Aegon IGC annual report

for the year 2023, published in 2024

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An introduction from the Chair

I am pleased to share with you the annual report from Aegon's Independent Governance Committee (IGC) for the year 2023, and the first since I was appointed Chair on 1 February 2024 (full details of changes to IGC membership can be found here).

We, as the IGC, have continued in our role of acting solely in the interests of in-scope members, assessing the Value for Money provided by Aegon for your workplace pension. The **framework** we use to do this is built on the core pillars of Value for Money set out by the Financial Conduct Authority (FCA), and we structure our report around this, detailing what we as the IGC have investigated, what we concluded, and where we have challenged Aegon to do more. We have paid particular attention to the experiences of members across the different Aegon propositions.

We are also required by the FCA to compare the Value for Money received by Aegon members, with that received by people in other providers' comparable pension arrangements. As in recent years, Aegon took part in an exercise organised by Redington, which enabled us to do this. We consider the results of this exercise in our assessment, and share the results at the end of each of the more detailed sections that follow.

For the first time, Aegon also took part in the comparative exercise Redington organised for Investment Pathways. Investment Pathways are four specific investment choices available to members at the point of retirement, to align their investment with their retirement objectives, over a five-year time horizon. We are required to carry out a similar Value for Money assessment of Aegon's Investment Pathway funds, and taking part in the Redington exercise enhanced the level of information we had available to us to make a comparison with the Value for Money available elsewhere.

On the pages that follow, you will find our overall assessments of both Aegon's workplace pensions and Investment Pathways. The detail behind those assessments is broken down in the sections that follow, with workplace pensions first, followed by Investment Pathways.

Summary of our workplace pensions findings

Costs and Charges

The average charge across the policies we are responsible for was 0.52% in 2023, a small reduction from the previous year's average of 0.54%. This compares well with average charges across other providers offering similar schemes. As a result, much of our focus during 2023 has been on the members paying the highest charges, particularly those paying a charge greater than 1%. In last year's report we highlighted that Aegon had committed to capping charges for most workplace pension members at 1%, but not all. Aegon has now extended this 1% charge cap commitment to all workplace pension members, which is positive news for the members impacted. We will continue to press Aegon on its timeline for implementing the cap, and to make any refunds due as soon as possible.

Investments

The vast majority of Aegon funds have performed in line with their objectives and, on average, funds have performed above benchmarks with an improvement in absolute returns. However, a high proportion of Aegon's default funds continue to target annuity purchase, at a time when only a small percentage of members are actually purchasing annuities at retirement. This has resulted in around 68% of Aegon's workplace pension members being invested in a fund that, as they approach retirement age, will begin to target a retirement option they are unlikely to take. All of these members hold either an Aegon Retirement Choices (ARC) or Traditional Products pension. Additionally, most of these funds are using the Aegon Long Gilt Pension fund for members approaching retirement, which has continued to underperform. Aegon has taken action to improve outcomes for members in this fund, with changes agreed in late 2023, that will be implemented during 2024. Further details of these changes can be found in the Investment section of the report.

However, those members close to retirement will have experienced poorer investment performance in 2023 than members at a similar stage in the other providers' funds that we reviewed.

Customer Service

Seeing most call centre and back office administration measures above target in 2023 is a notable turnaround compared to 2022 which will have had a positive impact for many of Aegon's members. We do however note that Aegon has received relatively high volumes of complaints this year and taken too long to deal with them. This means members aren't always happy with their experience with Aegon, especially when it comes to taking money out of their pension.

Communication and Member Engagement

Aegon continues to encourage and support ARC and TargetPlan members to engage with their pension through a wide variety of materials, tools and services. An increasing number of members have activated their online accounts and downloaded the app as a result. But there is still much more to do to ensure that the majority of members take these important first steps. Traditional Products members have access to many similar materials, tools and services, however there are some notable omissions, such as the lack of a mobile app.

Summary of our Investment Pathway findings

The charges paid by Aegon's Investment Pathways customers are competitive, with most customers paying less than would be available elsewhere. However, some customers (depending on which of Aegon's propositions they are in) pay a £75 fee for each year in which they take a regular income. Aegon is the only provider in the Redington exercise to charge in this way.

Even taking this fee into account, most customers will still be paying less than they possibly would elsewhere, but those with relatively small pots will feel the impact of the £75 fee more than others. Investment returns have been positive for all four Investment Pathway funds, but in some cases, behind the average of other providers taking part in the Redington survey. The ARC Annuity Pathway in particular makes use of the Aegon Long Gilt Pension fund detailed in the Investment summary above, and therefore provided lower investment performance than comparators.

To conclude

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 cooperation in responding constructively to our challenges.

As always, we are keen to hear from Aegon's customers to understand your needs and experiences, and to use these to drive a better outcome for you. We are also interested in meeting workplace pension members or employers to improve our understanding, and have an ongoing programme of face-to-face and virtual meetings. If you would like to join us, details can be found in section 11 of this report. You can share your thoughts and find out more about our discussion groups by emailing us at **igc@aegon.co.uk**.

Alison Bostock

1. Workplace Pensions

Value for Money assessment

1. Workplace Pensions Value for Money assessment

Principle	2022 RAG status	2023 RAG status			IGC conclusion
		ARC	TargetPlan	Traditional Products	
Costs and Charges					Aegon's charges for ARC and TargetPlan members are in line with what we observe for other providers. Members at the higher end of Aegon's charge scale are all in Traditional Products. In last year's report we highlighted that Aegon had committed to capping charges for most workplace pension members at 1%. Aegon has now extended this 1% charge cap commitment to all workplace pension members, which is positive news for the members impacted. We will continue to press Aegon on its timeline for implementing the cap, and to make any refunds due as soon as possible.
Investments					The vast majority of Aegon funds have performed in line with their objectives and, on average, funds have performed above benchmarks with an improvement in absolute returns. A high proportion of Aegon's default funds for ARC and Traditional Products members continue to target annuity purchase, at a time when only a small percentage of members are actually purchasing annuities at retirement. Additionally, most of these funds are using the Aegon Long Gilt Pension fund for members approaching retirement, which has continued to underperform. Aegon has taken action to improve outcomes for members in this fund, with changes agreed in late 2023, that will be implemented during 2024. However, those members close to retirement will have experienced poorer investment performance in 2023 than members at a similar stage in the other providers' funds that were included in the Redington review.

1. Workplace Pensions Value for Money assessment

Principle	2022 RAG status	2023 RAG status			IGC conclusion
		ARC	TargetPlan	Traditional Products	
Service: Customer Service	ARC and TargetPlan Traditional Products				Seeing most call centre and back office administration measures above target in 2023 is a notable turnaround compared to 2022, which will have had a positive impact for many of Aegon's members. However, Aegon has received relatively high volumes of complaints from ARC and TargetPlan members this year, and taken too long to deal with them. This means members aren't always happy with their experience with Aegon, especially when it comes to taking money out of their pension.
Service: Communication and Member Engagement					Aegon continues to encourage and support ARC and TargetPlan members to engage with their pension through a wide variety of materials, tools and services. An increasing number of members have activated their online accounts and downloaded the app as a result. But there is still much more to do to ensure that the majority of members take these important first steps. Traditional Products members have access to many similar materials, tools and services, however there are some notable omissions, such as the lack of a mobile app.

The IGC believes that Aegon continues to deliver Value for Money overall to its workplace pension members and has the right focus to further improve members' experience. We have identified a number of issues that will have affected the value received by some pockets of members in 2023 – and our amber ratings reflect that. However, Aegon has provided evidence that it is now taking action that will address these issues in almost all cases, although some action plans will take time to take effect.

Core financial transactions were, in the main, processed promptly and accurately by Aegon's customer service teams. However the volume of complaints received, particularly in ARC and TargetPlan, were relatively high. We have challenged Aegon to address this in 2024. We explore each of these findings in more detail throughout the report.

2. Investment Pathways

Value for Money assessment

Investment Pathways Value for Money assessment

Principle	2022 RAG status	2023 RAG status		IGC conclusion
		ARC	TargetPlan	
Costs and Charges				The charges paid by Aegon's Investment Pathways customers are competitive, with most customers paying less than would be available elsewhere. ARC customers pay a £75 fee for each year in which they take a regular income. Aegon is the only provider in the Redington exercise to charge in this way. Even taking this fee into account, most customers will still be paying less than they possibly would elsewhere, but those with relatively small pots will feel the impact of the £75 fee more than others. There is a small cohort of former Traditional Products customers (now on ARC) who are being charged more for Investment Pathways than others, which we have challenged Aegon to address.
Investments				Investment returns have been positive for all of Aegon's Investment Pathway funds. The ARC funds were however behind the average of other providers taking part in the Redington survey. The ARC Annuity Pathway, which had the lowest performance amongst the peer group, makes use of the Aegon Long Gilt Pension fund detailed in the workplace pensions investment summary on the previous pages.

2. Investment Pathways Value for Money assessment

Principle	2022 RAG status	2023 RAG status		IGC conclusion
		ARC	TargetPlan	
Service: Customer Service				Investment Pathway customers received an acceptable service in most areas, however the limited flexibility in income payment dates could be inconvenient for some customers.
Service: Communication and Member Engagement				Aegon has provided evidence of the assistance and guidance delivered to customers moving from saving into a pension to taking money out, where needed. Core communications for Pathways customers also scored well in the Redington survey.

The IGC believes that Aegon continues to deliver Value for Money overall to its Investment Pathway customers. Our amber ratings again highlight the key issues that we believe will have affected the value received by some groups of pathways customers in 2023. Aegon is taking action in these areas and we will continue to focus on the impact of those changes next year.

Core financial transactions were, in the main, processed promptly and accurately by Aegon's customer service teams.

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

3. Workplace Pensions

Costs and Charges

Costs and Charges Customer Outcomes

'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 costs'

3. Workplace Pensions: Costs and Charges

What is a good outcome for members?

'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 costs'

What did we investigate and what did we find?

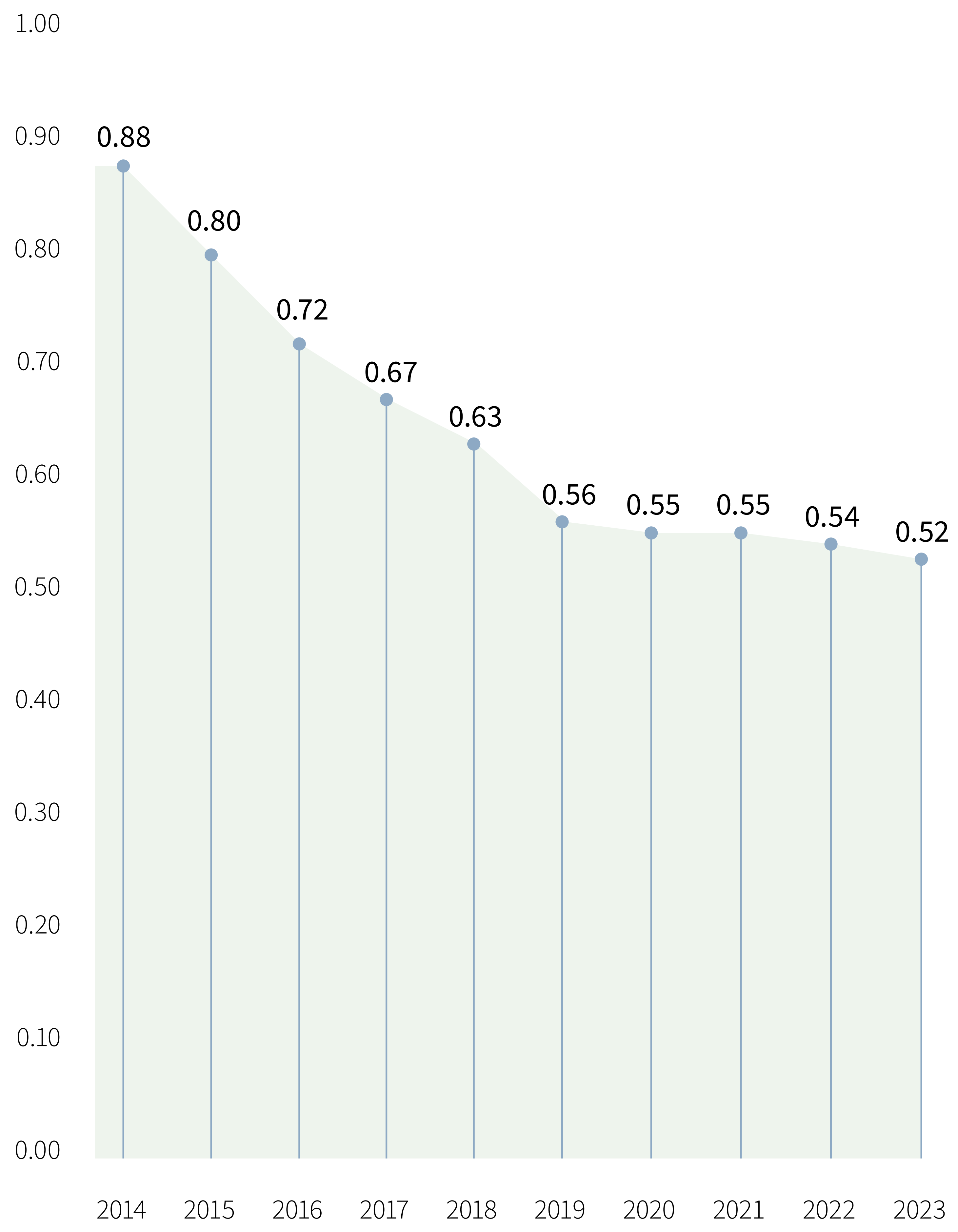
The level of charge set for your pension arrangement is very important as it directly impacts how your fund grows. Our review of the overall price you pay to build up your savings sets out to test how competitive your charge is, relative to those available in in the wider market.

As a reminder you can see the charge that applies to your pension plan by looking at the statement that Aegon sends you or the personal illustration you received 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. We receive regular analysis of Aegon's workplace pension charges, and investigate areas of concern.

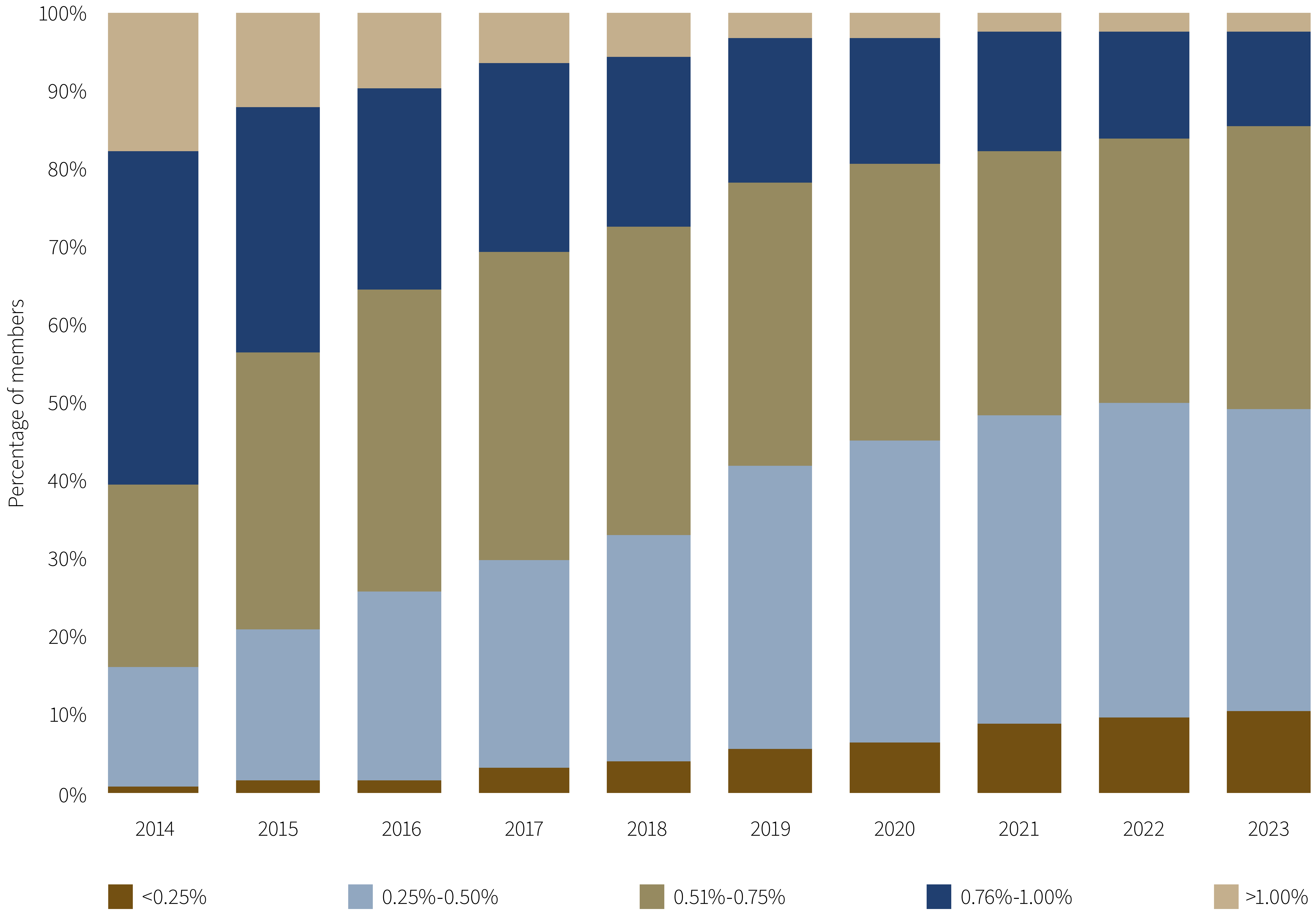
The average annual charge applied across all workplace pension members currently sits at 0.52%. This is another small decrease on previous years.

