.

- The Redington team noted the number of administration tasks that Aegon has automated, either partially or fully, compared well.
- Aegon has the shortest call wait times of all providers, although we note these results do not reflect the capacity challenges faced in Q3 2021.
- At the time of producing the report only two providers upheld a smaller % of complaints and complaint handling times were in line with the average.

Areas to improve or investigate

- Aegon's complaints per 1,000 policies were high compared with the other providers which remains an area of concern and one we are closely monitoring.
- The volumes of complaints received and the specific areas customers are flagging here along with call handling times are key areas we continue to probe and challenge Aegon to improve.

7. Communication and engagement with customers

It is vital that pension providers like Aegon help customers to understand their pension options, and then support them to make good choices. This is because there are some important pension decisions that only customers can make for themselves. And making the right choices at these points can have a significant impact on both the value of a customer's long-term savings and on their wider financial wellbeing. That's why the IGC believes that customer engagement – helping customers to help themselves – is such an important part of how pension providers deliver value for money to customers.

A desk-top review of Aegon's communications suggests that many are well written and creatively put together. Importantly, most also draw on an evidence-based understanding of real consumer behaviour. But we believe that, what matters most in this area, is Aegon being able to demonstrate that customers are engaging with, understanding, and ultimately acting on these communications in a way that is likely to drive better outcomes for them.

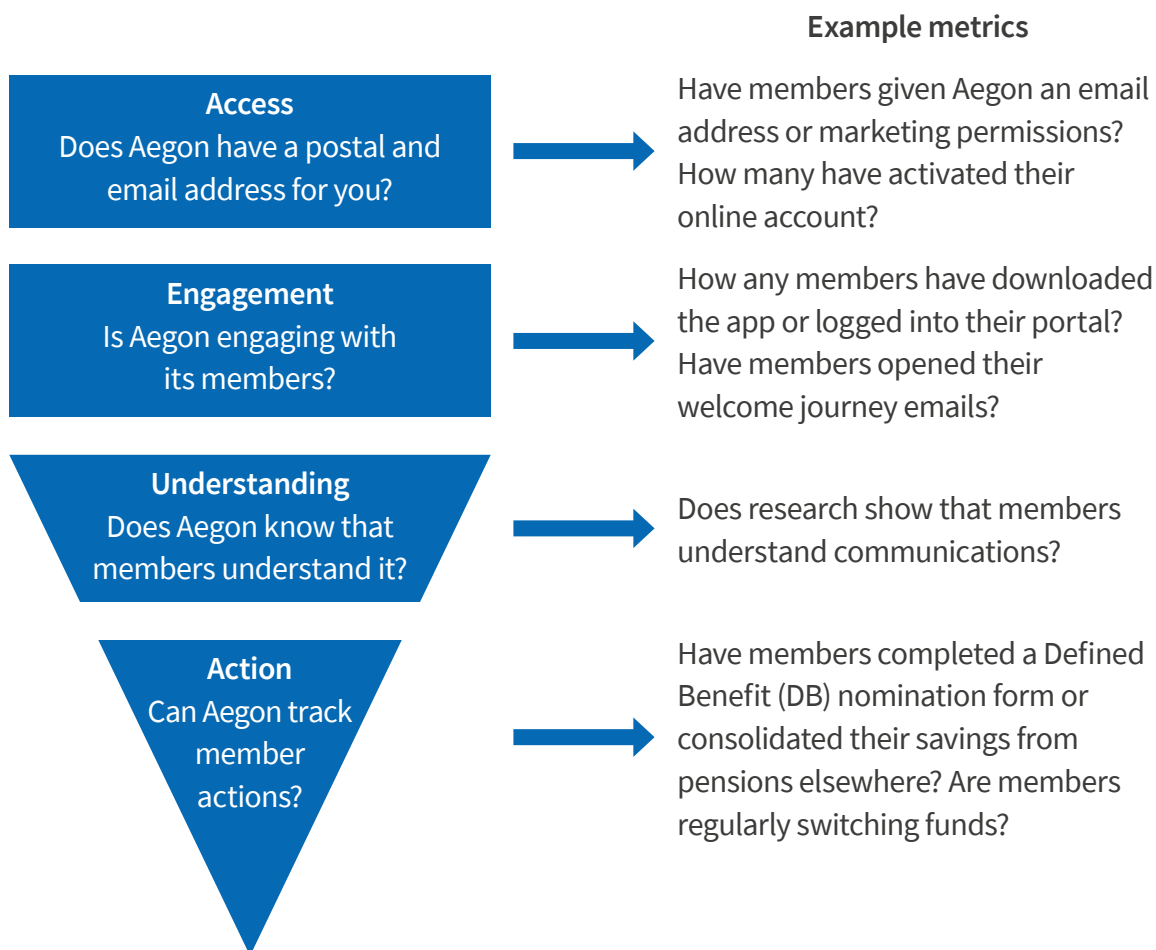
That's why our central challenge to Aegon this year has been to measure the impact of its engagement activity more effectively. It is only by doing this that Aegon can understand what works best when it comes to engaging customers, and then adjust and re-test its approach until it has a greater impact.

In response, Aegon has developed a model to clarify the different stages it needs to focus on and measure to understand whether an activity is having the right impact on customers. This model has four stages – access, engagement, understanding and action. Aegon has also proposed a set of metrics to measure impact in each of the four stages (see the illustration below for an explanation of why each stage matters, and details of the metrics that Aegon is aiming to measure). At the moment, Aegon's systems don't allow it to measure all the actions that matter. But it has a number of significant infrastructure projects underway which should help to fill some of the gaps over time.

Where Aegon can already access the relevant data, it has set itself targets for improvement in each area. The IGC will review progress on these targets, and the effectiveness of the approach overall, in the coming months, and we'll report on our findings next year. In particular, we will continue to challenge Aegon to identify and measure the actions that are most likely to deliver the outcomes captured in our new Customer Outcomes framework (see Appendix 1 for details). We are also challenging Aegon to develop an equivalent picture for customers who have savings in one of its Traditional Products pensions.

Communication model

How we measure communication effectiveness



Engaging customers via the Aegon app

Following the launch of the Aegon app for TargetPlan customers, we've been working to understand how the app is being used in practice and how Aegon plans to enhance it as a result.

The app allows customers to manage their savings securely when it's convenient for them. It gives customers a real-time view of the value of their savings and provides a seamless (no additional log-in required) connection to their secure TargetPlan portal where they can check and change their target retirement age or level of contributions, and switch investments. By April 2022, just over 33,000 customers had signed up to the app since launch (about 8% of those who can currently access it) – and between them, they had logged on a total of 181,000 times. We think the app will increasingly be a vital way to encourage greater customer engagement in pension choices so we will continue to challenge Aegon to understand how it can prompt as many customers as possible to download and use the app.

Customers can give feedback on the app via the Apple and Google Play app stores, both of which are monitored and acted on by the Aegon team with responses sent to anyone who needs support to use the app. Feedback from users is generally positive; the most frequent negative feedback is from customers on the ARC system who don't yet have access to the app. In IGC meetings with ARC scheme employers, we also heard their disappointment at the delays in providing the app to their employees. We know that Aegon is currently working through a programme of technology and system upgrades which means that not all developments can be delivered as soon as Aegon – and we – would like. But nevertheless, we have again challenged it to deliver the app to ARC customers as soon as possible. The current target date for roll out is from October 2022.

We have also reviewed Aegon's plans to enhance the functionality of the app further. In the next year, it aims to add personalised video statements to the app, as well as the ability to complete a death benefits nomination form. We'll continue to track the progress and impact of these developments in the next year.

Helping employers to engage customers

A vital way to engage 'active' customers (that is, those who are still building up their pension savings with an employer) is to work in partnership with those employers to deliver timely and targeted messages. So the IGC also looks at how well Aegon supports employers to communicate effectively with customers.

One of the most important and distinctive ways that Aegon does this is by providing employers with a tool called 'Member Insights'. This is a dashboard of data and tools which employers can use to understand the profile of their employees' engagement with their pension. They can then use the system to send one of a series of targeted email campaigns to prompt customers to take actions. These actions include encouraging customers to activate their online accounts or to transfer pension pots from earlier employers into their current scheme to benefit from the ability to be able to see all their workplace pension savings in one place. More than 1,400 employers now have the tool set up and, over the last year, they have run 100 email campaigns reaching some 80,000 customers. Aegon has shown us early evidence that members are more likely to open and act on these emails from their employer, compared with similar emails sent directly from Aegon. We will continue to look at evidence of the impact of these campaigns as they are used by more employers.