Average Annual % Charge for Aegon workplace members



3. Workplace Pensions: Costs and Charges

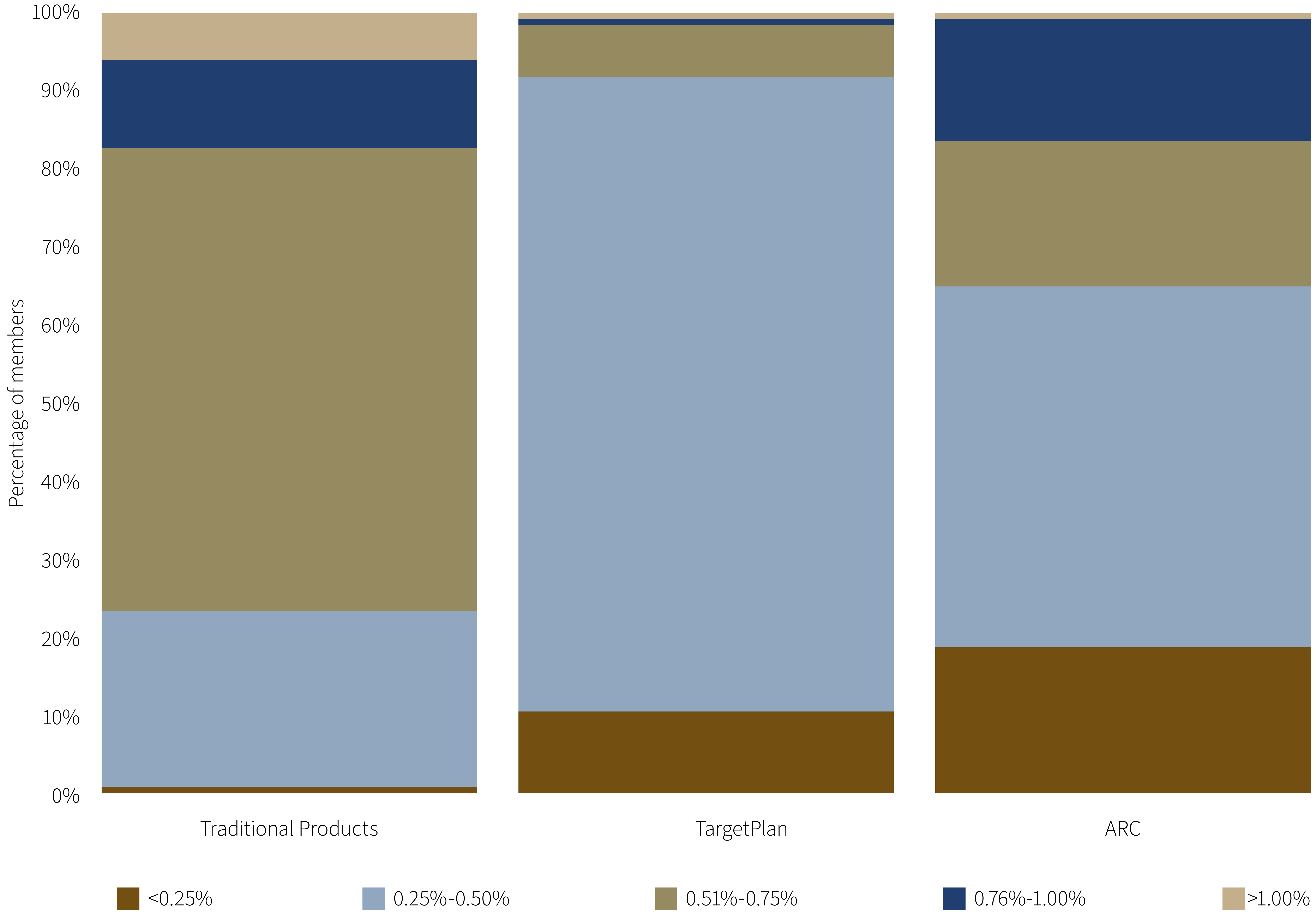
Charges trend (by charge band)



Charges vary between active schemes, reflecting the costs of administering pension schemes for many different employers, all with a different make up of employees. For schemes used for auto-enrolment, charges are under the regulatory charge 'cap' of 0.75% for default funds. For funds chosen by the member, or non auto-enrolment schemes, charges can exceed this amount. The average charge across the policies we are responsible for has reduced slightly over recent years, which reflects the competitive market and the type of schemes being set up by Aegon.

3. Workplace Pensions: Costs and Charges

Charge Bands by Proposition (at end 2023)



In addition to the overall view of charges across the workplace pension population, we also look at charges at a propositional level, as there are three different platforms within Aegon: TargetPlan, Aegon Retirement Choices (ARC), and Traditional Products. Members of TargetPlan and ARC schemes, which are the more modern offerings, generally have lower charges. At the end of 2023, the average charge for workplace pension members was 0.36% on TargetPlan, and 0.34% on ARC. More than 90% of TargetPlan members, and around 65% of ARC members, are charged less than 0.5%. Very few members across these two propositions are charged more than 1%, and if they are, it is as a result of their choice of fund. All funds are priced differently based on the cost of running them, and this particular cohort of members have chosen to invest in a fund that charges more than 1%.

Traditional Products members are charged, on average, around 0.72%. In contrast to the figures quoted above, only 24% of Traditional Products members are charged less than 0.5%, with 6% of members paying more than 1%, and following challenge from the IGC there is an ongoing exercise to address this.

Developments during 2023

There is a group of c. 69,000 members who pay a charge of more than 1% (almost all of them Traditional Products members). As you can see from the 'charges trend (by charge band)' chart, the number of members paying more than 1% has been declining over recent years, but we have been challenging Aegon to evidence that the value these members receive justifies the higher costs.

As we reported last year, Aegon committed to a 'charge cap' of 1% from July 2020 for more than half of these members. These new charges are due to be implemented (and backdated) once a programme of modernisation work has been completed for Aegon by Atos (who administer Traditional Products on behalf of Aegon). This programme has experienced long delays and we continued to challenge Aegon to resolve this issue as soon as possible.

However, this still left a group of around 22,000 members who were not covered by the charge cap and we challenged Aegon to clarify the rationale for this.

Following our challenge, Aegon has reviewed its position, and in the second half of 2023 confirmed to the IGC that all workplace pension members will be brought in scope of the 1% 'charge cap' (excluding those choosing to invest in more expensive funds). This is positive news for the 22,000 members who are charged more than 1% and were previously out of scope.

In terms of timelines, Aegon has also updated us on its plans to decouple the 'charge cap' solution from the ongoing modernisation work, which will carry on for some time yet. Work is currently underway within Aegon to determine the new solution for implementing the cap, which we are pressing to see as soon as possible. We are aware however that it will likely be 2025 before any changes are introduced. For the initial in scope cohort of members, Aegon has already committed to a July 2020 effective date, and so the timelines for implementing the cap have little impact on them in the long-term. For the newly in scope population however, the effective date will be when the cap is implemented. It is therefore in their best interests for this work to be completed as soon as possible, and we will continue to ask Aegon for regular updates on progress. If the work is not completed by 1 July 2025 Aegon has committed to us that it will backdate the implementation of the cap for the newly in scope population to that date. The IGC has asked Aegon to confirm why there are two cohorts, and explain the difference in effective dates between the two. We expect Aegon to confirm this detail when it presents the solution for implementing the cap to us, and we will address this in next year's report.

In the meantime, members who were in scope for a reduction in charges from July 2020, and who have since exited their Aegon pension, are entitled to a charge rebate. Aegon informs us that it expects to complete these payments to members who have exited by the end of 2024. Again, we will continue to ask Aegon for regular progress reports and confirmation that former members have been traced and paid the correct amounts.

Our conclusions

The average level of charges paid by Aegon members continues to decline, with the majority of members paying a charge that is in line with what they could expect to pay elsewhere. The 'charge cap' work detailed above will have a positive impact for the highest charged members. However, even at 1%, their charges will remain significantly higher than the average charge and we will continue to challenge Aegon to evidence that the value these members receive justifies the higher price.

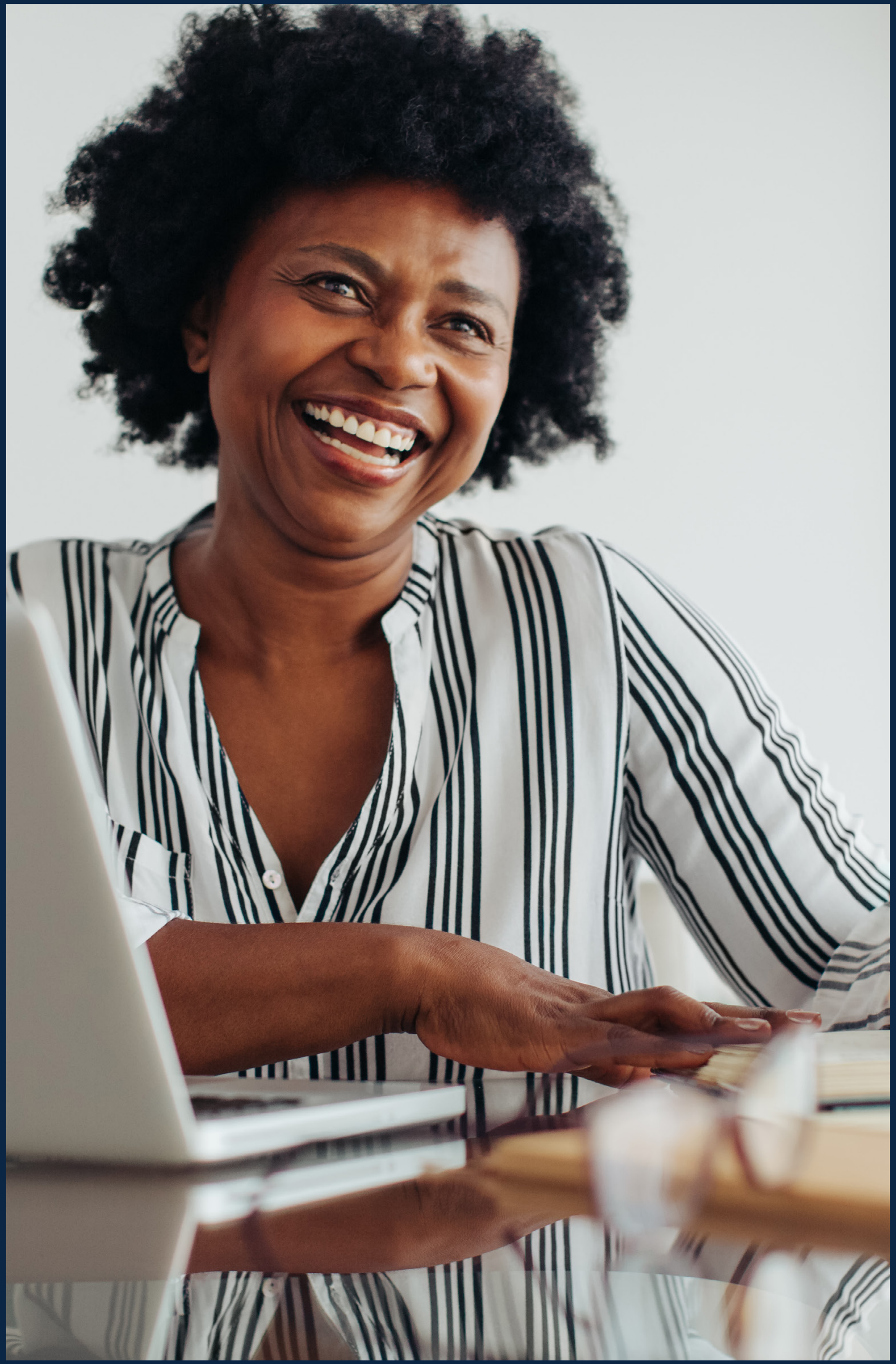
It is worth noting that, while most of these members are free to switch away from these products without penalty, some will be invested in funds and/or products which offer potentially valuable guarantees which could not be transferred to a new policy. As a result, it may not always be in a member's 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 any additional benefits your product offers justify the cost.

Our challenges to Aegon

- Introduce the proposed 'charge cap' as soon as possible, to benefit those members whose effective date for the cap is based on the implementation date of July 2020 or 1 July 2025 if the implementation date is later.
- Complete the charge rebate payments to members charged more than 1%, with an effective date of July 2020, and who have since exited their Aegon plan, by the end of 2024.
- After the 1% cap is in place, provide evidence that those members who remain at the higher end of the charge range are receiving benefits that justify the higher price that they are paying.

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

Aegon's charges for active schemes are generally competitive, with a profile similar to the average of all other providers in the exercise. Aegon has more members within the two lowest charge bands than the average.



4. Workplace Pensions

Investments

Investments Customer Outcomes

'My savings are invested in funds that deliver a competitive return, in line with or ahead of their objectives and other comparable funds'

'My savings are invested in line with my attitude to risk; and my income plans and needs in retirement'

'My savings are with a provider that has a policy on Environmental, Social and Governance (ESG) factors, which sets out clearly how it takes financial and non-financial considerations into account in its investment strategy and decision making. Its approach to stewardship is clear'

4. Workplace Pensions: Investments

This section of the report looks at the investment management and performance of pension scheme fund ranges within the IGC remit, including the following default funds:

- Aegon BlackRock LifePath, the flagship default fund for the TargetPlan platform
- Aegon Workplace Default, the flagship default for the Aegon Retirement Choices (ARC) platform
- Other lifestyle funds for Traditional Products and the ARC platform, which includes the largest fund by assets under management, Universal Balanced Collection

The table here shows the key default funds, the Aegon proposition where the funds can be found and the total value of assets in each fund.

Fund	TargetPlan	Aegon Retirement Choices (ARC)	Traditional Products
Aegon BlackRock LifePath	£8.6bn		
Aegon Workplace Default		£5.2bn	
Universal Balanced Collection		£4.7bn	£7.5bn

In our assessment of workplace pension funds for members building up their pensions savings we investigate whether the customer outcomes outlined are being met.

What is a good outcome for customers?

'My savings are invested in funds that deliver a good return, in line with or ahead of their objectives and other comparable funds'

What did we investigate and what did we find?

In order to carry out our investigations, each year we monitor the performance of the funds in our remit by examining how each fund has met its investment objectives and measuring each fund against its selected benchmark, which helps us to judge how well it has performed compared with other similar funds. We receive a comprehensive data pack from Aegon and discuss the implications of this data with senior members of Aegon's Workplace Investment Proposition team. The pack includes fund performance over the last one, three, and five-year periods, and is continually refined to help us pinpoint areas of focus.

When reviewing performance, we consider any short-term underperformance and seek assurances that it is not indicative of any wider issues and that appropriate actions are taken. However, we place the most weight on longer-term performance because it more accurately reflects market conditions rather than short-term trends. Performance is measured using quartile rankings which shows how a fund is performing against the relevant investment sector or universe if the performance figures were divided into four sections (quartiles). Over the longer term we hope to see Aegon funds in the first or second quartiles indicating good performance in relation to comparable funds in the market. If fund performance is consistently in the third or fourth quartiles, then we seek an explanation for this and ask to see evidence that this is a short-term issue and not a systemic problem within the fund.

The underlying funds in the default fund ranges are also reviewed through Aegon's Fund Governance Framework to check that each fund is run in a way that achieves its objectives. The funds are assessed annually against Aegon's own Value for Money criteria, including a check on comparative charges. In addition, Aegon carries out a strategic review at least every three years to ensure the default funds remain suitable for members.

As part of this, Aegon reviewed its default fund range in 2023 to ensure that the default funds offered are still fit-for-purpose and meeting member needs. Details of that review are covered under the next outcome on page 23.

In 2023, global financial markets experienced a better year than 2022, despite a slow start. Many stocks and shares rallied and by the end of the year, bonds also began to recover as market confidence grew. Whilst returns will always vary from fund to fund, the overall investment backdrop was more settled during 2023 than the previous 12 months.

In December 2023 Aegon conducted its Value for Money assessment on 857 funds which indicated 97% of funds performed in line with expectations over the year, with 15 funds (2%) requiring further investigation for potentially higher fees and 12 funds (1%) under review for poor performance over an extended period. In particular, Aegon Workplace Default outperformed its benchmark and performed well across all quarters in 2023, and Universal Balanced Collection continued performing well against its benchmark with strong outperformance in the final quarter of 2023.

The Redington survey noted that over a one-year period Aegon's three largest default strategies performed in line with or slightly below the peer average, with lower-than-average volatility at the growth stage of investment (25 years to retirement). However, at the retirement stage, although the returns were positive, all of the default strategies reviewed had performed below the peer average. Whilst Aegon Workplace Default and Aegon Growth Tracker had lower volatility than peers, the performance and the volatility of the Universal Lifestyle Collection fund (the retirement stage version of Universal Balanced Collection which targets annuity purchase) was in the bottom quartile of the peer group. This was attributed to the asset allocation in UK government bonds (gilts) which is explored in more detail below.

For a detailed performance breakdown of the default fund range see Appendix 3.

A number of funds merit further comment.

- **Aegon BlackRock LifePath range:**
  Members = 101,218

The evolution of LifePath has been under discussion throughout 2023. The LifePath fund range uses an investment strategy that automatically moves investments from growth funds (stocks and shares) into less risky assets as an investor approaches retirement, referred to as the glidepath.

In our last report we noted the fund has a higher exposure to stocks and shares than many peer funds. Aegon's analysis continues to show this has delivered good customer outcomes over the long-term, and no changes to asset allocation have been proposed at this time.

- **Aegon BlackRock LifePath Flexi (Undated) fund:**
  Members = 379

In our last report we flagged the Aegon BlackRock LifePath Flexi fund for further review and noted that the negative performance in 2022 was largely due to the exposure to long-dated UK government bonds (gilts). This particularly affected members at the retirement stage of LifePath and detailed discussions were held with Aegon and BlackRock. The asset manager, BlackRock, proposed a number of changes to address the performance issues which were implemented between June and December 2023, as detailed below.

The changes made to the Aegon BlackRock LifePath Flexi fund focused on increasing precision within fixed income by introducing shorter-dated UK government bonds (gilts) and generally reducing the bond duration (price sensitivity to changes in interest rates) throughout the glidepath.

These adjustments reflect the changes to interest rates and are intended to reduce the range of outcomes members can expect to experience.

With a changing inflationary environment, the fund's exposure to asset classes such as inflation-linked bonds and commodities has been adjusted. This reflects the expectation that higher levels of inflation will persist, and positioning the portfolios to maximise risk adjusted returns during this new regime.

We monitored the implementation of these changes. Aegon asked BlackRock to demonstrate how the changes would effectively mitigate the identified risks and BlackRock was able to model the past performance of the fund had these changes been in place prior to their introduction in 2023. This modelling, going back over the past five years, shows improved returns for members closer to retirement, without impacting the performance for members earlier in the glidepath.

- **Aegon Long Gilt fund:**
  Member figures not included for this fund because it is used as the underlying fund across multiple pension scheme funds and at various stages of the lifestyle process.

The Aegon Long Gilt fund was also flagged for review in last year's report due to underperformance related to the use of long-dated bonds. The poor performance also affected members in the annuity targeting default fund options which invested in the Aegon Long Gilt fund. Aegon's review concluded in early 2023 that the continued poor performance is concerning and changes to the fund were agreed between Aegon and the asset manager.

The fund's asset allocation at the time of the review included 99.0% in long-duration UK government bonds (gilts) but the analysis of peer group funds showed that others typically used broader diversification, including shorter-duration gilts, and both UK and Global Corporate bonds.

The review also noted the duration of the bonds used by comparable funds is typically shorter at between 11 and 13 years, while the Aegon fund uses over 15-year duration bonds as specified in the investment mandate.

Following the review Aegon has worked with the asset manager, Aegon Asset Management (AAM), to adapt the fund's mandate to increase the diversity of assets used to include all-duration UK gilts, UK corporate bonds and global corporate bonds and to also shorten the duration of bonds used to 12 years. These changes are intended to improve diversification and reduce the impact of interest rate fluctuations on fund performance.

The changes were agreed in December 2023, and Aegon and AAM plan to implement the changes over the course of 2024. So that members can be appropriately informed, a communications plan was agreed in January 2024. We will continue to monitor how those changes feed through to future performance and deliver improved customer outcomes.

- **Aegon Ethical Fund:**
  Members = 16,978 invested in default funds that have exposure to the Aegon Ethical fund

The Aegon Ethical fund has been flagged for its underperformance in the reports provided to us by Aegon. The fund is used in a number of the ethical default fund options, and we have asked to see detailed analysis of the drivers of the fund underperformance.

Analysis in February 2023 showed that the majority of the fund's underperformance was attributed to the constraints of the ethical screening process. The fund mainly invests in UK-based equities (stocks and shares) and performance is benchmarked against the FTSE All-Share Index , however the fund can only invest in companies meeting predefined ethical criteria and excludes certain sectors, such as oil and gas, which is a large constituent of the index.

The Aegon Ethical fund incorporates member feedback in the screening process every two years. The feedback has resulted in the exclusion of the Energy and Healthcare sectors, which both performed well in the FTSE All-Share Index and as a result, the Aegon Ethical fund missed out on that performance.

A further review at the end of September 2023 indicated that although the ethical screens were still affecting performance, the impact was lower. In addition, the ethical investing criteria creates a bias towards small and medium-sized companies, both of which underperformed the All-Share Index in 2022 and continues to impact the 3-year performance figures.

Asset manager decisions such as sector weighting and stock selection also contributed to issues with performance. For example, in 2022 the decision to increase investment in the technology sector worked against the fund performance. In 2023 however, the fund's asset allocation was right to favour the technology sector, but the choice of technology stocks adversely impacted performance and Aegon escalated the review process to discuss the underlying issues with the asset manager, Aegon Asset Management (AAM).

The fund remains on the Aegon Fund Governance 'watch list' and performance is monitored on a monthly basis.

Transaction costs:

In our ongoing Value for Money assessment, we are required to take specific account of costs and charges, and any transaction costs members pay. To help with this, Aegon provides the IGC with an annual analysis of the costs and charges for each fund, including each fund's transaction costs. The analysis uses a framework agreed with the IGC that compares each fund's transaction costs against a set of peer funds.

During 2023 Aegon conducted transaction cost assessments on 857 funds, compared to 537 funds in 2022. Transaction costs were reviewed for the 12 months ending 30 June 2023 which includes the period of trading during September and October 2022 when asset managers had to take material action to counter significant market volatility potentially contributing to higher transaction costs for some funds. A further update in September 2023 showed that whilst investigation was still required for some funds, this had reduced to 27 funds (3%) with a total AUM of £1.4bn still require a further follow-up investigation of transaction costs. That investigation will be a part of the ongoing Aegon Fund Governance work.

Following the analysis, we have no concerns with the transaction costs. We also note Redington's comments that all of Aegon's transaction costs analysed in the Redington survey were low and fell broadly in the middle of the peer group at each stage to retirement.

You can find the costs and charges data in **Appendix 4** of this report and online.

Our conclusions

Aegon's analysis in 2023 has shown that 97% of the 857 funds reviewed have performed in line with their objectives and above their benchmarks with an improvement in absolute returns, although the Redington study shows the largest default funds are still lagging slightly behind the peer group. The IGC believes the Fund Governance process provides the necessary oversight to inform its work.

Where there have been concerns, these have been analysed and actions taken. We will be monitoring future performance to ensure that the changes made to the Aegon BlackRock LifePath Flexi fund and the Aegon Long Gilt fund address the performance challenges in relation to long-dated bonds and reflect the improved customer outcomes expected.

Our transaction cost analysis did not lead to any concerns about the funds and the costs and charges are in line with other comparable funds.

Our challenges to Aegon

- Demonstrate that the changes made to both the Aegon BlackRock LifePath Flexi fund, and the Aegon Long Gilt fund produce the expected results.
- Provide greater detail on how the screening of the Aegon Ethical Fund matches member requirements, and how member feedback is sought and acted on.
- As part of a default fund review project, we have asked Aegon to consider how the fund governance process can better account for the glidepath stage of a member using each fund, and how retirement and growth stages could have different triggers for escalation and action.

4. Workplace Pensions: Investments

What is a good outcome for customers?

'My savings are invested in line with my attitude to risk and my income plans and needs in retirement'

What did we investigate and what did we find?

For most members this outcome is dependent on the quality and suitability of the default fund they use. We assess the process that Aegon uses to regularly review the investment choices available, including default funds, to ensure that they are suitable for workplace pension members.

Aegon oversees the default funds through its Fund Governance process, including fund reviews and performance monitoring against objectives and member expectations. This process has confirmed that all funds are operating in line with objectives and the expectations given to members at outset.

We have previously highlighted the complexity of Aegon's range of default funds. Over the decades the range has grown to 41 default options, designed and operated by Aegon, including three versions of Aegon BlackRock LifePath which is a proprietary BlackRock solution selected as the flagship default fund for TargetPlan members. In response Aegon has been working on a full review of the default funds offered, with the long-term aim of simplifying the range.

We have examined the asset allocation and risk and return profiles of the 41 default fund options and whilst there are some similarities amongst funds that will be reviewed further, the asset allocation across the range seems well constructed during the accumulation phase.

The biggest concern remains the large number of default funds that target an annuity purchase as a destination during the glidepath towards retirement which may not match members' income plans and needs in retirement. This was flagged in our last report and has also been noted in the Redington survey as members' behaviour at retirement has changed considerably since the Pension Freedoms legislation was introduced in 2015.

Although members can now access their pension benefits flexibly, the fund review has shown that out of 41 default funds there are 31 funds that still target an annuity endpoint (invested in by 67.6% of members), 7 that target flexible access (invested in by 32% of members) and 1 that targets cash for a full withdrawal (invested in by 0.4% of members). The Redington survey highlighted that Aegon has the highest proportion of members in annuity targeted funds whereas Aegon's peers have more funds targeting flexible access. This has been reviewed historically by Aegon, who took the view that there were legal constraints to making changes to the affected funds at that time. The IGC has asked Aegon to re-examine this decision or develop an alternative route to deliver better outcomes for members.

The review of the default fund range mentioned above will assess opportunities to move members still in their growth phase to alternative strategies which target a flexible outcome. Aegon's intention is that this may lead to a smaller range of default options that are better aligned to members' likely retirement needs. This process will also provide the opportunity to further integrate Environmental, Social and Governance (ESG) considerations into the default funds offered. We will continue to monitor the implementation of this process to see how members are kept informed of their choices, and to see how the final range offered aligns with members' plans and needs in retirement.

Our conclusions

We concluded that, in the main, Aegon has robust processes in place to review the ongoing suitability of the funds on offer.

Aegon has started to make progress on a thorough review of the default funds available, with the intention of rationalising the number of default funds and changing the target strategy from annuity purchase to a flexible outcome. Once Aegon has decided on a strategy for those in the accumulation phase it will be critical that it considers how best to engage those individuals who are already in the pre-retirement phase which is unlikely to match their income choices in retirement.

Our challenges to Aegon

- In the period before changes are made to default funds, Aegon should review its communications to members to ensure those who are in an annuity endpoint fund are aware of this and are encouraged to consider if this aligns with their intended course of action at retirement.
- The review of the default funds offered requires work across multiple teams in Aegon and is not part of the standard operations. We want to see this multi-team approach work to ensure clear and timely communications, and strong member support throughout this complex process.
- Reviewing the range of default funds will be a long-term project. We challenge Aegon to make good progress in the early period and to increasingly build momentum to implement this project.
- Once decisions are reached on the default fund review project, we have asked Aegon to consider how it will support members already in the pre-retirement phase.

What is a good outcome for customers?

'My savings are with a provider that has a policy on ESG factors, which sets out clearly how it takes financial and non-financial considerations into account in its investment strategy and decision making. Its approach to stewardship is clear'

What did we investigate and what did we find?

ESG has remained a key area of focus for the IGC throughout 2023. Aegon has continued to build on ESG integration and policy, providing updates to the IGC on progress within the workplace pension default funds. Aegon's Responsible Investment Policy applies to all funds within the IGC remit. The policy outlines ESG factors and Aegon's approach to responsible investment, it is reviewed annually and Aegon has shared the outcome and update with the IGC. The review in 2023 reworked the minimum responsible investment expectations for asset managers including stewardship and voting, supporting Aegon's net-zero commitment and improving diversity and inclusion. The policy also covers engagement with asset managers, members and the wider pensions and financial services industry.

Aegon's first climate transition plan, the Aegon Climate Roadmap, was published in June 2023 to provide an overview of Aegon's progress and vision for investing members' assets responsibly in the context of climate change. The report has a specific focus on default funds and was seen as an appropriate framework to drive ESG integration forward. The Aegon Task Force on Climate-Related Financial Disclosures (TCFD) report was also published in June 2023 providing key information on default funds.

Aegon has committed to net zero by 2050 across all default investment options and a 50% reduction of 2019 level emissions by 2030. With most defaults using passive underlying funds, the primary tool at Aegon's disposal to make progress on these targets is by introducing screening (excluding certain sectors from the investible universe) and tilting (increasing exposure to sectors with favourable ESG credentials and away from sectors with poorer ESG credentials). The typical screening process aims to avoid controversial weapons; tobacco; UN Global Compact Violators; thermal coal; and oil sands.

As part of its Climate Roadmap, Aegon has also committed to having 70% of default funds screened and/or optimised for ESG factors by 2026. ESG integration is variable across the range with a higher allocation in the more modern defaults. There are currently 19 out of 38 defaults funds available on ARC and Traditional Products which do not integrate processes in the investment process to screen or optimise based on ESG factors.

ESG assets under management (AUM) has been the main measure used to track progress and the targets set have been met. The percentage of ESG assets in default funds has risen from 43% at the end of 2022 to 58% at the end of 2023. This equates to a total of £23.4bn ESG assets in the default funds offered as at 31st December 2023.

4. Workplace Pensions: Investments

ESG Assets as at	31/12/2022	31/03/2023	30/06/2023	30/09/2023	31/12/2023
Default AUM	£36.3bn	£37.7bn	£38.4bn	£38bn	£40.7bn
ESG in Defaults	£15.6bn	£16.6bn	£17.3bn	£18bn	£23.4bn
% of ESG in Defaults	43%	44%	45%	47%	58%

The table below shows the ESG exposure within the growth and retirement phase of three key default lifestyle funds as at 31st December 2023.

Fund name	Growth stage	In retirement
Aegon BlackRock LifePath Flexi	92 %	46%
Aegon Workplace Default	77 %	55 %
Universal Balanced Collection (Flexible Target)	27 %	44 %

Building on the work we reported on in 2022, ESG exposure within the growth and retirement phase of the key default lifestyle funds has continued to increase and the Climate Roadmap tracking indicated ESG exposure in three key default funds represented 30% of Aegon's default estate.

There has been significant progress made with regards to ESG integration in Aegon BlackRock LifePath funds, with 92% of the underlying funds now integrating ESG as shown in the table. BlackRock introduced a formal ESG policy within the fund prospectus, effective from 7th December 2022. This established new governance, tools and reporting in the context of ESG investing and added a specific climate objective.

Aegon Workplace Default and Universal Balanced Collection have also continued to increase ESG exposure as a result of investments being directed to the new ESG version of the UK Tracker fund. As stated, there is ongoing work to establish processes and approaches to facilitate future ESG integration across the wider default estate. The Universal Balanced Collection fund was reviewed during 2023 and changes have been proposed which will lead to significantly increased ESG integration. The review of Aegon's default fund offering will address ESG integration across the default funds offered in addition to the rationalisation of the range.

In line with its Responsible Investment policy on industry advocacy and engagement, Aegon joined Nature Action 100 as a signatory in 2023. Nature Action 100 is modelled on Climate Action 100 which Aegon is already a member of. This highlights the work on nature-related risks, in line with Aegon's existing focus on biodiversity as described in its Stewardship Policy. Aegon also published a customer-facing white paper on why biodiversity is important. The Taskforce on Social Factors was established in the UK in February 2023. Aegon has been co-chair of the Taskforce and has led it's work on modern slavery and supply chain.

The Taskforce aims to raise awareness and develop a common understanding of social risks and opportunities which can be addressed by pension scheme trustees, industry, and policymakers, and published its final guidance in March 2024.

We have challenged Aegon to demonstrate how it is taking member views and preferences into account as it develops its ESG policy over time. So far it has added a number of questions to member surveys. Early results showed that 59% of respondents were aware that they had the option to take responsible investing into account in their investment decisions. Of these, two-thirds of people were aware that Aegon was already taking sustainability into account when investing their pension savings, and just under half of people said they were happy that Aegon did this (with a further 49% saying they didn't know the answer to this question). These results suggest that there is more to do to ensure that members understand how their money is being invested, and that they are able to influence this by helping Aegon build a picture of their attitudes and preferences over time. For specialist ESG funds within the IGC remit the Responsible Investment Policy states that these must invest in line with sustainable and/or responsible investment themes; taking into account pension scheme member preferences where relevant.

Aegon also recognises the importance and role of stewardship and engagement to encourage good governance and influence positive responsible business behaviours. Aegon successfully gained the Stewardship Code status as a result of the significant work undertaken by the Responsible Investment Team for the 2023 Stewardship Report. The Stewardship Code sets a high standard of stewardship for those investing money on behalf of UK savers and pensioners. It acknowledges the important role asset owners and asset managers play as guardians of the investments in their portfolios. At the end of the reporting period, drafting of the Aegon's 2023 Stewardship Report was underway for publication in May 2024.

In our last report we noted that Aegon was looking to develop an 'expression of wish' process as part of their its Stewardship approach to express voting preferences to asset managers. There were eight ESG shareholder resolutions identified in the 'expression of wish' process this year and voting preferences were issued to relevant managers in April 2023. Details of these resolutions are outlined within the Aegon UK 2023 Stewardship Report. There will be an assessment on how asset manager voting aligned with Aegon's wishes and the IGC will be provided with an update.

Our conclusions

The IGC has reviewed and is satisfied with the adequacy and quality of Aegon's Responsible Investment Policy which applies across the range of default funds. The policy states that financially material ESG considerations are integrated into investment management and non-financial considerations are taken into account for the specialist ESG funds.

We recognise that Aegon is implementing the Responsible Investment policy and making progress to integrate ESG across the default fund estate by using a screening process set out in the policy. There have been significant developments across the default offering, particularly Aegon Workplace Default and Aegon BlackRock LifePath. There is ongoing work to gather and integrate member feedback and to continue to establish the processes and approaches to facilitate future ESG integration across the wider default estate.