Aegon plans further enhancements to the Member Insights tool in the coming year which would allow employers to send members prompts about the benefits of the Aegon app, as well as new content on financial wellbeing and responsible investing. It also plans to add the ability to report on their previous employees who are still in the pension scheme but no longer make contributions. We see this as an important improvement.

Nudging customers to complete a death benefits nomination

One of the most important campaigns offered as part of the Member Insights tool is the ability for employers to prompt customers to complete a death benefit nomination (DBN). This document allows customers to tell Aegon who they would like to receive any money built up in their pension in the case of their death. This year we challenged Aegon to improve the DBN process for customers following feedback – including from IGC meetings with employers – that it wasn't easy for customers to complete the form.

In response, Aegon has made it possible for customers with a Traditional Products pension to complete the whole DBN process online, and it is due to introduce a similar online option for Target Plan and ARC customers later this year. The IGC will look for evidence of the impact of these changes in the year ahead. In the last year Aegon sent 56 DBN email campaigns to a total of 25,000 customers. An encouraging 39% of customers opened these emails but only roughly one in eight of these (or 1,250 in total) went on to complete the form. We have challenged Aegon to continue to focus on this important area and identify how it can further increase completion rates.

Supporting customers with their wider financial wellbeing

Aegon has put significant emphasis in the last year into developing evidence, insight and solutions that can help customers with their broader financial wellbeing. It has concluded that simply helping customers with the practical mechanics of long-term savings is not enough to help build their wider financial resilience and wellbeing. It believes that understanding and encouraging the emotional and behavioural characteristics of people with greater financial resilience and wellbeing is also important. It points to one particular insight, which it has developed in collaboration with researchers at Edinburgh University, that people who can picture their future selves are more likely to have a better relationship with money. It is using this evidence-based approach to develop practical tools, content and webinars to help employers and customers understand more about the drivers of financial wellbeing and how they can take action as a result. We look forward to seeing how this programme can help to drive better customer understanding, confidence and other positive outcomes in the year ahead.

Customers in vulnerable circumstances

It is critical that Aegon has appropriate processes in place to identify and support customers in vulnerable circumstances. Our key challenges to Aegon in this area continue to be:

- understand how Aegon can encourage significantly more customers to share relevant data to better understand any vulnerabilities those customers may have and better meet their needs; and
- understand where in your business processes or product features, customers in vulnerable circumstances are likely to experience particular challenges, and take action to address these.

In the last 18 months, Aegon has focused on ensuring staff are trained to pick up the signs of potential vulnerability and it has seen an 80% increase in the number of customers disclosing information to them about either a temporary or ongoing vulnerability. However, it accepts that this still represents only a small proportion of customers who are likely to have these needs. As a result, it has set up a dedicated vulnerable customers team to increase focus in this area. Some of the team's actions in the last year have included:

- adding wording to all customer-facing communications encouraging contact if customers need additional support as well as offering alternative communication formats such as braille, audio and large print;
- training from the Samaritans for Aegon's vulnerable customer champions plus mandatory online training for all Aegon staff;
- writing every six months to all customers with a 'transient vulnerability' (so someone who Aegon knows has recently experienced a bereavement, or been through a divorce, for example) who can't be contacted by phone to check in about what support they need;
- a workshop with a visually impaired customer to learn from their experiences; and
- committing to test all digital developments in future with customers with a range of disabilities. The customer research team is also looking to work with a specialist agency to ensure that non-digital journeys are also tested.

We shall continue to look for evidence of the impact of these activities in the coming year.

What did the Redington study say about Aegon's approach to customer engagement?

- The Redington team thought that Aegon's communications were easy to follow and well designed
- Aegon provides a wide range of engagement tools, including an online account, a mobile app and presentations. It was one of only a few providers to offer live chat and retirement webinars
- It has clear plans to make further improvements to the digital services available to customers
- It offers TargetPlan customers a modern retirement journey and an online process for all retirement options
- Customers can access both guidance (from Aegon Assist) and full financial advice (from Origen).

Areas to improve or investigate

- Aegon was not able to show how well used all of its online tools were, or that it was measuring the full range of actions that customers took after they received communications. This is one of the key areas where we have challenged Aegon and we discuss it in more detail on page 36.
- One of the actions in the survey which Aegon currently can't measure is the proportion of customers who have increased their contributions in the last year. We agree that this is an important metric and have challenged Aegon to find a way to measure it in future.
- The proportion of customers who Aegon knows have 'goneaway' from their previous address is c.7%. This is in line with the average of other providers in the survey. But at least one provider had a lower proportion – just 3%. The IGC have requested further information on the framework and activities Aegon have in place to reconnect with customers who are identified as gone away.
- Redington looked at whether the providers' annual statements and wake-up packs included key pieces of information. There were some gaps in the Aegon documents and, in the case of the welcome pack, we have asked Aegon to explain these. In terms of the annual statement, Aegon has redesigned this in the last year, to address areas of customer feedback and in line with the DWP guidance on simpler statements. The new version will be used from October 2022 and we have confirmed with Aegon that all the pieces of information that Redington thought were important are now included.
- Traditional Products customers must transfer to ARC at retirement if they want to draw down on their pension with Aegon. We have asked Aegon to investigate customers' experience of this.

8. Security of customer information and money

Throughout the year we have closely monitored and assessed the critical areas of information security and financial crime by reviewing the processes and controls that Aegon has in place to keep your information and money safe.

We took time to better understand Aegon UK's security control environment which presents a highly complex and evolving threat to the industry, with cyber-attacks being typically orchestrated by organised criminal gangs.

We explored the steps Aegon takes to keep up with the level of sophistication employed by hackers, noting how Aegon utilises cross industry collaboration and insight provided by the regulators, to put in place the required controls to keep your information secure.

Our assessment confirmed that although Aegon has not experienced any instances of compromised customer data, some companies within Aegon's supply chain had been victims of attacks. We explored where in Aegon's supply chain there could be risks to your data and reviewed the supplier management process and controls Aegon has for third-party suppliers, and concluded the controls and governance were working as expected.

The background of the global pandemic has resulted in more customers spending time online which has increased the risk of fraudsters operating scams. Unfortunately, we are aware of a significant increase in investment scams across the UK, with victims being persuaded to move their assets including pension assets into fraudulent investments.

We have also observed that the use of cloning, email and brand impersonation has become a bigger factor in investment and pension scams. Aegon detailed the range of activities they were undertaking to protect consumers, including specific staff training on this topic to help increase awareness of this risk and working with the regulator and law enforcement following brand impersonation incidents across the industry which led to the FCA and National Crime Agency (NCA) issuing a warning to the public in January 2021 about 'clone firms' investment scams.

“The hub is well signposted on the website and Aegon make good use of key social media channels like Facebook and LinkedIn to heighten awareness and promote the work of key regulatory bodies.”

We note that Aegon has continued to develop internal intelligence and improve customer warnings through their website and social media channels, as well as participating in industry forums to gather intelligence and petition for improved regulations to counter scams.

Overall the Committee were encouraged by the proactive approach being taken by Aegon to keep your data and money safe, but did challenge if there was more Aegon could be doing with their customers when at their most vulnerable. In particular, to heighten the awareness around the risk of scams at key points for individuals, for example where their employer was experiencing financial difficulties.

As well as improving customer warnings throughout their website, **Aegon’s online security hub** has been enhanced to help provide awareness and guidance around protecting your retirement savings and keeping safe online. It covers topics such as pension and investment scams and identity fraud as well as more practical guidance around device safety and keeping your personal information secure.

The hub is well signposted on the website and Aegon make good use of key social media channels like Facebook and LinkedIn to heighten awareness and promote the work of key regulatory bodies. We encourage all customers to use this information and spend some time thinking about your own online safety.

9. Our contact with Aegon's customers

The feedback you provide to Aegon and directly to the IGC is critical as it helps us understand where they are doing well, and where improvements are needed. This helps us to prioritise our focus and areas of challenge throughout the year.

This year, as well as our regular reviews of customer satisfaction and the feedback you provide, we have carried out an in-depth review of complaints data and reviewed your initial feedback on Aegon's Investment Pathways solutions.