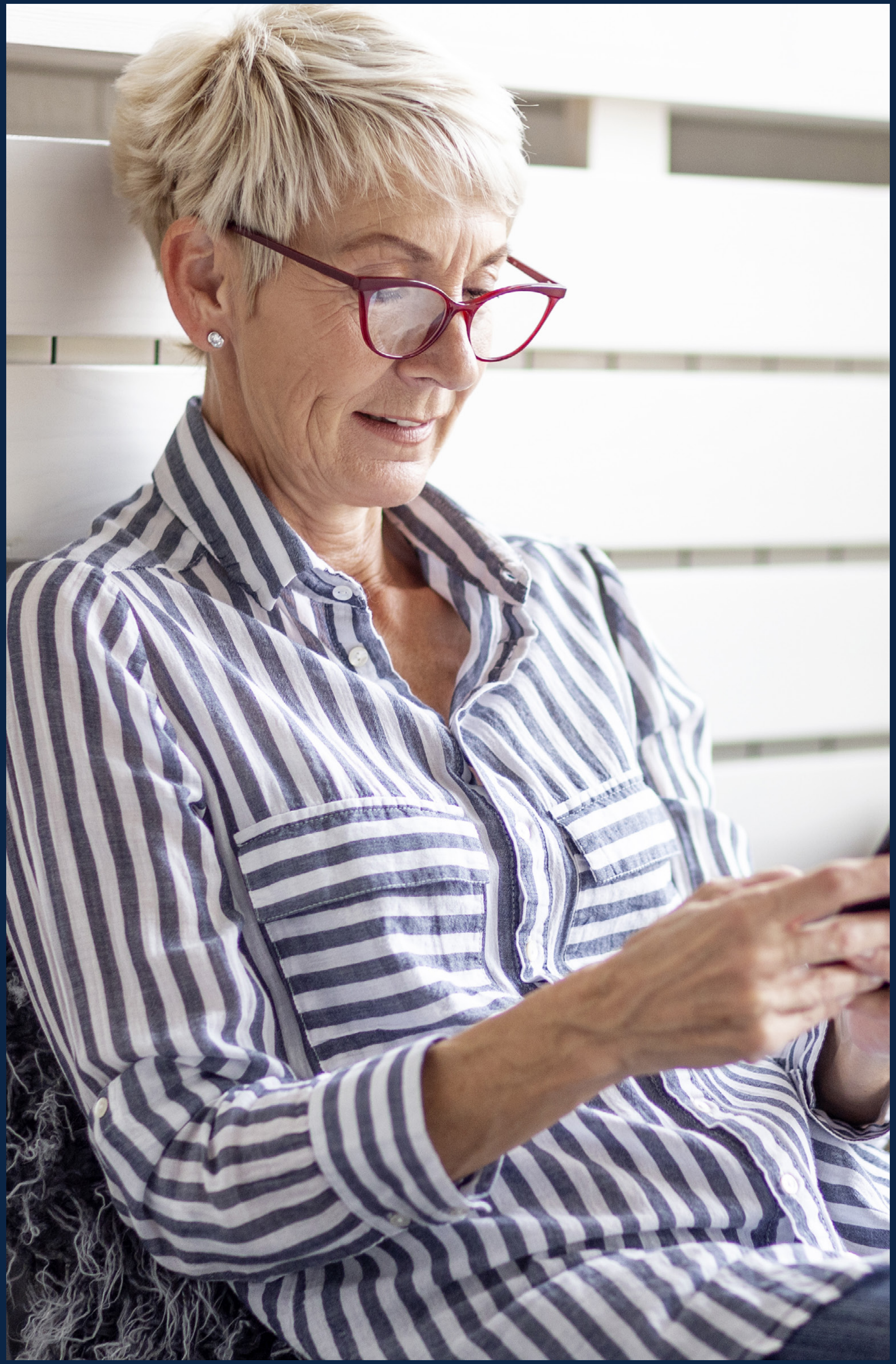
Aegon's introduction of the Climate Roadmap outlined their net-zero transition strategy and their commitment to being a responsible business.

Our challenges to Aegon

- We want to see evidence that new communications are helping members to understand what the current approach to ESG means for where their money is invested.
- We also want Aegon to continue to develop a richer understanding of members' attitudes to ESG investing and show how it has taken this into account in its policies and decisions.

What did the Redington study say about investments?

- At the growth stage (period prior to 25 years to retirement), Aegon's three largest default strategies tended to have investment performance close to the mean, but with lower volatility and lower potential investment losses.
- However, at the retirement stage (0 years to retirement), Aegon had a higher allocation to government bonds, which as an asset class delivered lower investment performance and larger potential investment losses.
- Aegon presented a more comprehensive set of interim decarbonisation targets relative to some other providers, and also had lower carbon intensity than many others.



5. Workplace Pensions Service

Customer Service

Customer Service Customer Outcomes

‘My requests and instructions are acted on promptly and accurately, in line with my expectations’

‘Any complaints I make are dealt with quickly and appropriately; lessons are learned so that the experience improves for other members’

5. Workplace Pensions Service: Customer Service

What is a good outcome for customers?

'My requests and instructions are acted on promptly and accurately, in line with my expectations'

What did we investigate and what did we find?

Throughout 2023 we were provided with regular reporting on the service members were receiving. We also carried out deeper dives with Aegon's Customer Service senior management into the performance across each proposition.

As highlighted earlier in the report, there are three propositions that make up Aegon's workplace pension business. ARC and TargetPlan members have their policies serviced by Aegon. Members who have a pension plan in Traditional Products are serviced by Atos, the customer service company who Aegon have partnered with.

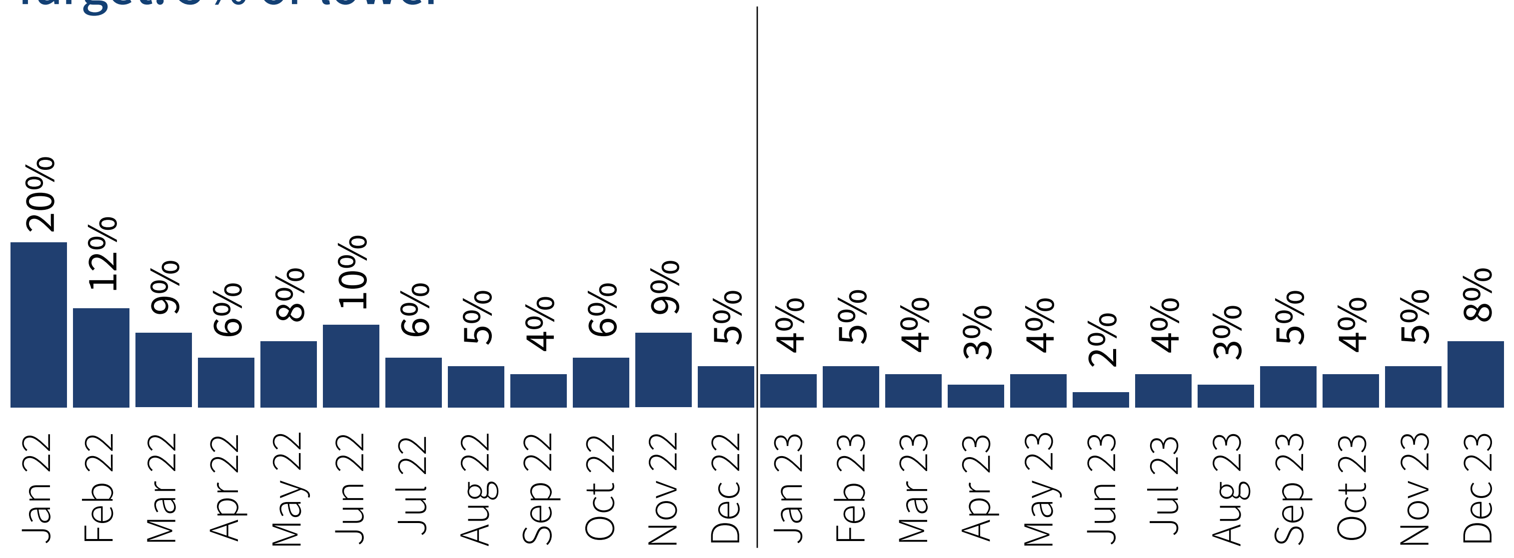
ARC

Customer service levels in 2023 improved, compared to the year prior, for both the call centre and back office administration. The charts that follow show that the key measures of service across both areas were on or ahead of target in most months of 2023. In 2022, this had only been achieved a handful of times. This was achieved whilst seeing an increase in incoming request volumes of around 40% at times, compared to the year before.

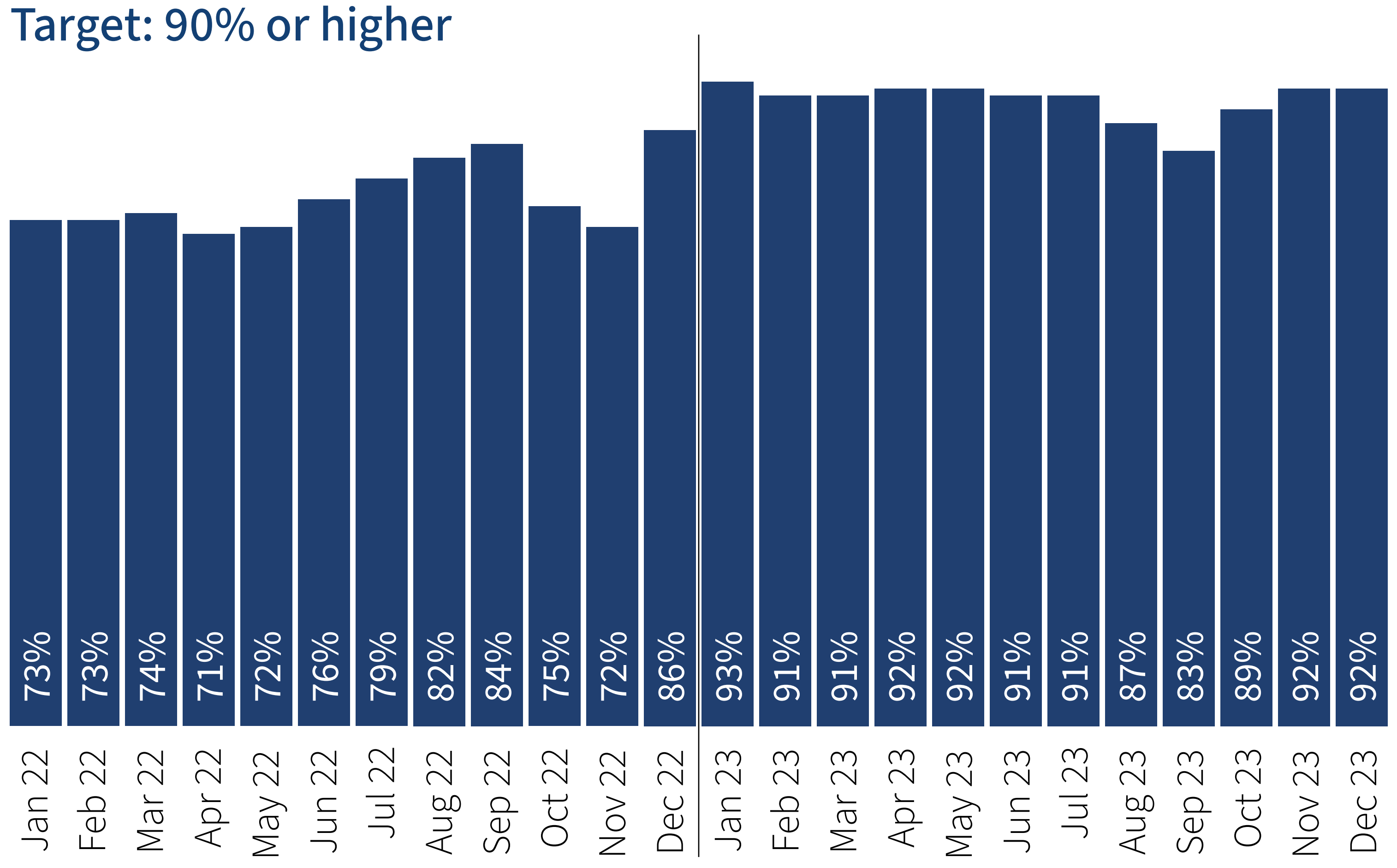
The abandonment rate shows the percentages of phone calls where the member hangs up before the call is answered. Clearly, this should be as low as possible. The rate was 5% or lower for all months in 2023 except December.

The administration SLA chart shows the percentage of tasks that were completed within the service level agreement (SLA) (such as within 5 working days). We want this to be as high as possible. The rate was typically higher than 90% with the exception of August, September and October.

ARC abandonment rate
Target: 5% or lower



ARC administration SLA
Target: 90% or higher



5. Workplace Pensions Service: Customer Service

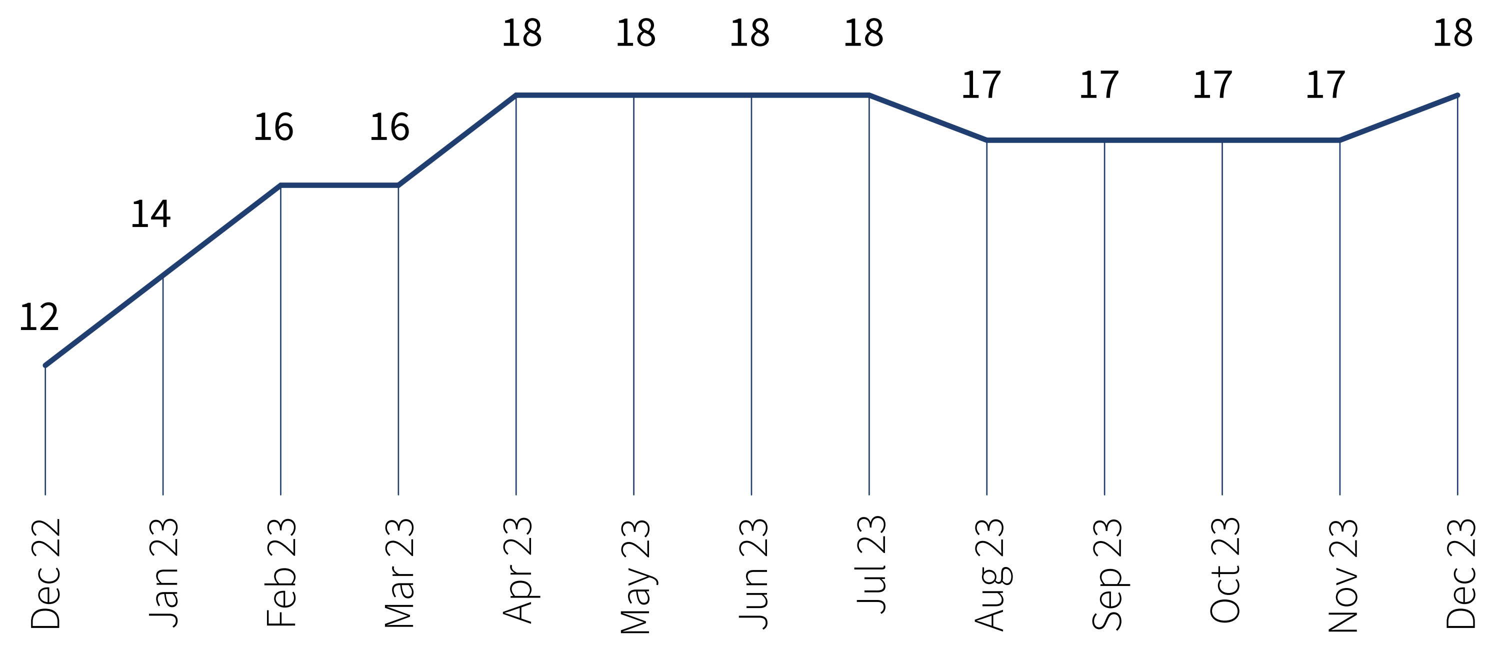
TargetPlan

Customer service levels in TargetPlan significantly improved in 2023, recognising that the level of service in 2022 wasn't meeting members' expectations. Targets across both the contact centre and back-office administration were met in every single month in 2023, with call abandonment rates as low as 1% in some months, having peaked at 39% in 2022.

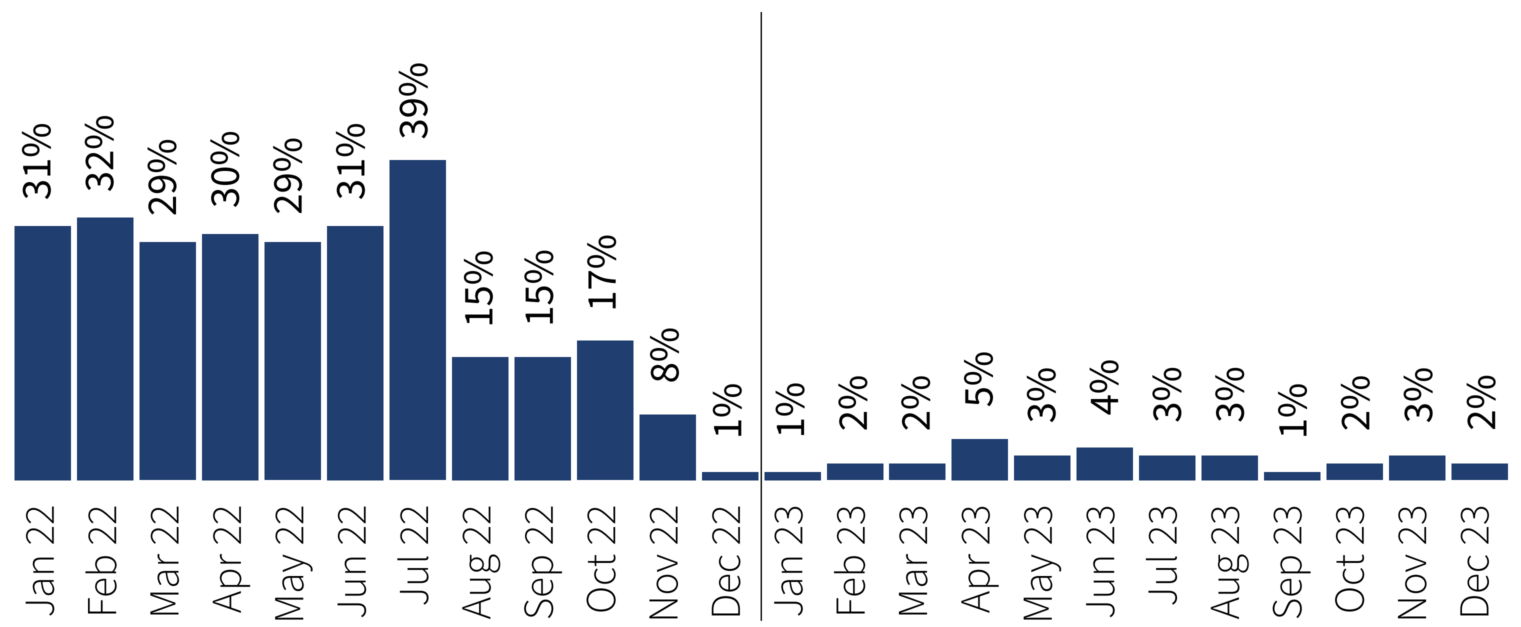
In addition to its efforts to improve the levels of service, Aegon also took other action to improve the experience of getting in touch with Aegon in general. Technology was introduced at the ARC call centre to better manage expectations when calling Aegon, with queue positions and expected wait times being communicated while members waited.

Alongside the transactional measures detailed above, we also review member satisfaction measures which give us members' views on the level of service received from Aegon. We have seen the Net Promoter Score (NPS) improve during the year, which is a score based on survey responses members provide following an interaction with Aegon. By the end of 2023, the score hadn't reached the target Aegon sets itself.

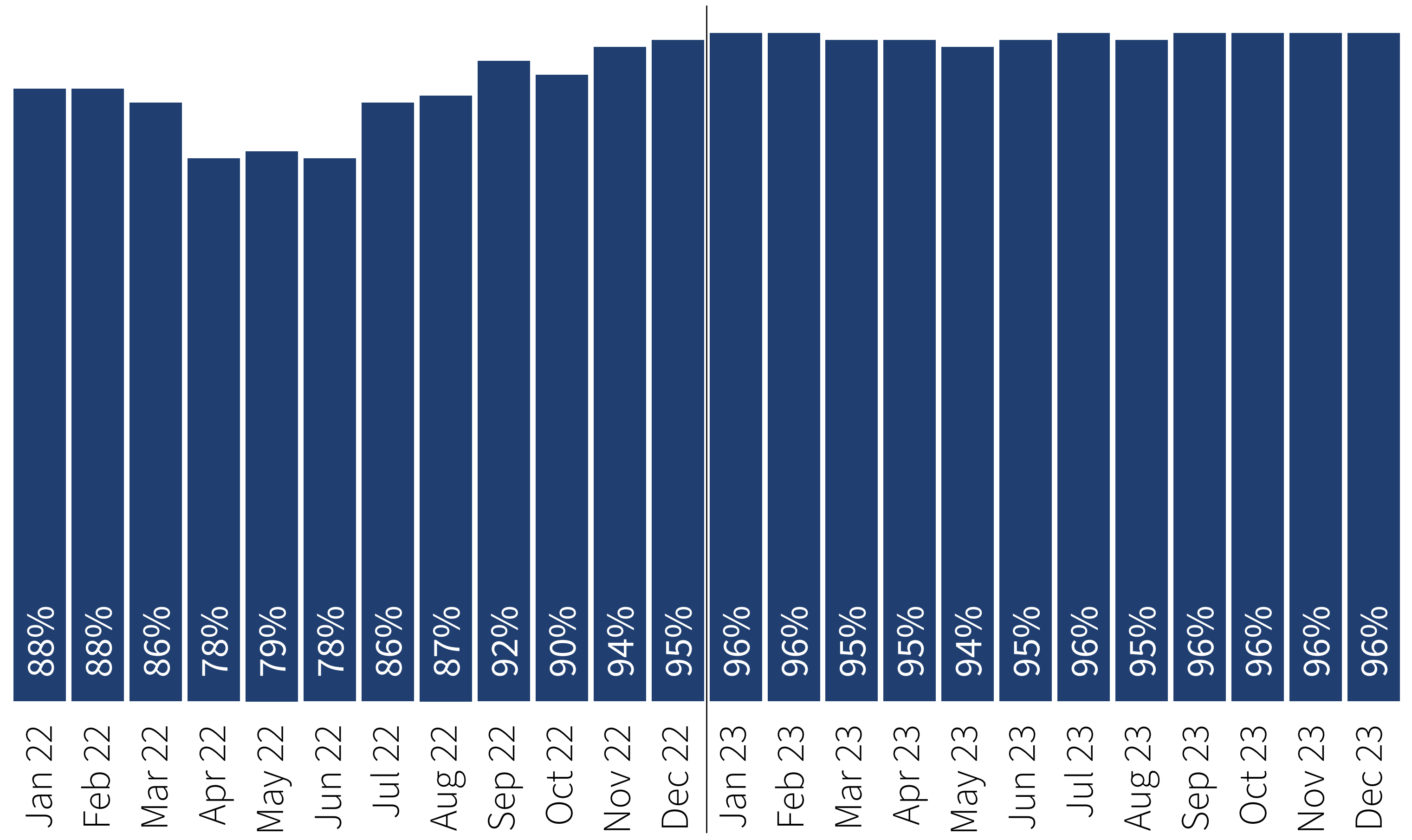
ARC NPS*
Target: 28 or higher



TargetPlan abandonment rate
Target: 5% or lower



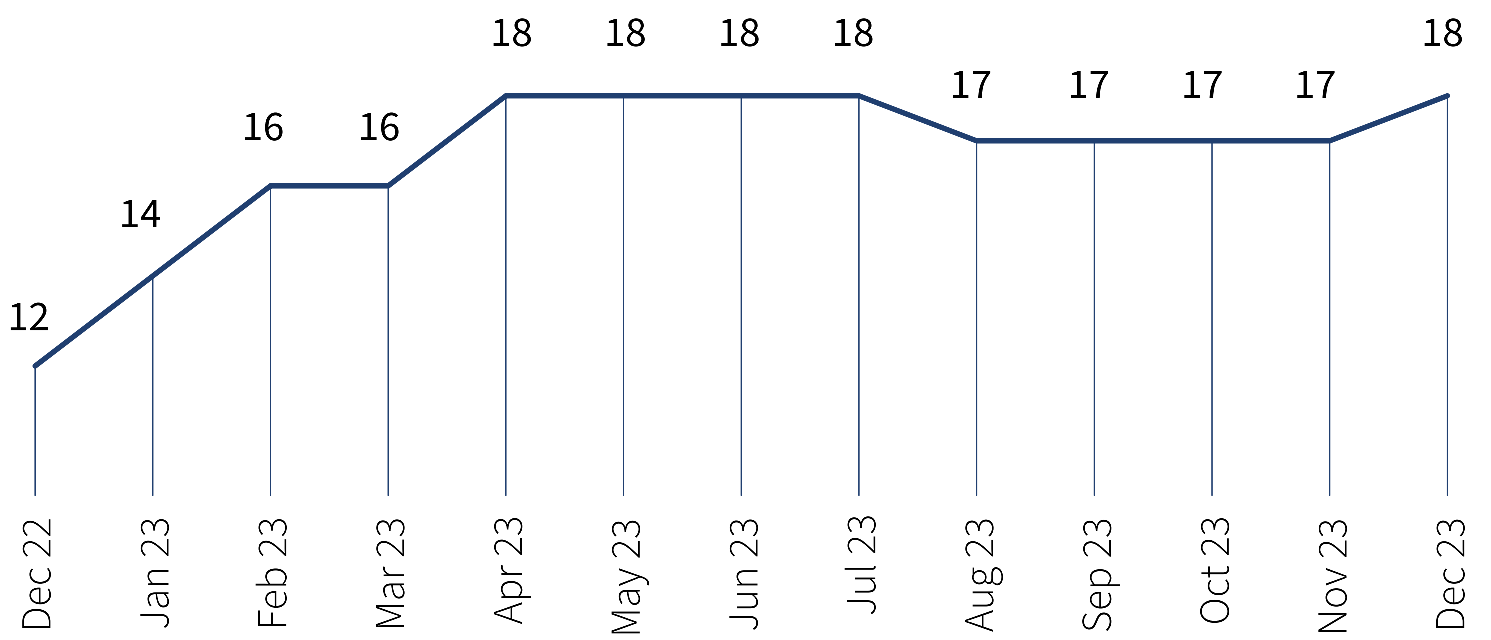
TargetPlan administration SLA
Target: 90% or higher



In the early part of 2024, Aegon has transitioned from the existing system used to manage members' requests in TargetPlan, to the system used by the rest of Aegon's customer service teams. As well as allowing for better analysis on the levels of service members are receiving, it will also create a platform for Aegon to drive a programme of improvements to automate administrative processes, allowing them to be completed faster in the future. We await detail on how this programme, that is expected to progress in 2025, will benefit members.

TargetPlan NPS scores also increased during 2023, but again didn't reach the target Aegon sets itself.

TargetPlan NPS*
Target: 28 or higher



* ARC and TargetPlan NPS scores represented by Aegon's overall Platform Solutions score, which is the area of the business both belong to.

5. Workplace Pensions Service: Customer Service

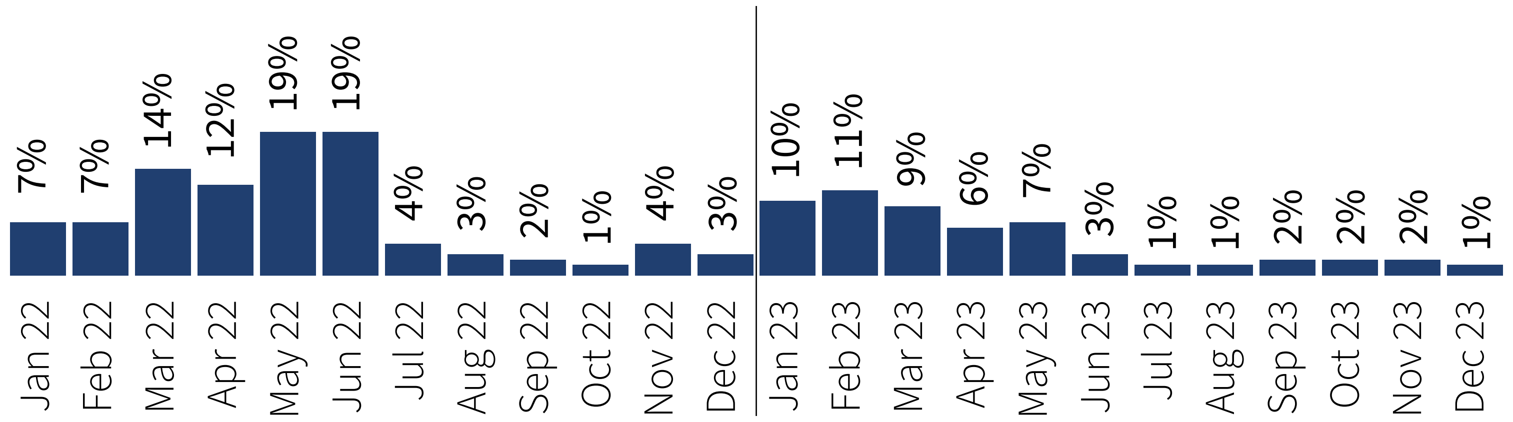
Traditional Products

The administration of Aegon's Traditional Products members is carried out by the external customer services company Atos (although Aegon remains responsible for the service quality delivered). We receive regular updates as to how this service is performing, covering the same key measures as highlighted above for Aegon's ARC and TargetPlan members.

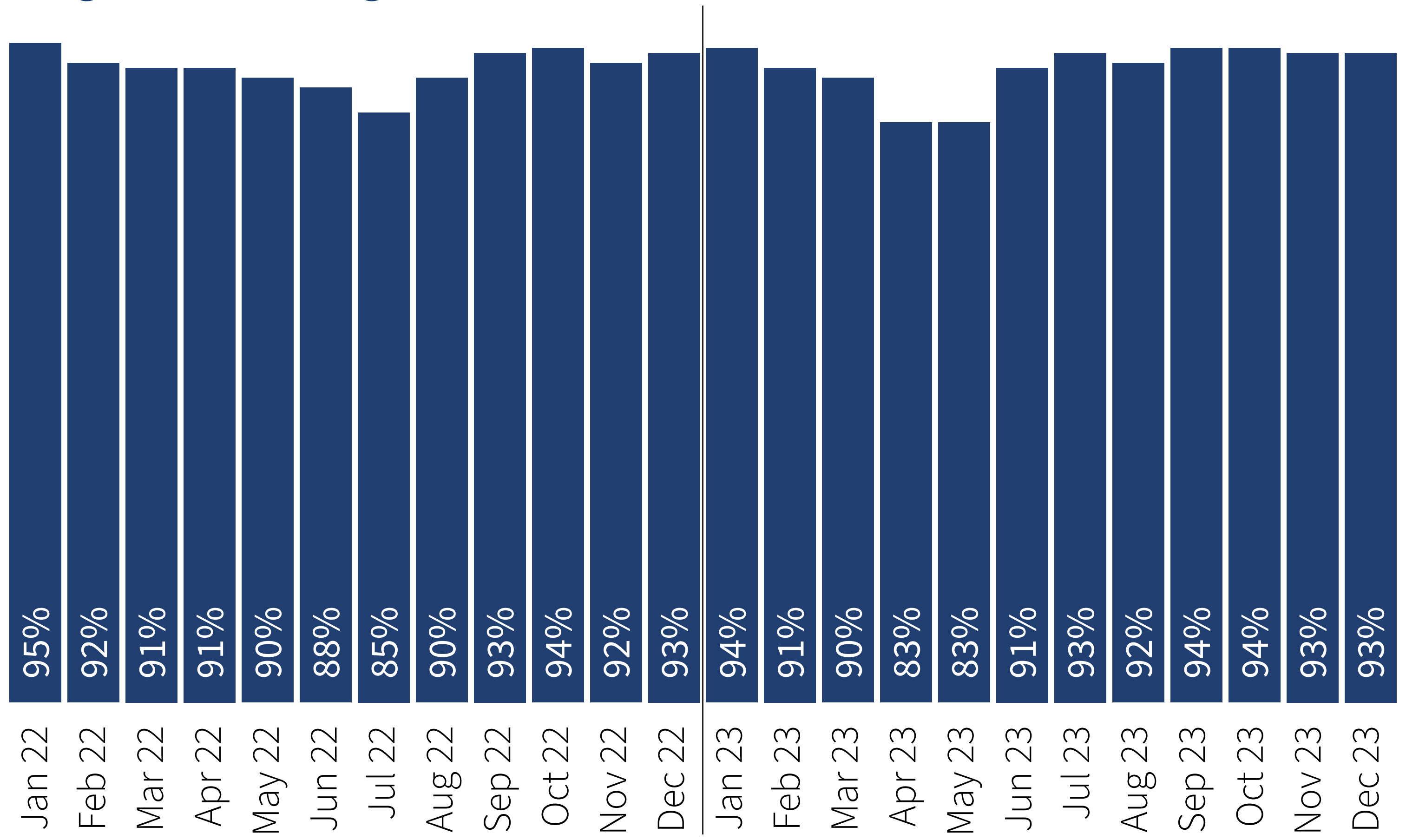
In a similar pattern to 2022, abandonment rates in the call centre were above target early in 2023, before improving in the second half of the year. Overall, there was an improvement in 2023 vs 2022 however, with more months below or close to target, and the peak being considerably lower (11% vs 19% in 2022).

The back-office administration service also followed a similar pattern to 2022, with only two months in the year being below target.

Traditional Products abandonment rate
Target: 5% or lower



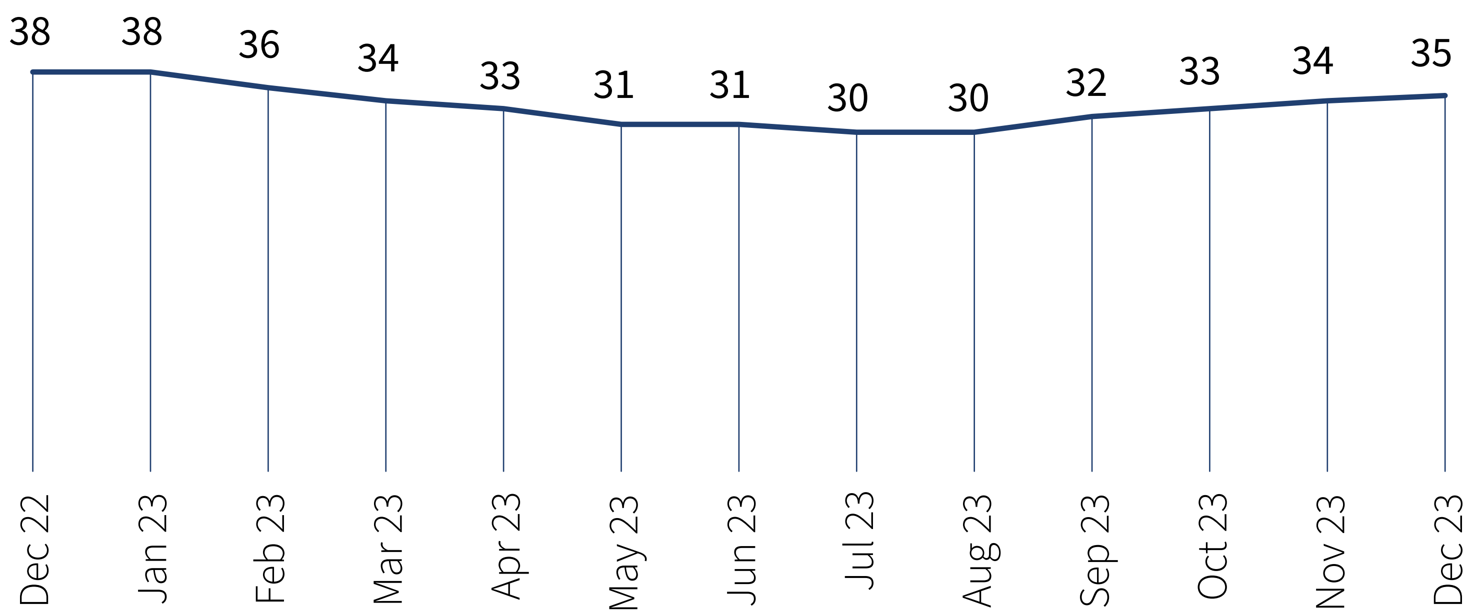
Traditional Products administration SLA
Target: 90% or higher



We have seen this strong performance in the second half of 2023 continue in to the early months of 2024. We are aware of activity Aegon and Atos have been carrying out to replace one of their key policy administration systems during 2024. That transition has just been completed at the time of writing this report. It's vital this doesn't have an impact on Traditional Products members, and we will monitor this carefully.