During the year we met with a number of employers to understand where Aegon is doing well and where it could do better. These conversations are invaluable as they give us direct and unfiltered feedback from those who use the services Aegon provide. Although each employer was generally satisfied with their pension arrangement there were a couple of common themes which need to be addressed by Aegon. The first one was the need to simplify the Death Benefits Nomination form, both in terms of content and to enable it to be completed online. The second main theme was that it is currently difficult for customers to navigate the wide variety of investment fund choices on offer if they want to choose an alternative to the 'default' fund. We have raised these issues with Aegon and are tracking the progress made.

We are mindful that employers focus principally on the experience for their existing colleagues so we have asked Aegon to ensure that we consistently look at the experience for ex-members of workplace schemes and consider any specific actions required to support those customers.

Now that the restrictions in place during the pandemic have been lifted we have taken the opportunity to meet directly with the Customer Service teams in Aegon and listen to the calls they receive from you. This helps us to assess the range of queries you have and how Aegon respond to them.

“Now that the restrictions in place during the pandemic have been lifted we have taken the opportunity to meet directly with the Customer Service teams in Aegon.”

As always, we'd be delighted to hear from employers and to discuss their experience of working with Aegon and what more they think it can do to help employees engage with and improve their financial wellbeing.

And, of course, we are always very keen to hear directly from you. If you would like to share your thoughts on the experiences you have with Aegon and tell us what can be done to improve outcomes for you, then please contact us using the details below.

How to contact Aegon if your query is for them

Follow the link below to find the right contact details for you.

Aegon support – contact us

Or in writing to:

Freepost RUCB-LJKR-HHBU
Aegon
Sunderland
SR43 4DU

Or by email:

igc@aegon.co.uk

Our email system and the way we deal with data internally is secure. However, we're unable to ensure the security of emails before they reach us so please consider this and do not include any personally sensitive, financial or banking information that has not been appropriately secured.

Appendix 1

How we assess Value for Money

The regulator, the Financial Conduct Authority, has recently clarified that it expects IGCs to judge the value for money delivered to customers by workplace pension providers in the context of:

- the level of charges and costs;
- investment performance; and
- the quality of services.

The last of these is a broad category which includes judging the extent to which:

- communications are fit for purpose and take into account the characteristics, needs and objectives of customers;
- core transactions are processed promptly and accurately;
- default investment strategies are designed and executed in the interests of customers; and
- the provider regularly reviews the characteristics and net performance of investment strategies to ensure they are aligned with the interests of customers and take appropriate action as a result.

This is true both for those customers who are building up pension savings with a provider, as well as those who are drawing down on them with that provider via one of the FCA's prescribed Investment Pathways.

We have taken all of these into account in the judgements and activities we set out on in our overall value for money assessment and throughout this report.

We have also built on these broad headings with our own Customer Outcomes Framework. This set of statements has helped us to see these requirements from an individual customer's point of view, and how they affect them throughout the time that they are building up, and then drawing down on, their pension savings. We have used them to help focus our agenda and to develop a dashboard of metrics which we use to judge how well Aegon is helping customers to achieve these outcomes over time.

Our Customer Outcomes Framework

I have saved enough to generate the income I want and need in the future

- I understand how much I need to save to achieve my goals, the part that pension savings play in that, and whether I'm on track;
- I'm contributing as much to my pension savings as I can and want to afford;
- I'm making the most of my contributions and any tax benefits;
- My savings are invested in line with: my values and preferences (ESG); my attitude to risk (fund choice); and my income plans and needs in retirement (right fund/flightpath for post-retirement needs);
- My savings are invested in funds that deliver a good return, in line with or ahead of their objectives; and
- The overall price I pay to build up my pension savings is competitive. If I pay more, the value of the benefits I receive is significantly more than the cost.

I am drawing on my pension savings in the most efficient way to meet my needs

- I am using the right approach/product to draw on my savings, in line with my needs and plans;
- I understand the tax implications of my retirement options (i.e. avoiding unnecessary tax penalties);
- My savings are invested in funds that deliver a good return, in line with or ahead of their objectives; and
- The price I pay to invest and draw on my savings during retirement is competitive. If I pay more, the value of the benefit I receive is significantly more than the cost.

My savings are safe and secure, and I know how to avoid scams

- My money and personal data are held safely and securely; and
- I am alerted to scams and mis-selling techniques. As a result, I don't lose my money or move it into inappropriately high-risk investments

I receive an excellent service that meets or exceeds my needs and expectations

- I receive the information, advice and support that I need at the right time and in the right form to help me make the right choices for me;
- My requests and instructions are acted on quickly and accurately; and
- I understand what protection the plans I hold offer if I die, I have nominated a beneficiary and I keep these details up to date.

Appendix 2

Challenges made by IGC during 2021

There have been a number of challenges we have made to Aegon throughout the year to either improve further the service you receive or to bring forward better evidence to help us assess value for money:

Topic	IGC's challenge	Aegon's response/ action	What this means to customers
Pricing of ex-workplace customers	Share evidence of how Aegon prices ex-workplace individuals and ensure their price remains fair relative to the market with no barriers to exit.	Provided the IGC with analysis of this cohort which confirmed these individuals continue to benefit from the price they had while in their workplace scheme and that price remains competitive relative to the market.	Allows us to test if you are receiving a fair price relative to others in the Aegon portfolio and to challenge Aegon to act on any pricing outliers.
Pricing of existing workplace schemes relative to new schemes	Aegon to identify any pricing outliers, including any for schemes without an active adviser, for further review.	Provided the IGC with a comparison of terms, including the external benchmarking, which did not identify any obvious outliers.	Allows us to test if you are receiving a fair price relative to new schemes and to challenge Aegon to act on any pricing outliers.
Employer/adviser demand for a re-price	Share the demand for a new price and how it trends over time.	Provided a detailed breakdown of the number of employers who had requested a scheme re-price over the last 12 months, and the outcome.	Enables the IGC to test how active your employer (or adviser) is in seeking improved prices and identify if there has been a marked increase in activity which could indicate pricing issues.
Investment Pathways	Aegon to implement and report on a framework for reviewing customer behaviours and actions taken when entering an Investment Pathway.	Provided the IGC with customer feedback and action plans to address any areas of concern.	This will help refine and improve the Investment Pathways options for future customers who opt for any of these funds.

Topic	IGC's challenge	Aegon's response/ action	What this means to customers
Investment Pathways	Aegon to monitor the performance of the fund options provided and ensure they are meeting their core objectives and that customers are fully aware of these objectives and the risks of selecting an option which does not align with their future plans.	The analysis carried out by the Aegon team confirmed there were no concerns with the fund options meeting their objectives, although further work is required to test that customers are fully aware of the risks inherent in each solution.	This will help refine and improve the Investment Pathways options and communications for customers who opt for any of these funds.
ESG and Investment Pathway funds	Aegon to explore opportunities to extend ESG integration across wider asset classes.	ESG now included in broader asset mix, with plans to extend further in the future where cost effective options are available.	Ensures that ESG is firmly embedded in the fund range available to you.
Transaction Costs	Aegon to conduct a full review of transaction costs, highlighting any outliers and the actions taken to address these.	Aegon's value for money framework for transaction costs is carried out annually. This was shared with the IGC and identified all funds within the analysis had transaction costs aligned to the aims and objectives of the fund.	Ensures that the transaction costs being paid by customers are in line with the market.
Improving customer service levels – resource model	Share the ongoing resource levels (quality and quantity), the plans to close the capacity gap and the ongoing impact this has on service levels as well as a clear recovery plan.	Provided the IGC with regular updates on our recruitment position, the current and projected service levels and a timeline for when we expect to return service to green.	Customers' service levels are expected to improve across all areas.