Traditional Products NPS scores declined in the first half of the year, when contact centre service wasn't meeting expectations. We have seen this recover somewhat in the second half of the year, but not to the target levels that Aegon sets for itself.

Traditional Products NPS
Target: 50 or higher



Our conclusions

Seeing most call centre and back office administration measures above target in 2023 is encouraging and should have had a positive impact on many of Aegon's members, particularly those on TargetPlan. While service was above target in most months for ARC and Traditional Products members, we would like to see this being achieved more consistently.

Despite service levels being better than the year before, we are yet to see this translate in to higher NPS scores. While recognising the scores are positive (indicating more members interacting with Aegon are having a positive experience than a negative one), we believe there is more to be done to improve the key processes Aegon has in place.

Our challenges to Aegon

- Maintain the improved customer service levels.
- Ensure the administration system migration in Traditional Products doesn't have an adverse impact on members.
- Evidence how the planned simplification and automation programme will benefit members.
- Provide further evidence around the time taken to resolve bereavement claims and what can be done to make processes faster and more effective (following Redington's finding that Aegon was slower in this area than other providers).

What is a good outcome for customers?

'Any complaints I make are dealt with quickly and appropriately; lessons are learned so the experience improves for other members'

What did we investigate and what did we find?

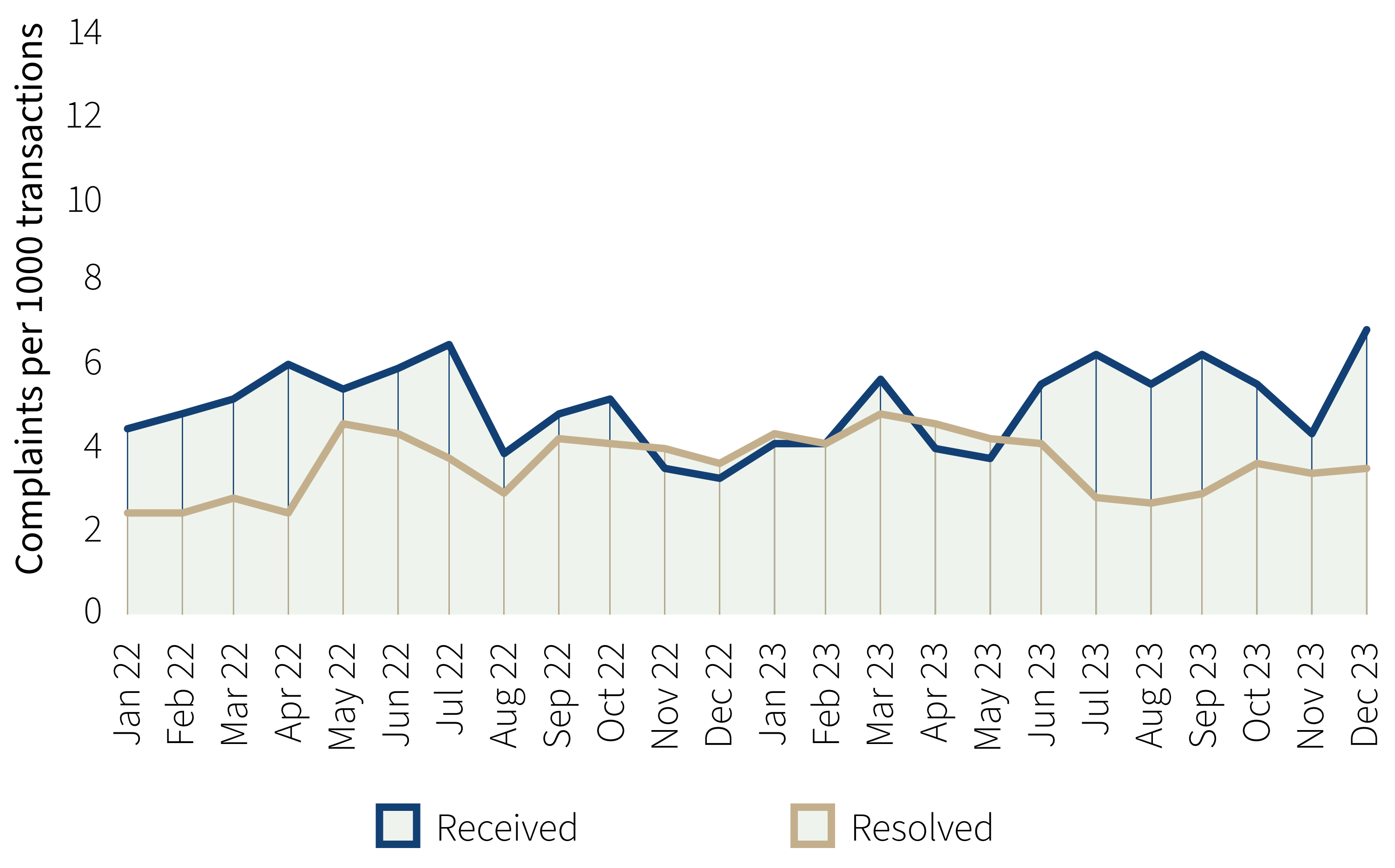
ARC & TargetPlan (both groups of members handled by the same team)

In 2023, Aegon received a higher level of complaints from its ARC and TargetPlan members than it was expecting. It also failed to resolve these complaints within the timescales promised to members.

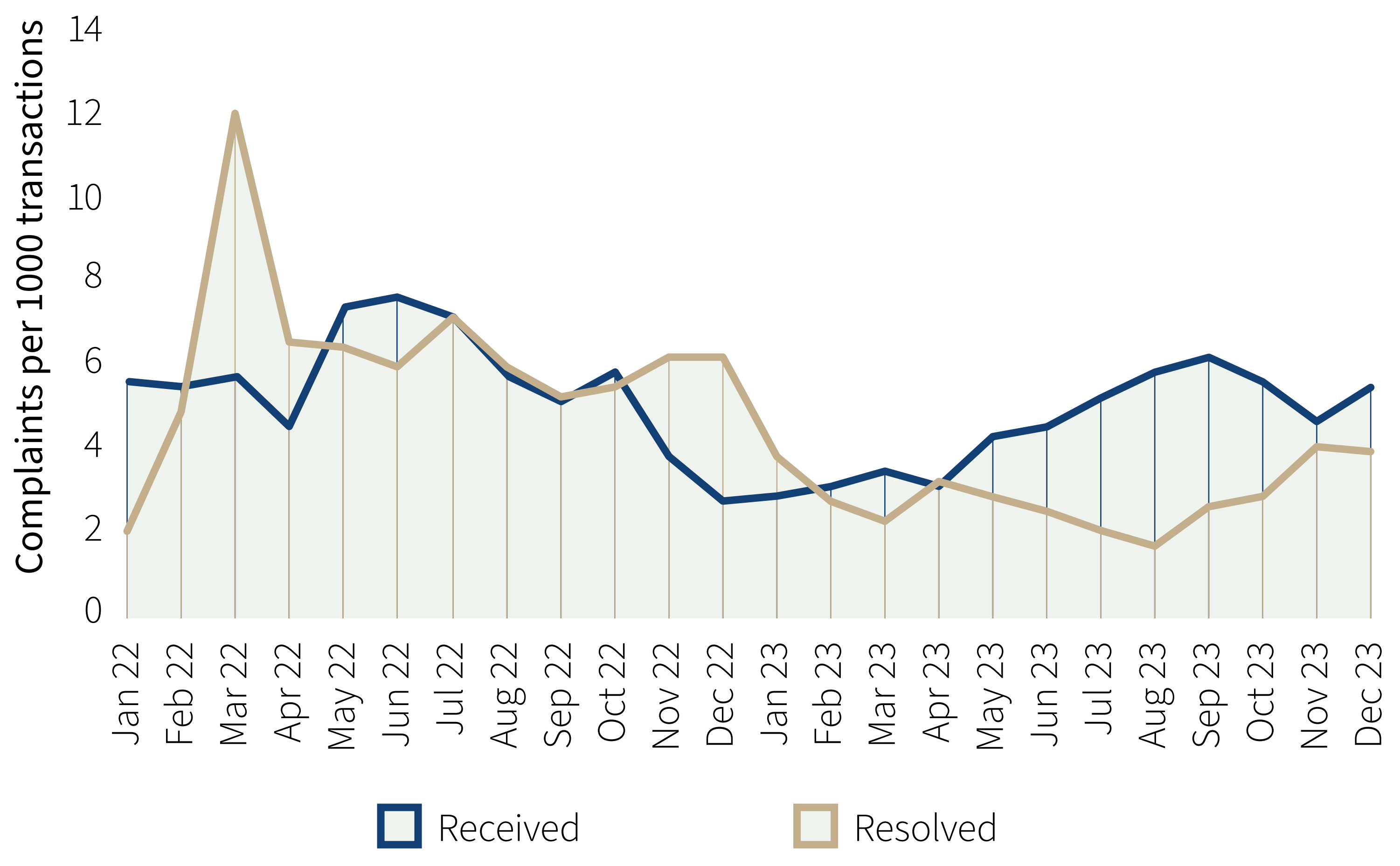
The most common causes of member complaints related to the process of taking money out of their pension. Taking too long to process requests and not updating members on progress were the key drivers of dissatisfaction. Aegon has shared with us the action it is taking, including administration teams now calling members to set expectations, allocating more people to the teams responsible for paying money out, and piloting a new identity verification process that Aegon believes will streamline what can often be a particularly time-consuming and cumbersome part of the process for members.

Issues with general queries, help and support were also a common theme in 2023, as was adding money to an Aegon policy. We shall continue to challenge Aegon to learn from its root cause analysis and take prompt and effective action to eliminate these issues.

ARC



TargetPlan



Additionally, Aegon presented the IGC with its action plan to improve the time it takes to resolve complaints. This included adding more people to the complaints team, management changes, and a greater focus on root cause analysis (to help understand in more detail the causes of members' complaints).

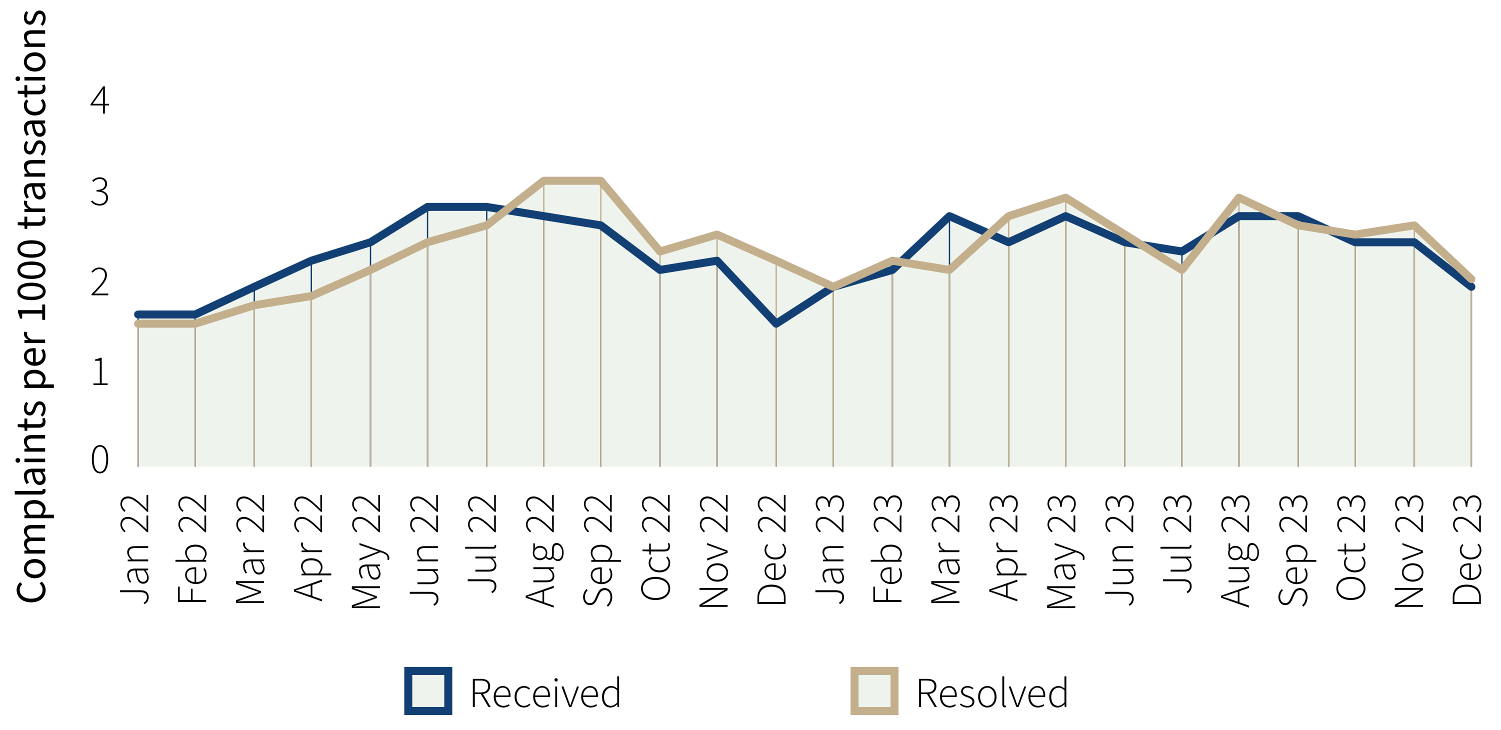
During 2023, around 38% of concerns raised in relation to ARC and TargetPlan were upheld by Aegon. This means that Aegon agreed that 38% of the complaints it received were justified, which is slightly below the figure of 39% in 2022.

5. Workplace Pensions Service: Customer Service

Traditional Products

Members in Traditional Products found less cause to complain than those with ARC or TargetPlan pensions. However, the level was still slightly higher than the target Aegon sets itself. The main cause for complaint was again money out, and in particular delays in processing their requests.

Traditional Products



Aegon have been exploring the use of SMS text messaging to improve member communication and expectation management through end-to-end journeys, and automated emails have been updated to set expectations of turnaround times.

Upheld rates for Traditional Product complaints were around 19% in 2023, with low referral rates to the Ombudsman. Of those that were referred, 11% were subsequently overturned by the Ombudsman. This suggests that in general Aegon is handling complaints appropriately.

Our conclusions

Too many members found reason to complain throughout 2023, and many of those who did complain had to wait too long for a response. Aegon has committed to a wide range of actions to improve this situation, and to improve the underlying processes that are driving these complaint levels. We shall continue to challenge Aegon in this vital area until we see significant improvements.

Our challenges to Aegon

- Reduce the number of complaints, especially those in relation to money out.
- Ensure that all complaints are resolved effectively and within the timescales Aegon sets for itself.
- Implement the planned activities to better manage member expectations during key processes, and to ensure that these processes are easier and quicker for members to use.

What did the Redington survey say about the customer service Aegon provides?

- Average processing times for Aegon were usually close to the median, except for death claims where Aegon was an outlier with the longest average processing time.
- Aegon call wait times were close to the median, with call abandonment rates the second lowest.
- Aegon was above the median for number of complaints per 1,000 accounts in 2023 and slower than most providers in resolving complaints. Aegon had the second highest percentage of complaints escalated to the Ombudsman.

6. Workplace Pensions Service

Communication and Member Engagement

Communication and Member Engagement Customer Outcomes

'I receive relevant and timely communications about my pension because Aegon holds up to date contact details for me'

'I keep in touch with my long-term savings by making use of the secure portal and app Aegon provides'

'I read, understand and take action on the communications I receive from Aegon because they are

- clear and simple
- in a form that meets my needs
- personalised and proactive – nudging me to engage, and to act when it is in my best interests to do so

'I have access to a wide range of information, education, guidance and advice and I use it to help me make the right choices for me'

'I understand how much I need to save to achieve my goals in retirement and whether I'm on track, by accessing tools, information and education on this topic'

'I understand what protection my pension offers if I die, I have a nominated beneficiary and keep these details up to date'

'The service I receive meets my needs as Aegon take steps to make sure people who have different needs, or need additional support receive an appropriate service'

6. Workplace Pensions Service: Communication and Member Engagement

What is a good outcome for customers?

'I receive relevant and timely communications about my pension because Aegon holds up to date contact details for me'

What did we investigate and what did we find?

It's clearly important that Aegon should hold up to date contact details for its members, so members can be kept up to date with their pension. Aegon presented us with a dashboard that tracks the percentage of members for whom Aegon holds a valid postal address, and the percentage of members it holds a valid email address for.

At end of 2023	Valid postal address	Valid email address
Workplace ARC	93%	86%
TargetPlan	88%	41%
Traditional Products	92%	42%

The Redington exercise showed that Aegon held fewer valid postal addresses than most other providers but compared well for valid email addresses. Members without a valid postal address on file are referred as being 'Gone Away'. In 2023 around 9% of Aegon's members were logged as Gone Away, an increase on 2022 when this was figure was around 7%.

Aegon presented us with its plans to address the gaps in postal addresses, including a pilot exercise it is undertaking with a new supplier that has been relatively successful in tracing members that have moved address without informing Aegon.

Our conclusions

Aegon is taking action to increase the percentage of members with a valid postal address on file. We will continue to monitor the results of this activity throughout 2024

Our challenges to Aegon

- Continue to increase the number of members for whom valid contact details are held.

What is a good outcome for customers?

'I keep in touch with my long-term savings by making use of the secure portal and app Aegon provides'

What did we investigate and what did we find?