Topic	IGC's challenge	Aegon's response/ action	What this means to customers
Customer feedback	To better understand how customers feel about value for money, Aegon to carry out ongoing research to capture customer feedback across a range of questions aligned to our value for money framework.	Established an ongoing survey (questions based on outcomes set out in Appendix 1) and provide the IGC with the detailed results at each meeting.	It enables the IGC to better understand and focus on areas of concern or uncertainty for customers.
Vulnerable Customers	Aegon to provide evidence and data relating to Vulnerable Customer training provided to Aegon staff.	Full details of the mandatory training programme and contents were provided.	Reassurance that Aegon staff are equipped to identify and support vulnerable customers.
Vulnerable Customers	Aegon to clarify how they identify and support vulnerable customers.	Provided the IGC with details of how target populations are identified and engaged with. Vulnerable customer refresher training delivered, expanding on why the pandemic may drive an increase in disclosures.	Aegon is better able to meet customers' different needs.
Vulnerable Customers	Aegon to articulate how it considers issues of vulnerability (both permanent and transitory) in broader areas such as product design, customer engagement and scams.	Full details of the Aegon Proposition Development and Product Review processes were provided which outline how Aegon embed the needs of vulnerable customers within the framework.	Customers can be confident that products are designed with consideration given to the additional support requirements some customers may have.

Topic	IGC's challenge	Aegon's response/ action	What this means to customers
Financial Wellbeing	Aegon to articulate its strategy on financial wellbeing and the actions taken to address this key topic.	Launched the new financial wellbeing strategy in Q4 2020. Ongoing action to demonstrate the progress and impact of these initiatives.	Provides support for customers seeking to better understand and improve their financial wellbeing.
Security	Aegon to heighten the awareness around the risk of scams at key points for individuals, for example, where their employer was experiencing financial difficulties.	Aegon to provide examples of this working in practice.	Provides support for customers at critical moments, to help them identify scams and protect themselves from fraudulent activity.

Challenges raised with ongoing actions

Topic	IGC's challenge
Pricing of ex-workplace customers	Aegon to demonstrate the charges these customers pay are justified, what these customers are getting for the charge, how it is communicated and to test their understanding of the charges.
Vulnerable Customers	Aegon to clarify how they identify and support vulnerable customers and to deliver on initiatives to further improve this process.
Vulnerable Customers	Aegon to better understand and evidence the impact of their communications on different groups of customers, including those in vulnerable situations.
Improving customer service levels – resource model	Aegon to continue to share the ongoing resource levels (quality and quantity) in Platform Solutions and demonstrate the capacity gap has been closed and service returned to pre pandemic levels.
Customer engagement	Aegon to demonstrate the usage of its online tools and the subsequent actions taken by customers to improve their outcomes.
Customer engagement	Aegon to find a way to measure the proportion of customers who have increased their contributions in the last year.
Customer engagement	Aegon to provide further information on the framework and activities in place to reconnect with customers who are identified as gone away.
Security	Provides support for customers at critical moments, to help them identify scams and protect themselves from fraudulent activity.

Appendix 3

Aegon's IGC members

Aegon's IGC is chaired by Independent Trustee Limited, a wholly owned subsidiary of Sacker and Partners LLP, acting through Ian Pittaway as its nominated representative. Including the Chair, it is made up of five members; three independent members and two Aegon appointed members.

Independent chairman: Ian Pittaway is the nominated representative of Independent Trustee Limited (ITL).

ITL is part of Independent Trustee Services Limited which is a Professional Trustee firm where Ian is a Client Director. Ian was previously Senior Partner of Sacker and Partners LLP which is a leading pensions law firm in the City of London where Ian gained extensive experience of advising large pension schemes on legal matters and also acting as a professional trustee. He is also an expert on governance and advises boards on taking effective decisions. Ian is also a former Chairman of the Association of Professional Pension Trustees and former Chairman of the Association of Pension Lawyers.



Independent member: Alison Bostock, Client Director of ZEDRA Governance Ltd (ZEDRA), nominated representative of ZEDRA.

Alison joined ZEDRA (formerly PTL Governance Ltd) as a full time professional trustee in 2015, after a 25 year career in pensions consultancy as an actuary. Alison acts as trustee to a number of DB and DC pension schemes, and is a leading member of ZEDRA's Governance Advisory Arrangement, which acts as an IGC to assess value for money for the workplace pension schemes of a large number of smaller providers. Alison holds the PMI Certificate in DC Governance and is an accredited professional trustee. She was also appointed as ZEDRA's representative on the Board of the Aegon Master Trust on 1 December 2018.



Independent member: Helen Parker.

Helen's career has been spent championing consumers' interests, first in executive roles and now as a non-executive. She was a member of the senior leadership team of Which? for more than a decade – as Editorial Director, then Policy Director and finally Deputy CEO. Helen's non-executive roles include serving as the Deputy Chair of the Financial Services Compensation Scheme. She is also a member of: the Office of Rail and Road's Consumer Expert Panel; Pay.UK's End User Advisory Council; and of the independent RII02 Challenge Group set up by Ofgem to help ensure that the next price control process for GB's energy networks delivers good outcomes for consumers.

Helen is also a member of the Board of the Aegon Master Trust.



Ronnie Taylor: Chief Distribution Officer, Aegon UK.

Ronnie is Chief Distribution Officer at Aegon. He is responsible for leading Aegon’s growth across both workplace and wealth channels. Ronnie has over 20 years of experience in the industry and is an actuary by profession. He joined Aegon from Scottish Widows where he was responsible for the distribution of their workplace, protection and direct propositions. Ronnie has also held a number of senior sales roles at Standard Life, including time as Managing Director of Workplace.



Having worked in a variety of senior roles across the pensions industry, Ronnie has a wealth of experience of, and insight into, the pensions industry, which he uses to ensure that Aegon is giving you value for money. Ronnie’s main focus is on member engagement and communications. He is ensuring that Aegon is devoting sufficient financial and physical resources to understand what is important to workplace customers, and that information is presented to customers in a meaningful way so that they really understand what they have and what their options are.

Andy Manson – Chief Marketing Officer, Aegon UK.

Andy is Chief Marketing Officer at Aegon. He is responsible for the development and marketing of propositions across workplace, wealth and protection channels. Andy has over 25 years of experience in the industry across a range of marketing, operations and distribution roles. He joined Aegon from KPMG in 2016 where he was a management consultant working with insurers, advisers and asset managers to drive strategic change. Prior to this, Andy held a number of senior roles at Standard Life.



Andy brings a deep understanding of Aegon’s business and its ambition to transform member outcomes embedding financial wellbeing at the heart of its business. He is ensuring that the products Aegon offer deliver value for money and that the right communications are in place to connect all members with their savings to help them get the most out of it.

Experience and expertise

We have concluded that, through initial and ongoing assessment of our individual experience and expertise, we collectively have sufficient expertise, experience and independence to act in relevant policyholders' interests.

Independence

The independent members of Aegon's IGC fulfil the FCA requirements to be demonstrably independent of Aegon. None are, or ever have been employees of Aegon UK or of a company within the Aegon group. None are or have been paid by them for any role other than as an IGC member or since Independent Trustee Limited (part of the Independent Trustee Services group) and Zedra Governance Limited (formerly PTL Governance Ltd) were appointed to the Board of the Aegon Master Trust on 1 July 2018 and since Helen Parker was appointed as Trustee on 13 May 2020 in respect of which their fees are paid by Scottish Equitable as Sponsoring Employer and Scheme Founder of the Aegon Master Trust. (The FCA rules explicitly acknowledge that there may be benefits in a trustee of a master trust operated by a group also being a member of the group's IGC.) They have never had any material business relationship with any company within the Aegon group.

The corporate members, Independent Trustee Limited and Zedra Governance Limited, do not have any actual or potential conflicts of interest and neither do their nominated representatives.

The IGC can therefore confirm that it meets the independence requirement, taking into account the relevant Financial Conduct Authority guidance.

Aegon has confirmed it also regards its independent IGC members as meeting the independence requirements and will continue to review this, taking appropriate action if it considers that they are not.

Appendix 4

Disclosure of Costs and Charges

This appendix provides detail of the costs and charges you pay. In particular, it:

- 4.1 Details the work we do to ensure fund transaction costs are appropriate.
- 4.2 Shows representative costs and charges for both funds and administration, providing you with detail on each element of charges paid for funds and administration.
- 4.3 Provides representative illustrations, showing the potential impact of costs and charges on the value of a pension pot over time.

4.1 Transaction costs in detail

All funds have transaction costs because they need to buy and sell investments as money comes into or out of the fund and to implement investment decisions. Transaction costs are paid from the fund, so directly impact the net return you receive.