Aegon provides us with a dashboard that contains a number of key performance indicators relating to member engagement. One of the key measures Aegon focuses on is the number of members who have activated their online accounts. This is a fundamental first step for online member engagement, and the Redington study showed that Aegon's performance is relatively good (46%, which was the third best in the study). At propositional level, considerably more ARC members have activated their account at around 59% compared to TargetPlan and Traditional Products; both at around 35%.

There are still many members who haven't activated their accounts, so continued focus is important. Aegon has been running a pilot exercise where it encourages ARC members who have recently been in touch with Aegon to activate their account. The findings show that around 20% of members subsequently did so. Aegon has plans to roll this out in TargetPlan in 2024. Traditional Products are not currently in scope. However, a digital shift for all Traditional Products users is a strategic objective with a number of initiatives being considered which could include the outcome of this pilot.

Aegon also has an app available to ARC and TargetPlan members, making it easier for them to see the current value of their pension savings and to access related content. The total number of members who have downloaded the app more than doubled during 2023, although this new total of 88k downloads still represents only 6% of ARC and TargetPlan members. Traditional Products does not have an app for members currently. Aegon and Atos are working on modernising one of the core policy administration systems in Traditional Products as a priority. Aegon has confirmed that introducing an app in the future is a possibility, but has no firm plans currently.

Aegon presented us with the welcome journey a new member will experience on both ARC and TargetPlan. There is a strong focus on engaging members right from the start, with welcome presentations, welcome packs and welcome emails. All these materials encourage members to activate their online account and to download the app, while signposting where members can find a wide range of information on financial wellbeing and education.

Our conclusions

Aegon continues to encourage and support ARC and TargetPlan members to engage with their pension through a wide variety of materials, tools and services. The increasing number of members activating their online accounts and downloading the app suggest this is working, but overall, there are still many who haven't taken these steps.

Whilst we are encouraged by the benefits introduced for ARC and TargetPlan members, similar improvements are limited by the legacy administration systems for Traditional Products and the delays experienced in moving members to a new system.

We will continue to monitor the progress of this work and will challenge Aegon more generally to demonstrate that Traditional Products members are not falling behind in terms of the support and encouragement they receive to help them engage with their long-term savings. Aegon has noted its plans to deliver a new online portal experience in 2025 to Traditional Products as part of its modernisation efforts.

Our challenges to Aegon

- Continue to drive up these key measures of engagement for all members.
- Deliver on the new online portal for Traditional Products members and lay out a plan for subsequent enhancements.

What is a good outcome for customers?

'I read, understand and take action on the communications I receive from Aegon because they are

- clear and simple
- in a form that meets my needs
- personalised and proactive – nudging me to engage, and to act when it is in my best interests to do so'

What did we investigate and what did we find?

The key regular communication that Aegon issues to its members is the annual statement. It's important Aegon get this document right, providing members with a simple way to understand how much they've saved and how much they may have in the future. Aegon presented us with the results of a research project it had undertaken, to better understand if members recalled receiving a statement, if they understood the information in it, and what action they took as a result. The research included responses from hundreds of members from all three workplace pension propositions who had received a statement in the previous three months. In summary, 79% of members had read their statement, with more than half of them claiming to have read the document from start to finish. Members generally understood most of what they'd read, with some feedback on the use of language and how this could be simpler. Other suggestions for improvement related to monthly contributions, and how projections may change based on different contribution amounts. Aegon is considering what changes it could make as a result of the feedback received.

Redington assessed Aegon's annual statement, and other key communications such as its 'welcome pack' and the communications it sends to members as they approach retirement. This assessment considered the reading ease of each communication. The results showed that Aegon's communications were generally in line with other providers in the exercise, but with less graphic design than was evident elsewhere. The assessment also suggested that there was further scope to reduce the use of jargon and to use shorter sentences.

Throughout 2023 (and into 2024), Aegon has been reviewing all key member communications across its Marketing and Customer Service functions. Where relevant, the communications are being updated to remove or explain jargon to make it easier for members to understand, and wording is being added to explain alternative methods of contact for members with additional support needs.

Our conclusions

Aegon's core communications are fit for purpose, and it is making increasing use of research and testing to identify further improvements. However, pensions are full of complexity and jargon, and we will continue to challenge Aegon to take further steps to make all its communications clearer, simpler and easier to understand.

We have updated the outcomes statements that we use in this area to clarify that we will also increasingly be looking for evidence that Aegon is personalising communications wherever possible to help increase the relevance and impact of its communications. We also see considerable scope to make more use of reminders and nudges – including via text messages – to encourage people to engage.

Our challenges to Aegon

- Provide more systematic evidence of the clarity and comprehensibility of the wide range of communications that are used to inform and engage members across Aegon's various platforms.
- Explain how Aegon plans to increase the impact of its communications through further personalisation and greater use of prompts such as reminders and text messaging.

What is a good outcome for customers?

'I have access to a wide range of information, education, guidance and advice and I use it to help me make the right choices for me'

What did we investigate and what did we find?

Members continue to need considerable support for the complex pensions decisions they must make – for example, around how much they should save for retirement, or when and how they should access their savings.

The following are all available across all three workplace pension propositions:

- Processes for members to choose what they would like to do with their savings at the point of retirement.
- Aegon Assist, a free guidance service that offers support to members without a financial adviser. Around 2,000 guided conversations are carried out with members each quarter. Typically, up to 35% of these conversations are with Traditional Products members, and up to 60% with ARC members. Almost all of these are supporting members through their choices at the point of retirement. Very few TargetPlan members currently contact Aegon Assist as they can make their retirement choices online.
- There is an option for members to be referred to Origen Financial Services, an Aegon firm which provides independent financial advice (paid for by the member), for those who feel they need it. The initial consultation is free of charge, with the cost of any subsequent advice based on an individual's circumstances.
- Employers have access to Aegon's governance tool Member Insights (MI). Employers can identify actions scheme members need to take (for example nominating who should receive their pension benefits in the event of their death) and target them through an email campaign encouraging them to do so. Employers can analyse action members take and follow up if they aren't taking action. Member Insights is used by 155 (82%) TargetPlan schemes, 1,276 (41%) ARC schemes, and 465 (7%) Traditional Products schemes.

Other features that support members in making the right choice for them, but that aren't available across all propositions include:

- The option to receive an annual statement online is available for TargetPlan and Traditional Products members, but not for ARC.
- The Aegon app is available to TargetPlan and ARC members. As detailed earlier in this section, this is a future consideration for Traditional Products but there are no firm plans in place at this time.

Another example of the work Aegon does to engage members is Pension Geeks TV. This is an Aegon service available to ARC and TargetPlan members, which aims to help them get to grips with their pension by running live interactive sessions and answering their questions in a straightforward and light-hearted way. Aegon ran events on a quarterly basis throughout 2023. Members who can't make the Pension Geeks TV sessions on the day are able to catch up with recordings on an online hub where there are also links for more information. During the most recent event, 415 messages and questions were managed in live chat. The TV sessions are followed up with 'How To' webinars exploring pension options, online tools, contributions, consolidation and investment choices run by the Member Communications Team. These help members understand their Aegon pension and how to take action in their own plan. Insight Aegon receives indicates members see real value in both these events. Pension Geeks TV is not currently promoted to Traditional Products members.

Aegon launched its new public website in 2023, which was completely redesigned around members' needs, making it easier to interact with Aegon and find what members are looking for. This improved technology also allows Aegon to make much slicker updates to content and react quickly where necessary.

It has also implemented new technology and online experiences for its adviser platform which will in future be deployed to workplace members, allowing for more proactive and personalised communications, leading to stronger member engagement. Aegon expects workplace members to begin to benefit from this in 2025.

Other initiatives Aegon has carried out throughout the year include:

- A consolidation campaign on ARC, encouraging members to think about the benefits of combining multiple pensions into one. The emails to members achieved a 37% open rate.
- Improvements to the TargetPlan retirement journey, aligning the communications members receive in the years leading up to retirement with those already in place for ARC. Further developments are planned for 2024.

Our conclusions

With the ability to access pensions online, and with access to guidance and advice where required, all Aegon members are given the basics to make the right decision for them. Aegon has a variety of other tools and services on offer to support members' wellbeing, financial or otherwise, but these aren't always available to all members. In particular, the popular Pension Geeks live and catch-up question and answer sessions, and the follow-up webinars, are not currently available to Traditional Products members.

Our challenges to Aegon

- We recognise that the modernisation work is Aegon's priority for Traditional Products members as this will enable future developments that haven't been possible in the past. However, we are also challenging Aegon to develop a plan beyond this to ensure that these members also receive the support that they need to make informed choices.

What is a good outcome for customers?

'I understand how much I need to save to achieve my goals in retirement and whether I'm on track, by accessing tools, information and education on this topic'

What did we investigate and what did we find?

All three workplace pensions propositions have access to a pension modelling tool (albeit in different forms). These consider fund risk ratings, contribution levels, fund choices, retirement age, annuity option, drawdown option and single contributions. This gives all workplace members online access to view their pension, and to model different scenarios to see how this could impact their future savings.

Another feature that supports members in making the right choice for them is personalised video summaries, which are available to TargetPlan and ARC members as a more engaging way of explaining what savings a member has. By the end of 2023 video summaries have received 200k unique views across both propositions with almost 52k unique views in 2023 compared with 44k in 2022. Again, these are not currently available to Traditional Products members.

Our conclusions

Members have access to a number of tools to help them understand how much they need to save to achieve their goals and whether they are on track. However, the more novel digital solution of the personalised video summary is not available to Traditional Products members. We'd also like to see more evidence around the usage of these tools and services, and the impact they have on members' understanding and choices.

Our challenges to Aegon

- Continue to enhance reporting on usage and member impact.

What is a good outcome for customers?

'I understand what protection my pension offers if I die, I have nominated a beneficiary and keep these details up to date'

What did we investigate and what did we find?

Completing a death benefit nomination (DBN) form is a way in which members can make clear to Aegon who they want to receive their pension benefits in the event of their death. This is a relatively simple action for members to take, but one that can have a huge impact on their loved ones – and on their own peace of mind. As a result, we continue to challenge Aegon to improve the number of members who have completed a DBN.

In last year's report, we challenged Aegon to provide us with better data, breaking down the total figures by proposition. Aegon has now done this for TargetPlan and ARC. As at the end of 2023, around 24% of ARC members and 19% of TargetPlan members have completed a DBN, which is an increase from 2022 where figures were around 14%. There remains scope for improvement, however.

Aegon launched an online version of the form in 2023 for TargetPlan and ARC and promoted this through employers to their members. This has been one of the key drivers behind the increase in numbers.

Totals for Traditional Products members aren't available due to system limitations, but Aegon updates us on the number received each year. In 2023, this was around 8,000.

Our conclusions

Enabling ARC and TargetPlan members to complete a DBN online has been an important step forward. However, there is a long way to go before most members have made use of this important facility. Aegon tells us that it has no plans at the moment to replicate this online facility for Traditional Products members but does consider it a candidate for future developments.

Our challenges to Aegon

- Continue to focus on driving up usage of this functionality.
- Develop a plan to drive take up among Traditional Products members and report on total take up.

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

- The engagement section overall was an area of relative strength for Aegon particularly for ARC and TargetPlan. Traditional Products was constrained by the technical limitations of its administration system.
- Aegon's communications scored at or close to the median for reading ease. On other measures, the level of graphic design used in Aegon's communications was less than many others within the study.
- The percentage of "gone away" members has increased since last year. Other providers' data also showed an increase, but Aegon's was the biggest.
- Aegon's members appear to make good use of Aegon's online services. This could be because the online account and app are amongst the most functional.
- Aegon data was better than others in terms of death benefit nominations. This was also a significant increase on the previous year.
- Aegon does not offer an in-house annuity service but does offer a comprehensive referral service to partner annuity providers.
- Aegon offers one of the widest ranges of online planning tools.
- Unlike some other providers, Aegon has embraced digital retirement journeys. It's possible on TargetPlan to apply for non-advised drawdown and lump sum journeys online.

What is a good outcome for customers?

'The service I receive meets my needs as Aegon take steps to make sure people who have different needs, or need additional support receive an appropriate service.'

Aegon formally reviews its vulnerability policy each year, including with the IGC, to continuously improve the support it provides to members who need extra help. We review the steps that Aegon is already taking to ensure that it provides an appropriate service to people who have different needs or need additional support. We also review its priorities for further improvement.

In terms of its current approach, all Aegon staff are trained to identify and deal with vulnerability. Aegon colleagues in direct contact with vulnerable members have been given specialised training and development provided by the Samaritans to further enhance their understanding and ability to help members. There are Vulnerable Customer Champions across teams who can support colleagues with individual cases through the provision of 1-2-1 guidance, or side by side call listening.

Aegon continues to offer a range of solutions and alternative communication methods tailored to individual needs some of which include:

- Offering large print / braille or audio (MP3 or CD), webchat and video calls.
- Adjustments to communication approach for members with cognitive impairments such as the use of simple language, avoiding the use of jargon and questioning appropriately to gauge understanding.
- Use of alternative communication methods such as webchat or liaising with carers or family members to articulate instructions for those with speech impairments.
- Third party referrals to police, social services or other sources for those who request additional support requiring specialist expertise beyond Aegon's capabilities. Support for staff is also available when dealing with challenging cases.
- Escalating cases where financial hardship exists for consideration to be given to exercising judgement on the application of Aegon's Terms and Conditions to allow members access to their funds.
- Utilising the Aegon language bank to support those where English is not their first language to assist with translation.

In 2023, Aegon made a number of enhancements to improve outcomes for members in need of extra help:

- Improved call centre and webchat messaging to prompt members to disclose any additional support needs.
- Functionality added to online member portals that enable members to instigate a request for additional support.
- Money Out journeys updated to set clearer expectations on timelines.
- Improvements to the processes for logging additional support needs – members should only have to inform Aegon once of their needs, regardless of how many policies they have with Aegon.

The analysis Aegon presented us with, along with the Redington survey results, show that there are still very few members informing Aegon of their additional support needs. Many of the improvements listed above relate to making it easier for members to do so or guide them to where they might seek further support. Analysis has shown that the number of disclosures is increasing at a faster pace following these changes.

Our conclusions

Providing a genuinely inclusive service is critical, and Aegon recognises there is more work to do in this area. Steps have been taken to provide better signposting in communications and online to prompt self-disclosure of additional support needs, which will help to increase visibility of who needs additional help, but Aegon recognises a more fundamental shift is needed to how it approaches the design of its services, communications and online experiences.

This is an area Aegon acknowledges needs more focus as it has seen a lack of consistency in the application of processes. This was evidenced by the outcome of an internal review carried out by its Conduct Risk team, which identified some examples where Aegon failed to correctly identify vulnerability and then support the needs of members. A broader review of the overall framework is underway, which has driven a number of actions that will allow Aegon to enhance its operational, training and oversight capabilities.

Our challenges to Aegon

- Develop a more comprehensive understanding of how members' needs differ and how these needs can be designed into services from the start.
- Develop a plan for how Aegon can better identify and target members who need further support, and how this support can be delivered.
- Ensure that the actions identified by the Conduct Risk team are implemented effectively.
- Describe the level of accessibility across Aegon's digital channels and any actions it needs to take to improve in this area.

What did the Redington study say about Aegon's support for members who need additional help?

- Whilst Aegon confirmed significant detail about policies and procedures related to vulnerable customers, they had one of the lowest proportion of policyholders flagged as vulnerable in comparison to other participating providers.

7. Investment Pathways

Costs and Charges

Costs and Charges Customer Outcomes

‘The price I pay to invest and draw on my savings during retirement is competitive. If I pay more, the value of the benefits I receive is significantly more than the cost’

7. Investment Pathways: Costs and Charges

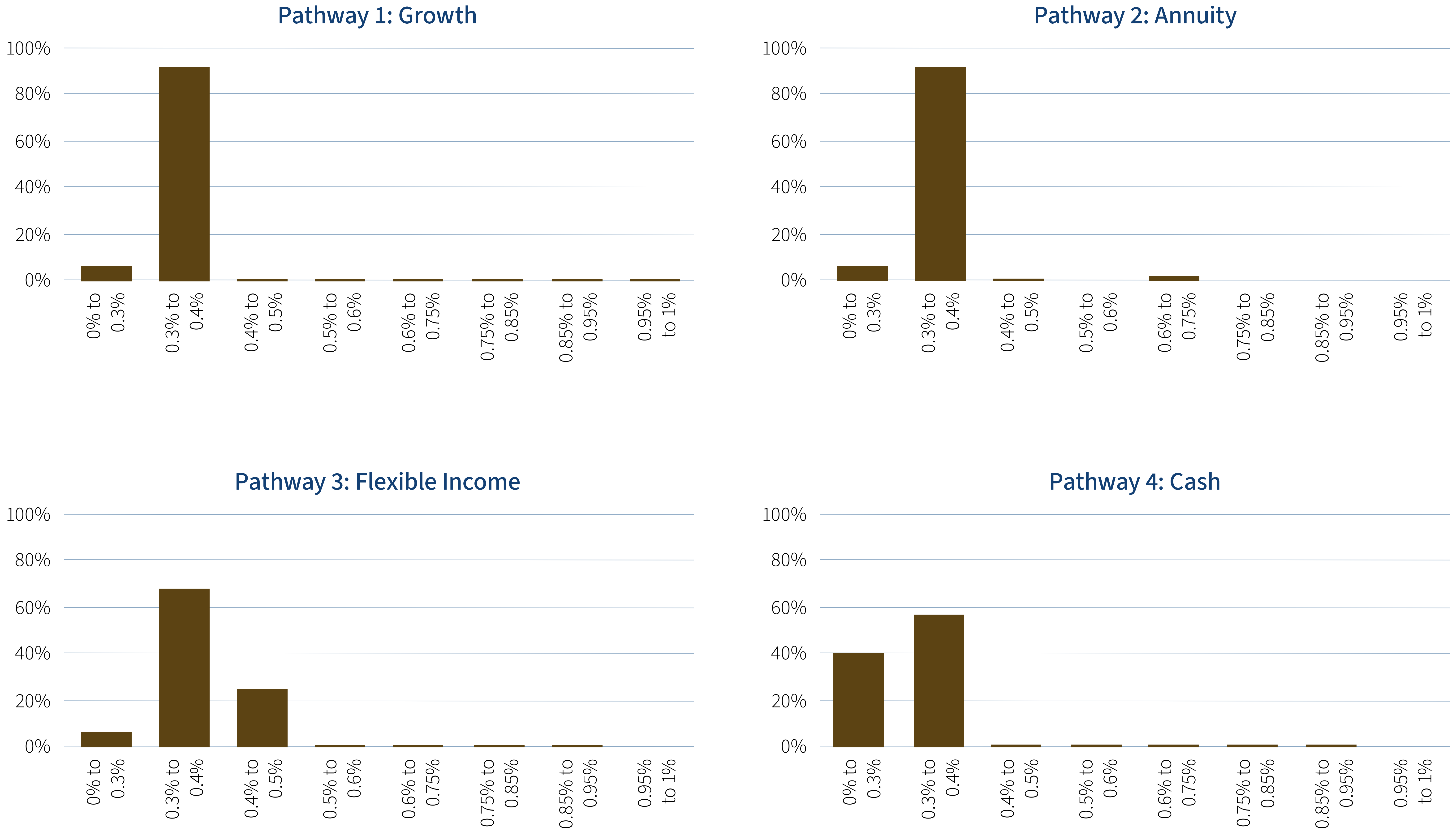
What is a good outcome for customers?