Transaction costs are influenced by a number of factors such as:

- The type of investment that the fund holds - for example company bonds and cash have lower costs than stocks and shares (equities) and other types of investment;
- How frequently the fund manager tends to buy and sell the investments – active funds will tend to buy and sell more frequently than passive funds; and
- The fund's overall objective – typically those with a higher performance target will buy and sell more often.

Analysis of transaction costs:

We reviewed the 2021 transaction costs in detail for key funds under our remit, representing 75% of customers' investments. Our analysis focused on the transaction costs for these key funds against a peer group of similar funds, allowing us to identify any outliers. Where there were outliers, we looked at total investment costs for the fund (annual management charge + additional expenses + transactions costs) and fund performance over the time the transaction costs applied. These validation tests allowed us to identify whether the higher transaction costs had impacted the total investment costs of the fund against its peer group as well as whether the higher transaction costs had impacted the fund from meeting its fund objective.

Table 1 shows our assessment of how the transaction costs for a number of Aegon's key funds are rated relative to other similar funds in the market. Of the four funds that were amber (keep under watch) rated at one or more of the quarters during the year, three funds were rated green by the end of the year as their transaction costs reduced.

Although the Global Equity Tracker remained amber, following a deep dive into the costs and discussions with the fund manager it was concluded that there were justifiable reasons for the transaction costs.

Two smaller funds; Scottish Equitable Argonaut European Alpha and Scottish Equitable Schroder European Alpha Plus rated red during the year. Discussions with the relevant fund managers did not provide enough justification for the level of transaction costs so both funds have now closed and have been removed from Aegon's range.

Following its assessment, the IGC has concluded that transaction costs in the fund range are reasonable compared to other similar funds available from competitors and allowing for the investment returns offered by the funds. We continue to be vigilant and assess transaction costs regularly.

Table 1: Outcome of review of transaction costs in 2021

Fund Name	Q4 2020 RAG	Q1 2021 RAG	Q2 2021 RAG	Q3 2021 RAG	Q4 2021 RAG
Universal Lifestyle Collection					
Aegon Workplace Default					
Mixed					
Aegon BlackRock LifePath Flexi 2019-2021 (BLK)					
Aegon BlackRock LifePath Flexi 2031-2033 (BLK)					
Aegon BlackRock LifePath Flexi 2064-2066 (BLK)					
Aegon BlackRock 50/50 Global Equity Index Lifestyle					
Global					
Distribution					
Balanced Passive Lifestyle					
SE Retirement Fund					
Aegon BlackRock Consensus Lifestyle					
SE BlackRock 75/25 Equity and Bond Index Lifestyle					
SE Technology					

Fund Name	Q4 2020 RAG	Q1 2021 RAG	Q2 2021 RAG	Q3 2021 RAG	Q4 2021 RAG
SE Cash					
Ethical					
Aegon BlackRock 30/70 Currency Hedged Global Equity Index (BLK)					
Aegon 50/50 Equity and Bond Index					
Global Equity Tracker					
MI Savings (M)					
UK Equity					
AGN BLK 50/50 Glob Eq Idx (BLK)					
SE Baillie Gifford Balanced Managed					
Aegon UK Fixed Interest and Global Equity Tracker					
Aegon Balanced Tracker (Flexible Target)					
Aegon BNY Mellon Multi-Asset Balanced					
SE Property (Suspended)					

*The rating covers the 12-month period to the end of each quarter.

Source: Aegon as at 31/12/2021

4.2 Disclosure of Costs and Charges

We provide the full breakdown of Costs and Charges, including the elements that make up transaction costs for Default Funds offered by Aegon under our remit. This information is also available online for all funds offered to **Workplace customers**. This disclosure is a new regulatory requirement; these are not new charges, we are though providing a greater level of detail on the costs you pay.

Each table below has a column **Total Fund Costs**, that represents the full amount you pay for that fund.

The **Total Fund Costs** are the sum of:

Fund Annual Management Charge + Annual Additional Expenses + Sub-total of transaction Costs = Total Fund Costs.

It is the total fund cost that you can use when assessing the costs and charges of the investments you hold.

Fund Annual Management Charge

When selecting a fund you can see the **Fund Annual Management Charge** you will pay; this is set for each fund within your product range and known in advance of your investing. The charge depends on the investments you select.

Annual Additional Expenses

In addition to the **Fund Annual Management Charge**, you will pay your share of any **Annual Additional Expenses** for the fund; these costs are calculated each year to cover costs like trading fees, legal fees, auditor fees, and other operational expenses.

Transaction costs

All funds have transaction costs when they buy and sell investments, you'll pay your share of any Transaction costs for the fund. In all tables we have supplied the detailed breakdown for each element of transaction costs – these are added together in the **transaction costs sub-total** column, the cost you pay. We have included a glossary of terms used for transaction costs at the end of this Appendix.

Other costs

For some pension types there is also a charge to cover administration of your pension. These are explained in the tables below – select the table that matches the pension type you hold.

Table 2: Costs and Charges for default funds on Workplace ARC

For Workplace ARC there is an administration charge, the **Annual Platform Charge** (the right most column), payable in addition to the **Total Fund Costs**. You will pay the sum of the last two columns in this table.

The table shows a representative cost for the **Annual Platform Charge**, you can view the actual charge you pay by going to your yearly benefits statement.

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Annual Platform Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Universal Lifestyle Collection (ARC)	Active and Passive	0.10	0.02	0.08	0.00	0.00	0.02	0.05	0.01	0.00	0.20	0.29
Balanced Lifestyle (ARC)	Active	0.20	0.01	0.08	0.00	0.01	0.00	0.07	0.00	0.00	0.29	0.29
Aegon Growth Tracker (Flexible Target) (ARC)	Passive	0.03	0.02	0.05	0.02	0.02	0.00	0.01	0.01	0.00	0.10	0.29
Aegon Default Equity & Bond Lifestyle (ARC)	Passive	0.04	0.02	0.05	0.02	0.00	0.03	0.00	0.00	0.00	0.11	0.29
Aegon Workplace Default (ARC)	Passive	0.04	0.02	0.05	0.02	0.00	0.03	0.00	0.00	0.00	0.11	0.29
Aegon 50/50 Global Equity Index Lifestyle (ARC)	Passive	0.05	0.01	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.08	0.29

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Annual Platform Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Aegon Balanced Passive Lifestyle (ARC)	Passive	0.09	0.02	0.06	0.00	0.00	0.00	0.05	0.01	0.00	0.17	0.29
Cautious Lifestyle (ARC)	Active	0.20	0.01	0.03	0.00	0.01	0.01	0.00	0.01	0.00	0.24	0.29
Aegon 75/25 Equity & Bond Index Lifestyle (ARC)	Passive	0.04	0.01	0.05	0.01	0.01	0.02	0.00	0.00	0.01	0.10	0.29
Universal Balanced Collection (Flexible Target) (ARC)	Active and Passive	0.09	0.02	0.08	0.00	0.00	0.03	0.00	0.01	0.00	0.19	0.29
Aegon 50/50 Bond & Equity Index Lifestyle (ARC)	Passive	0.04	0.01	0.03	0.01	0.00	0.03	0.00	0.00	0.01	0.08	0.29
Aegon BlackRock Consensus Lifestyle (ARC)	Passive	0.04	0.01	0.03	0.00	0.00	0.03	0.00	0.00	0.00	0.07	0.29
Dynamic Lifestyle (ARC)	Active	0.25	0.01	0.16	0.00	0.01	0.01	0.14	0.00	0.00	0.42	0.29
Aegon's MI Workplace Savings (M) (ARC)	Passive with active asset allocation	0.20	0.02	0.06	0.00	0.00	0.01	0.05	0.00	0.00	0.28	0.29

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Annual Platform Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Scottish Equitable UK Fixed Interest & Global Equity Tracker (ARC)	Active and Passive	0.20	0.01	0.09	0.00	0.00	0.00	0.00	0.08	0.01	0.30	0.29
Aegon Balanced Tracker (Flexible Target) (ARC)	Passive	0.03	0.02	0.05	0.02	0.00	0.02	0.00	0.01	0.00	0.10	0.29
Balanced Plus Core Lifestyle Portfolio (ARC)	Passive with active asset allocation	0.24	0.01	0.06	0.03	0.00	0.04	0.00	0.01	0.02	0.31	0.29
Aegon Global Equity Tracker Lifestyle (ARC)	Passive	0.09	0.02	0.10	0.00	0.00	0.00	0.09	0.01	0.00	0.21	0.29
Aegon Growth Tracker (Cash Target) (ARC)	Passive	0.03	0.02	0.05	0.02	0.02	0.00	0.01	0.01	0.00	0.10	0.29
Aegon's MI Workplace Savings (L) (ARC)	Passive with active asset allocation	0.20	0.02	0.06	0.00	0.00	0.01	0.05	0.00	0.00	0.28	0.29

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Annual Platform Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Universal Balanced Collection (Annuity Target) (ARC)	Active and Passive	0.09	0.02	0.08	0.00	0.00	0.02	0.05	0.01	0.00	0.19	0.29
Balanced Core Lifestyle Portfolio (ARC)	Passive with active asset allocation	0.24	0.01	0.03	0.00	0.02	0.00	0.00	0.00	0.03	0.28	0.29
Aegon Ethical Lifestyle (ARC)	Active	0.30	0.01	0.05	0.02	0.04	0.00	0.00	0.00	0.05	0.36	0.29
Aegon 40/60 Global Equity Index Lifestyle (ARC)	Passive	0.04	0.01	0.02	0.00	0.09	0.00	0.01	0.08	0.02	0.07	0.29
Adventurous Core Lifestyle Portfolio (ARC)	Passive with active asset allocation	0.18	0.02	0.08	0.01	0.01	0.04	0.00	0.02	0.00	0.28	0.29
Aegon Adventurous Tracker (Flexible Target) (ARC)	Passive	0.03	0.02	0.07	0.02	0.00	0.04	0.01	0.00	0.00	0.12	0.29

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Annual Platform Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Cautious Core Lifestyle Portfolio (ARC)	Passive with active asset allocation	0.24	0.02	0.04	0.02	0.00	0.02	0.00	0.00	0.00	0.30	0.29
Ethical Managed (Flexible Target) (ARC)	Active	0.37	0.01	0.06	0.03	0.01	0.01	0.01	0.00	0.00	0.44	0.29
Aegon Balanced Tracker (Annuity Target) (ARC)	Passive	0.03	0.02	0.05	0.02	0.00	0.02	0.00	0.01	0.00	0.10	0.29
Aegon's MI Workplace Savings (H) (ARC)	Passive with active asset allocation	0.20	0.02	0.06	0.00	0.00	0.01	0.05	0.00	0.00	0.28	0.29
Aegon Growth Tracker (Annuity Target) (ARC)	Passive	0.03	0.02	0.05	0.02	0.02	0.00	0.01	0.01	0.00	0.10	0.29
Aegon Adventurous Tracker (Annuity Target) (ARC)	Passive	0.03	0.02	0.07	0.02	0.00	0.04	0.01	0.00	0.00	0.12	0.29

31/12/2021 Source: Aegon

Table 3: Costs and Charges for Traditional Products default funds

For these pensions there is an administration charge known as the **Product Charge** (the right most column). You pay the sum of the **Total Fund Costs** and the **Product Charge**. The table shows a representative cost for the **Product Charge**, you can view the actual charge you pay by going to your yearly benefits statement.

The **Product Charge** can include an allowance for the **Fund Annual Management Charge**. This allowance covers many funds, including all but two of the default funds listed here, so you will see the text ‘included in RPC’ (standing for ‘included in Representative Product Charge’) in the **Fund Annual Management Charge** column. Where you see ‘included in RPC’ the **Total Fund Costs** column is the sum of only the **Annual Additional Expenses** and the **sub-total of Transaction Costs**.

Outside the default funds choice there are a number of funds where there is a Fund Annual Management Charge that is not covered in the Product Charge allowance, you can see these funds in the [online listing](#).

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Product Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Universal Lifestyle Collection	Active and Passive	Included in RPC	0.02	0.08	0.00	0.00	0.02	0.05	0.01	0.00	0.10	0.72
Balanced Lifestyle	Active	Included in RPC	0.01	0.08	0.00	0.01	0.00	0.07	0.00	0.00	0.09	0.72
Aegon Growth Tracker (Flexible Target)	Passive	Included in RPC	0.02	0.05	0.02	0.02	0.00	0.01	0.01	0.00	0.07	0.72
Aegon 50/50 Global Equity Index Lifestyle	Passive	Included in RPC	0.01	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.04	0.03
Aegon Balanced Passive Lifestyle	Passive	Included in RPC	0.02	0.06	0.00	0.00	0.00	0.05	0.01	0.00	0.08	0.72

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Product Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Cautious Lifestyle	Active	Included in RPC	0.01	0.03	0.00	0.01	0.01	0.00	0.01	0.00	0.04	0.72
Aegon 75/25 Equity & Bond Index Lifestyle	Passive	Included in RPC	0.01	0.05	0.01	0.01	0.02	0.00	0.00	0.01	0.06	0.72
Universal Balanced Collection (Flexible Target)	Active and Passive	Included in RPC	0.02	0.08	0.00	0.00	0.03	0.00	0.01	0.00	0.10	0.72
Aegon 50/50 Bond & Equity Index Lifestyle	Passive	Included in RPC	0.01	0.03	0.01	0.00	0.03	0.00	0.00	0.01	0.04	0.72
Aegon BlackRock Consensus Lifestyle	Passive	Included in RPC	0.01	0.03	0.00	0.00	0.03	0.00	0.00	0.00	0.04	0.72
GPP Default	Passive	Included in RPC	0.02	0.05	0.02	0.02	0.03	0.00	0.00	0.02	0.07	0.72
Dynamic Lifestyle	Active	Included in RPC	0.01	0.16	0.00	0.01	0.01	0.14	0.00	0.00	0.17	0.72
Aegon's MI Workplace Savings (M)	Passive with active asset allocation	0.08	0.02	0.06	0.00	0.00	0.01	0.05	0.00	0.00	0.16	0.72
Stakeholder Default	Passive	Included in RPC	0.02	0.05	0.02	0.02	0.03	0.00	0.00	0.02	0.07	0.72

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Product Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Scottish Equitable UK Fixed Interest & Global Equity Tracker	Active and Passive	Included in RPC	0.01	0.09	0.00	0.00	0.00	0.00	0.08	0.01	0.10	0.72
Aegon Balanced Tracker (Flexible Target)	Passive	Included in RPC	0.02	0.05	0.02	0.00	0.02	0.00	0.01	0.00	0.07	0.72
Scottish Equitable Ethical Managed Lifestyle	Active	Included in RPC	0.01	0.06	0.03	0.01	0.01	0.01	0.00	0.00	0.07	0.72
Balanced Plus Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.01	0.06	0.03	0.00	0.04	0.00	0.01	0.02	0.07	0.72
Aegon Global Equity Tracker Lifestyle	Passive	Included in RPC	0.02	0.10	0.00	0.00	0.00	0.09	0.01	0.00	0.12	0.72
Aegon Growth Tracker (Cash Target)	Passive	Included in RPC	0.02	0.05	0.02	0.02	0.00	0.01	0.01	0.00	0.07	0.72

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Product Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Aegon's MI Workplace Savings (L)	Passive with active asset allocation	0.08	0.02	0.06	0.00	0.00	0.01	0.05	0.00	0.00	0.16	0.72
Universal Balanced Collection (Annuity Target)	Active and Passive	Included in RPC	0.02	0.08	0.00	0.00	0.02	0.05	0.01	0.00	0.10	0.72
Balanced Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.01	0.05	0.03	0.00	0.02	0.00	0.00	0.00	0.06	0.72
Aegon Ethical Lifestyle	Active	Included in RPC	0.01	0.11	0.05	0.02	0.04	0.00	0.00	0.00	0.12	0.72
Aegon 40/60 Global Equity Index Lifestyle	Passive	Included in RPC	0.01	0.04	0.02	0.00	0.09	0.00	0.01	0.08	0.05	0.72
Growth Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.02	0.07	0.03	0.01	0.04	0.00	0.00	0.01	0.09	0.72
Adventurous Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.02	0.08	0.01	0.01	0.04	0.00	0.02	0.00	0.10	0.72

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Product Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Aegon Adventurous Tracker (Flexible Target)	Passive	Included in RPC	0.02	0.07	0.02	0.00	0.04	0.01	0.00	0.00	0.09	0.72
Growth Plus Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.02	0.14	0.04	0.01	0.07	0.00	0.02	0.00	0.16	0.72
Cautious Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.01	0.04	0.02	0.00	0.02	0.00	0.00	0.00	0.05	0.72
Ethical Managed (Flexible Target)	Active	Included in RPC	0.01	0.06	0.03	0.01	0.01	0.01	0.00	0.00	0.07	0.72
Aegon Balanced Tracker (Annuity Target)	Passive	Included in RPC	0.02	0.05	0.02	0.00	0.02	0.00	0.01	0.00	0.07	0.72
Aegon's MI Workplace Savings (H)	Passive with active asset allocation	0.08	0.02	0.06	0.00	0.00	0.01	0.05	0.00	0.00	0.16	0.72
Aegon Growth Tracker (Annuity Target)	Passive	Included in RPC	0.02	0.05	0.02	0.02	0.00	0.01	0.01	0.00	0.07	0.72

Fund Name	Management Style	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Product Charge (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset		
					Taxes	Fees & Charges						
Conservative Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.01	0.03	0.01	0.00	0.02	0.00	0.00	0.00	0.04	0.72
Aegon Adventurous Tracker (Annuity Target)	Passive	Included in RPC	0.02	0.07	0.02	0.00	0.04	0.01	0.00	0.00	0.09	0.72

31/12/2021 Source: Aegon

Table 4: Costs and Charges for TargetPlan default funds

For TargetPlan the **Fund Annual Management Charge** covers the administration of your pension as well as the Investment Management fees. You pay only the **Total Fund Costs**, which are the sum of the **Fund Annual Management Costs + Annual Additional Expenses + sub-total of Transaction Costs**.

We have used representative costs for **Fund Annual Management Charge**. Your own charges may vary from those detailed. You can find details of your annual management costs and additional expenses for all the investment funds available to you by logging onto TargetPlan and selecting 'Funds Information'. You can also find this information in your Investment Funds Guide which was included in your welcome pack and is in your Document Store in TargetPlan.

Fund Name	Management Style	Representative Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)
				Sub-Total	Explicit Costs		Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti-Dilution Offset	
					Taxes	Fees & Charges					
Aegon BlackRock LifePath Flexi 2058-2060 (BLK)	Passive with active asset allocation	0.31	0.00	0.05	0.00	0.00	0.00	0.05	0.01	0.00	0.36
Aegon BlackRock LifePath Capital 2058-2060 (BLK)	Passive with active asset allocation	0.31	0.00	0.05	0.00	0.00	0.00	0.05	0.01	0.00	0.36
Aegon BlackRock LifePath Retirement 2058-2060 (BLK)	Passive with active asset allocation	0.31	0.00	0.05	0.00	0.00	0.00	0.05	0.01	0.00	0.36

31/12/2021 Source: Aegon

Glossary of transaction costs terms

Explicit costs: Where a known monetary amount is paid when the fund buys and sells investments and are in two categories:

- Taxes: Transaction taxes such as Stamp Duty; and
- Fees & charges: Broker commissions, dealing fees and other explicit non-tax transaction costs

Implicit costs: The difference between the price of a share before an order is placed and the actual price when the trade is executed. The difference is referred to as 'slippage'. Implicit costs can be positive or negative.

Indirect costs are typically costs incurred when a fund invests in other funds (known as sub-components) and reflects the transaction costs of those sub-components.

Securities Lending & Borrowing costs: Costs associated with lending or borrowing underlying assets in a fund, for instance financing costs on borrowing, non-financing stock lending and borrowing costs.

Anti-dilution Offset: When there is a large purchase or sale of a holding to meet customer instructions this can lead to transaction costs paid by all investors in the fund rather than just those whose instructions necessitated the trading. An anti-dilution offset reduces the effects of such trading for all investors in the fund.

As part of our analysis of Transaction costs and Value for Money we look at the breadth of charges across all Employer schemes to identify the number of schemes and their distribution for each band of charges. The table below (Table 5) shows this for each set of Aegon workplace products. This analysis is based on the default fund for each scheme.

You can view the actual charge you pay by going to your annual benefits statement, or for TargetPlan by logging onto TargetPlan and selecting 'Funds Information'.

Table 5: Charge Bands for Aegon Workplace customers

Charge Band	No. of active schemes			
	Workplace ARC	Traditional Products*	TargetPlan	Total
<0.25%	200	21	9	230
0.25%-0.50%	2125	1161	64	3350
0.51%-0.75%	908	5985	16	6909
Total	3233	7167	89	10489

*Traditional Products also have a high number of individual customers who used to be members of workplace schemes but have since left those arrangements. The annual charge for these customers is typically in the charge band 0.76%-1%. This is why the representative charge for Traditional Products is shown as 0.72% in table 3 above. You can view the full range of our administration [charges](#).

4.3 Illustrations

Purpose of these example illustrations:

These are not personal illustrations; they are based on the assumptions detailed below. The purpose of these illustrations is to show how fund related costs and administration charges can affect the overall value of the funds you invest in over time. These illustrations make the impact of costs and charges more visible to you and show how these affect pension savings.

The 'before charges' column shows each fund value after the Growth rate is applied without any transaction costs, charges or expenses being applied to the fund's holdings. The 'after all charges' column shows the fund's holdings after the Growth rate is applied and transaction costs, charges and expenses have been deducted.

Using the values for the North American (ARC) fund shown below, this means in year one the platform and fund related charges reduce the fund value by £10, which is the difference between the before value charges of £1,610 and the after charges value of £1,600. This difference increases to £30 in year three.

Example illustrations for Aegon Retirement Choices

Purpose of these example illustrations

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

	Platform administration and fund related charges (%)		
	Aegon Workplace Default (ARC)	North American (ARC)	Aegon ASI Multi-Manager Cautious Portfolio (ARC)
Growth	1.36%	2.94%	0.98%
Platform charge	0.29%	0.29%	0.29%
AMC*	0.04%	0.07%	0.75%
AAE*	0.01%	0.01%	0.73%
TC	0.05%	0.02%	0.21%

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

Platform charge is an administration charge taken to cover the cost of investing through ARC. The value shown is a representative charge. You can see the charge that applies to you in your yearly statement.

AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the actual annual transaction costs for the period 01/01/2021 to 31/12/2021.

*Rounding may result in different cumulative charges appearing on other documents.

The impact of costs and charges on fund values (£)

The 'Before charges' column shows each fund value after the growth rate is applied without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after the growth rate is applied and transaction costs, charges and expenses have been deducted.

Years	Aegon Workplace Default (ARC)		North American (ARC)		Aegon ASI Multi-Manager Cautious Portfolio (ARC)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1590	1590	1610	1600	1590	1570
3	4920	4890	5040	5010	4890	4750
5	8440	8360	8780	8700	8360	7960
10	18100	17700	19600	19200	17700	16100
15	29100	28300	32800	31800	28300	24500
20	41700	40100	48800	46900	40100	33200
25	55900	53200	68200	64800	53300	42200
30	71900	67900	91500	86000	68000	51600
35	90100	84200	119000	111000	84400	61400
40	110000	102000	152000	140000	102000	71600
45	133000	122000	192000	174000	122000	82400
49	153000	139000	228000	206000	140000	91300

About these illustrations

The current age is 16 and retirement age is 65.

The current salary is £20,000 and will increase each year by 3.5%.

Future contributions paid will be 8% of the salary (£133.33 each month increasing by 3.5% each year in line with assumed salary increases).

We've shown the current scheme default Aegon Workplace Default (ARC) investment option.

We've also shown the North American (ARC) fund and the Aegon ASI Multi-Manager Constellation Portfolio (ARC) fund to show funds with lower and higher charges for comparison.

Investment growth

We've taken account of statutory guidance when preparing these illustrations. The value of the investments will grow at a rate appropriate to the funds invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%; and
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

Example illustrations for the Traditional Products Group Personal Pension

Purpose of these example illustrations

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

	Product administration and fund related charges (%)		
	Universal Lifestyle Collection	North American	Aegon ASI Multi-Manager Cautious Portfolio
Growth	0.72%	2.94%	0.98%
Product charge	0.72%	0.72%	0.72%
AMC	Included in Product charge	Included in Product charge	0.75%
AAE	0.02%	0.01%	0.73%
TC	0.08%	0.02%	0.21%

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

Platform charge is an administration charge taken to cover the cost of investing through ARC. The value shown is a representative charge. You can see the charge that applies to you in your yearly statement.

AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the actual annual transaction costs for the period 01/01/2021 to 31/12/2021.

The impact of costs and charges on fund values (£)

The 'Before charges' column shows each fund value after the Growth rate is applied without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after the Growth rate is applied and transaction costs, charges and expenses have been deducted.

Years	Universal Lifestyle Collection		North American		Aegon ASI Multi-Manager Cautious Portfolio	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1590	1580	1610	1600	1590	1570
3	4880	4820	5040	4990	4900	4720
5	8310	8140	8780	8620	8360	7880
10	17500	16800	19600	18900	17700	15800
15	27800	26200	32800	31000	28300	23800
20	39100	36200	48900	45300	40100	32100
25	51700	47000	68300	62100	53400	40500
30	65500	58500	91600	81700	68100	49100
35	80800	70800	119000	104000	84500	58000
40	97600	84100	152000	131000	102000	67300
45	116000	98400	192000	161000	122000	76900
49	132000	110000	229000	189000	140000	84900

About these illustrations

The current age is 16 and retirement age is 65.

The current salary is £20,000 and will increase each year by 3.5%.

Future contributions paid will be 8% of the salary (£133.33 each month increasing by 3.5% each year in line with assumed salary increases).

We've shown the scheme default Universal Lifestyle Collection investment option.

We've also shown the North American fund and the Aegon ASI Multi-Manager Constellation Portfolio fund to show funds with lower and higher charges for comparison.

Investment growth

We've taken account of statutory guidance when preparing these illustrations. The value of the investments will grow at a rate appropriate to the funds invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%; and
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

Example illustrations for the Traditional Products Group Stakeholder Pension

Purpose of these example illustrations

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

	Product administration and fund related charges (%)		
	Universal Lifestyle Collection	North American	60/40 Cautious Managed Collection
Growth	0.72%	2.94%	0.65%
Product charge	0.72%	0.72%	0.72%
AMC	Included in Product charge	Included in Product charge	0.14%
AAE	0.00%	0.00%	0.01%
TC	0.08%	0.02%	0.08% [‡]

[‡] Estimated annual transaction costs

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

Platform charge is an administration charge taken to cover the cost of investing through ARC. The value shown is a representative charge. You can see the charge that applies to you in your yearly statement.

AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the actual annual transaction costs for the period 01/01/2021 to 31/12/2021.

The impact of costs and charges on fund values (£)

The 'Before charges' column shows each fund value after the Growth rate is applied without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after the Growth rate is applied and transaction costs, charges and expenses have been deducted.

Years	Universal Lifestyle Collection		North American		60/40 Cautious Managed Collection	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1590	1580	1610	1600	1590	1580
3	4880	4820	5040	4990	4870	4800
5	8310	8150	8780	8630	8290	8100
10	17500	16800	19600	18900	17400	16700
15	27800	26200	32800	31000	27600	25800
20	39100	36300	48900	45400	38900	35500
25	51700	47100	68300	62200	51200	45900
30	65500	58600	91600	81900	64900	56900
35	80800	71100	119000	104000	79900	68700
40	97600	84400	152000	131000	96300	81200
45	116000	98700	192000	161000	114000	94600
65	132000	111000	229000	189000	130000	106000

About these illustrations

The current age is 16 and retirement age is 65.

The current yearly salary is £20,000 and will increase each year by 3.5%.

Future contributions paid will be 8% of the salary (£133.33 each month increasing by 3.5% each year in line with assumed salary increases)

We've shown the scheme default Universal Lifestyle Collection investment option.

We've also shown the North American fund and the 60/40 Cautious Managed Collection fund to show funds with lower and higher charges for comparison.

Investment growth

We've taken account of statutory guidance when preparing these illustrations. The value of the investments will grow at a rate appropriate to the funds invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%; and
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

Example illustrations for the TargetPlan Group Personal Pension

Purpose of this example illustration

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

Fund transactional charges and costs total (%)			
	Default – Aegon BlackRock Lifepath Flexi	Aegon BlackRock Cash (BLK)	Aegon BlackRock UK Focus (BLK)
Growth	-1.24% to 3.00%*	-1.24%	3.00%
AMC	0.36%	0.25%	1.25%
AAE	0.00%	0.03%	0.00%
TC	0.12%	0.01%	0.23%

*The growth rate used for the Lifepath fund varies through time based on the underlying asset mix.

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the actual annual transaction costs for the period 01/01/2020 to 31/12/2020.

The impact of transactional costs and charges on fund values (£)

The ‘Before Charges’ column shows each fund value without any transaction costs, charges or expenses being applied to the fund’s holdings.

The ‘After all charges’ column shows the fund’s holdings after transaction costs, charges and expenses have been deducted.

Years	Default – Aegon BlackRock Lifepath Flexi		Aegon BlackRock Cash (BLK)		Aegon BlackRock UK Focus (BLK)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1601	1597	1574	1572	1610	1598
3	4961	4925	4731	4711	5045	4931
5	8542	8438	7902	7845	8780	8454
10	18527	18084	15901	15681	19575	18152
15	30140	29066	24038	23555	32743	29230
20	43585	41528	32352	31511	48704	41840
25	59090	55625	40884	39595	67945	56147
30	76907	71528	49676	47854	91033	72332
35	97319	89422	58774	56334	118627	90594
40	120637	109512	68223	65084	151491	111151
45	147208	132020	78071	74151	190512	134243
49	171066	151931	86270	81668	226851	154716

About this illustration

The current age is 16 and retirement age is 65.

The current salary is £20,000 and will increase each year by 3.5%.

Future contributions paid will be 8% of the salary (£133.33 each month increasing by 3.5% each year in line with assumed salary increases).

We've shown the most popular current scheme default Aegon BlackRock Lifepath Flexi investment option.

We've also shown the Aegon BlackRock Cash (BLK) fund and the Aegon BlackRock UK Focus (BLK) fund to show funds with lower and higher charges for comparison.

Investment growth

We've taken account of statutory guidance when preparing these illustrations. The value of the investments will grow at a rate appropriate to the funds invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%; and
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

Example illustrations for the TargetPlan Group Stakeholder Pension

Purpose of this example illustration

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

Fund transactional charges and costs total (%)

	Default – Aegon BlackRock Lifepath Flexi	Aegon BlackRock Pre-Retirement (BLK)	Aegon Kames Ethical Equity (BLK)
Growth	-1.24% to 3.00%*	-0.91%	3.00%
AMC	0.41%	0.25%	1.00%
AAE	0.00%	0.00%	0.00%
TC	0.12%	0.06%	0.13%

*The growth rate used for the Lifepath fund varies through time based on the underlying asset mix.

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the actual annual transaction costs for the period 01/01/2020 to 31/12/2020.

The impact of transactional costs and charges on fund values (£)

The 'Before Charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

Years	Default – Aegon BlackRock Lifepath Flexi		Aegon BlackRock Pre-Retirement (BLK)		Aegon Kames Ethical Equity (BLK)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1601	1596	1578	1575	1610	1601
3	4961	4921	4761	4738	5045	4957
5	8542	8427	7982	7920	8780	8530
10	18527	18038	16215	15974	19575	18476
15	30140	28957	24735	24198	32743	30014
20	43585	41322	33577	32632	48704	43342
25	59090	55280	42781	41316	67945	58677
30	76907	70996	52388	50291	91033	76261
35	97319	88649	62440	59602	118627	96364
40	120637	108433	72985	69294	151491	119282
45	147208	130560	84071	79414	190512	145346
49	171066	150105	93365	87854	226851	168706

About this illustration

The current age is 16 and retirement age is 65.

The current salary is £20,000 and will increase each year by 3.5%.

Future contributions paid will be 8% of the salary (£133.33 each month increasing by 3.5% each year in line with assumed salary increases).

We've shown the most popular current scheme default Aegon BlackRock Lifepath Flexi investment option.

We've also shown the Aegon BlackRock Pre-Retirement (BLK) fund and the Aegon Kames Ethical Equity (BLK) fund to show funds with lower and higher charges available to the same customer for comparison.

Investment growth

We've taken account of statutory guidance when preparing these illustrations. The value of the investments will grow at a rate appropriate to the funds invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

Additional Illustrations:

Further example illustrations which could be more relevant to you can be accessed [here](#).