'The price I pay to invest and draw on my savings during retirement is competitive. If I pay more, the value of the benefits I receive is significantly more than the cost'

What did we investigate and what did we find?

There are two elements to the overall charge a customer pays – a fund element and a service element. The four Investment Pathway funds have a fund charge, which is consistent across all four funds. The service charge is related to the product the customer holds rather than the funds themselves. Together they make up the overall charge a customer pays, which is presented in the charts below, split by Investment Pathway.

% of customers in each charge band, by Pathway



7. Investment Pathways: Costs and Charges

We found that 90% of all of Aegon's Pathway customers are charged less than 0.4%, largely as a result of most of Aegon's Pathway customers accessing drawdown through Aegon One Retirement, which charges 0.35%.

About 2% of Pathway customers pay more than 0.5% and we asked Aegon to present an analysis of which customers were paying the highest charges. This analysis identified them all to be former Traditional Products customers who moved into drawdown in a particular set of circumstances. These circumstances have resulted in them being charged more than other customers but Aegon has accepted that this is not the right outcome. We have asked Aegon to review the related processes, and take action to ensure that these circumstances do not reoccur. We have also asked Aegon to review the individual charges for the customers identified.

In addition, Aegon charges ARC customers in drawdown a fee of £75 for each year in which they take regular income. The Redington comparison exercise shows that Aegon is the only provider in the survey that is charging in this way. Aegon clarified that the charge is not applied to one-off payments where a customer withdraws their fund in one or more lump sums, instead it relates only to an arrangement for regular income.

We challenged Aegon in our last report to present the impact of this fee on the overall charge paid by customers taking an income. The Redington survey provided us with some modelling that shows the charges paid by customers, and assumed that all of Aegon's customers pay the £75 charge every year. This 'worst-case-scenario' showed that Aegon is one of the most expensive providers for customers with pot sizes up to £15k. In reality, over the 12-month period, only 5% of Aegon's Pathway customers fall into this bracket i.e. are an ARC customer, with less than £15k in their pot, and have paid the £75 income charge. The Redington survey also confirmed that from pot sizes of £25k upwards, Aegon is one of the lowest cost providers, even where the £75 income charge applies. Around 66% of Aegon's Pathways customers fall into this bracket. The remaining 29% of Pathway customers either have less than £15k in their pot and haven't paid the income charge, or have between £15k and £25k and have paid it. These circumstances result in the customer being charged less than or in line with what would be available elsewhere.

Our conclusions

The level of analysis and data from Aegon on Investment Pathways charges is improving as the Pathways are further embedded. Aegon's charges are typically lower than the average, and even with the £75 income fee on top of its overall charges, is one of the lowest cost providers for customers with more than £25k in their pot. However, as per last year's report, we note that ARC customers with smaller funds drawing a regular income over a number of years, could be materially impacted by the £75 drawdown charge.

Our challenges to Aegon

- Conclude the review into the circumstances that resulted in a small cohort of former Traditional Products customers paying more for Investment Pathways than others and inform us of the action it intends to take as a result.
- Review the communications to ARC drawdown customers to ensure that they make clear when the £75 charge is applied.

What did the Redington study say about Aegon's charges?

- The charges for Aegon's pathway proposition are competitive. Compared with other providers, a higher proportion of Aegon customers pay an annual charge of less than 0.5%.
- An annual fee of £75 applies to some ARC customers in years where income is withdrawn. Fee modelling shows that this makes Aegon one of the most expensive providers for pot values up to c.£15k (if income as taken) but from c.£25k upwards, Aegon is one of the lowest cost providers.
- Aegon's transaction costs for Pathways 1 and 3 were third and fourth highest respectively within the group. For Pathway 4 costs were 0%, and at 0.03% transaction costs for Pathway 2 were low and competitive.

8. Investment Pathways

Investments

Investments Customer Outcomes

‘My retirement savings are invested in funds that deliver a good return, in line with or ahead of their objectives and other comparable funds’

‘I am using the right approach/product to draw on my pension savings, in line with my needs and plans’

‘My savings are with a provider that has a policy on ESG factors, which sets out clearly how it takes financial and non-financial considerations into account in its investment strategy and decision making. Its approach to stewardship is clear’

8. Investment Pathways: Investments

This section of the report looks at the investment management and performance of the Investment Pathway solutions:

- **Investment Pathway 1** – 'I have no plans to touch my money in the next 5 years' (Aegon Growth Pathway)
- **Investment Pathway 2** – 'I plan to use my money to set-up a guaranteed income within the next 5 years' (Aegon Annuity Pathway)
- **Investment Pathway 3** – 'I plan to start taking my money as long-term income within the next 5 years' (Aegon Flexible Income Pathway)
- **Investment Pathway 4** – 'I plan to take out all my money within the next 5 years' (Aegon Cash Pathway)

In our assessment of the Investment Pathways, we investigate if the customer outcomes outlined are being met.

What is a good outcome for customers?

'My savings are invested in funds that deliver a good return, in line with or ahead of their objectives and other comparable funds'

What did we investigate and what did we find?

By the end of the period covered by this report, the Investment Pathway funds had been available for two years. The Investment Pathway funds are designed to provide a simple way for non-advised customers to match the investment approach to the way they plan to use their pension savings.

Aegon has two sets of Investment Pathway solutions, one solution serving ARC and Traditional Products investors, and the other for TargetPlan investors. There are differing pre-retirement phases and different funds offered to each investor group, and so there are slight differences in the design and implementation of the Investment Pathways to match. The overall objectives and aims of the Pathway Solutions remain consistent across both sets of funds. Performance net of fees differs between the ARC and Traditional Products to reflect the impact of the different charges for each of these product sets.

8. Investment Pathways: Investments

The underlying funds held for each Investment Pathway are shown below:

	ARC and Traditional Products	TargetPlan
Investment Pathway 1 – I have no plan to touch my money	Aegon Workplace Default Retirement	LifePath Flexi
Investment Pathway 2 – I plan to use my money to set-up a guaranteed income	SE Long Gilts	BlackRock Pre-Retirement Fund
Investment Pathway 3 – I plan to start taking my money as a long-term income	Aegon Workplace Default Retirement	LifePath Flexi
Investment Pathway 4 – I plan to take out all my money as cash	SE Cash	BlackRock Cash Tracker

By the end of 2023, 5,873 investors were using one of Aegon's Investment Pathways. That's around 1,600 more than in 2022. The table below shows the number of investors in each Investment Pathway across the different Aegon products.

Investment Pathway	ARC and Traditional Products	TargetPlan	Total
Investment Pathway 1: Aegon Growth Pathway	1,940	393	2,333
Investment Pathway 2: Aegon Annuity Pathway	116	23	139
Investment Pathway 3: Aegon Flexible Income Pathway	1,512	433	1,945
Investment Pathway 4: Aegon Cash Pathway	1,110	346	1,456

32% of the Investment Pathway investors have less than £25k in their pot, with 83% having less than £100k.

A summary of performance return (%) 1 Year:

The table that follows summarises annual performance after investment charges as at 31st December 2023 across all Investment Pathway options offered across each Aegon platform. The underlying solutions for ARC and Traditional Products Investment Pathways are the same, however the performance is slightly different reflecting the different charges these customers pay.

8. Investment Pathways: Investments

Investment Pathway	ARC (%)	Traditional Products (%)	TargetPlan (%)	Commentary
Investment Pathway 1: Aegon Growth Pathway	6.94%	5.92%	8.60%	Both Pathways 1 and 3 for the ARC and TargetPlan investors have seen a recovery and delivered positive returns during 2023, aided by rallies in Developed Market equity exposure and improved returns delivered across bond exposure by the end of the year. For Pathway 1 on TargetPlan, the asset manager of the underlying fund made asset allocation changes between June and December 2023. These changes are expected to reduce interest rate risk and better manage inflation exposure. The implementation of the changes was phased over 2023 and completed in December. The Redington study compared data for the ARC and Traditional Products proposition with 13 other propositions provided by peer companies. The study found that Investment Pathway 1 on ARC and Traditional Products had one of the lower returns amongst the peer group and an average level of volatility.
Investment Pathway 2: Aegon Annuity Pathway	1.96%	0.98%	6.46%	All Investment Pathway 2 solutions delivered improved returns in 2023 relative to 2022. However, the TargetPlan Annuity Pathway fund performed better than the ARC and Traditional Products fund in 2023 because it was already more diversified, including UK and global corporate bonds and shorter duration gilts in the asset allocation. Changes are planned to the underlying fund used within the ARC and Traditional Products Investment Pathways in 2024 and are outlined below. The Redington study found that Investment Pathway 2 on ARC and Traditional Products had one of the lowest returns amongst the peer group and the highest level of volatility.
Investment Pathway 3: Aegon Flexible Income Pathway	6.94%	5.92%	8.60%	The underlying fund for Investment Pathway 3 is the same as Investment Pathway 1 and therefore the same commentary applies. The Redington study found that returns for Investment Pathway 3 on ARC and Traditional Products were slightly below the peer group average and there was an average level of volatility.
Investment Pathway 4: Aegon Cash Pathway	4.81%	3.82%	4.55%	For all investors in Pathway 4, the high interest rate environment has resulted in positive returns through 2023. Investment Pathway 4 was reviewed in 2022 to ensure that the cash allocation is appropriate for the needs of investors selecting this option, it was agreed that no changes were required. The Redington study found that returns for Investment Pathway 4 on ARC and Traditional Products were slightly below the peer group average and the level of volatility was lower than average.

8. Investment Pathways: Investments

The 2023 Redington study concluded that Aegon's Investment Pathway funds' performance for the ARC and Traditional Products proposition was typically in the lower quartiles over the year, although the level of volatility was average and there was lower than average realised maximum investment loss. The exception was Pathway 2 which had the lowest performance and highest volatility amongst the peer group. The IGC has challenged Aegon to address the performance issues, while remaining true to the original objectives for each fund. Aegon believes these performance issues will be addressed through the Long Gilt fund changes described below which will increase the diversification of the fund.

Focus on Investment Pathway 2 – Aegon Annuity Pathway (ARC and Traditional Products):

The underlying fund used for Investment Pathway 2 for ARC and Traditional Products investors, the Aegon Long Gilt fund, has been fully reviewed by Aegon to address the issues identified in our last report. As stated on page 21 in the workplace pensions section, the review found that the poor performance was related to the use of long-dated government bonds. Aegon and the underlying asset manager, Aegon Asset Management (AAM), agreed on a number of changes in December 2023 and these will be implemented during 2024. The IGC will continue to monitor how those changes feed through to future performance and deliver improved investor outcomes for those in the Annuity Pathway.

Our conclusions

Although performance has improved throughout 2023 to deliver positive returns for all Investment Pathways, Aegon has still lagged slightly behind its peers. Changes have been made to address previous areas of concern in Investment Pathways 1 and 3 for TargetPlan. Changes have also been agreed to address areas of concern for Investment Pathway 2 for ARC and Traditional Products.

The IGC is comfortable that for Investment Pathways 1 and 3, the performance and risk outcomes are reasonable for all solutions.

For Investment Pathway 2, the IGC is satisfied that performance concerns have been identified and changes will be implemented in 2024 for the underlying fund on ARC and Traditional Products. We will be monitoring the implementation of these changes to ensure that the expected improvements to investor outcome are delivered.

For Investment Pathway 4 we are comfortable that the performance is reasonable relative to inflation, supported by a high interest rate environment, however the asset allocation will continue to be monitored as the interest rate environment evolves.

Improvements have also been made to the reporting and level of data provided to the IGC which should provide a strong foundation for future reviews.

Our challenges to Aegon

- We want to see the performance, and risk/reward improvements that have been modelled in the changes made to the Investment Pathway funds flow through to the real experience of investors.

8. Investment Pathways: Investments

What is a good outcome for customers?

'I am using the right approach/product to draw on my pension savings, in line with my needs and plans'.

What did we investigate and what did we find?

Redington's study of Investment Pathways shows how Aegon's investors use each Pathway in comparison to the average of providers in the survey:

Investment Pathway	Aegon's proportion of investors in each pathway (%)	Redington average proportion of investors in each pathway (%)
Investment Pathway 1: Aegon Growth Pathway You have no plans to touch your money in the next five years	40.3%	38.4%
Investment Pathway 2: Aegon Annuity Pathway You plan to use your money to set up a guaranteed income (annuity) in next five years.	2.4%	4.3%
Investment Pathway 3: Aegon Flexible Income Pathway You plan to start taking your money as a long-term income within the next five years	32.5%	30.1%
Investment Pathway 4: Aegon Cash Pathway You plan to take out all your money within the next five years	24.8%	27.3%

This also matches well with Aegon's own original design expectations for each Pathway.

Our conclusions

As the Investment Pathways are less than three years old at the time of this report it is too early to see if actual investor behaviour will match the targeted outcome for each Pathway option. Whilst it is too soon to make a judgement on how investors will use their pension savings there will be ongoing analysis. It is worth noting that early analysis suggests fewer investors are opting for Pathway 2, which is in line with industry data that highlights the declining popularity of annuities. The analysis completed to date suggests that investors are not likely to take annuities at retirement which matches figures on the use of this pathway as shown in the previous table.

The IGC understands that Aegon has reviewed each of the Investment Pathways solutions, assessing suitability and the likelihood that the funds will deliver a sustainable level of income in retirement. On the whole, Aegon has confirmed it is comfortable that the performance and risk outcomes are reasonable, and that each utilises the correct strategy to deliver the intended Pathway outcome, noting the changes that are planned for Investment Pathway 2.

Our challenges to Aegon

- We have previously challenged Aegon for data on how the behaviour of investors corresponds to the Investment Pathway they have selected. That challenge remains though we recognise it will take some time to draw firm conclusions.

What is a good outcome for customers?

'My savings are with a provider that has a policy on ESG factors, which sets out clearly how it takes financial and non-financial considerations into account in its investment strategy and decision making. Its approach to stewardship is clear.'

What did we investigate and what did we find?

As stated in the earlier section on workplace pensions investments (page 24), the IGC has reviewed Aegon's Responsible Investment Policy alongside the progress made on ESG integration across the underlying funds used in the Investment Pathways. The IGC also noted that during the year under review, Aegon published the Climate Roadmap (their net-zero transition plan), successfully obtained Stewardship Code status and continued engaging with customers, fund managers and the wider financial services industry on key ESG issues.

The ARC and Traditional Products Investment Pathways 1 and 3 are invested in Aegon funds that are each subject to the ongoing Aegon commitment to increased ESG integration. ESG exposure within the Aegon Workplace Default fund has increased due to more investment in the new ESG version of the UK Tracker fund. The TargetPlan version of Pathways 1 and 3 are invested in the Aegon BlackRock LifePath funds which have seen similar progress with ESG integration. In the reporting period BlackRock's introduction of ESG screens and optimisation has seen a further 3% increase in ESG exposure. Aegon has also identified further opportunities to strengthen ESG credentials of the fund, which it will discuss with BlackRock.

For Pathways 1 and 3 the ESG integration for the ARC and Traditional Products investors stood at 54% at year-end compared with 48% at the end of 2022. For TargetPlan, the ESG integration stood at 44%, representing a slight decrease from 46% in 2022. This is seen as a minor fluctuation in ESG integration caused by changes in the asset allocation.

For Investment Pathway 2 there is no ESG exposure across either solution. For TargetPlan investors there is an identified opportunity to strengthen the ESG integration within the corporate bonds used. Aegon is working with BlackRock on how this might be achieved.

For Investment Pathway 4 there is no ESG exposure across either solution. For TargetPlan investors, Aegon and BlackRock are exploring moving cash investments to the recently launched Aegon BlackRock Liquid Environmentally Aware Fund (LEAF) which has improved ESG integration, this move was under discussion at the end of this reporting period, and we will monitor the outcome.

The Redington study for 2023 found that Aegon's ARC and Traditional Products Investment Pathways had one of the lowest carbon emissions intensity metrics across the peer group.

Our conclusions

The IGC has reviewed and is satisfied with the adequacy and quality of Aegon's Responsible Investment Policy and ESG targets. Aegon's work on the Climate Roadmap and obtaining Stewardship Code status demonstrates how it is enhancing practices as a good steward of customer assets.

We are confident the Investment Pathways benefit from the same level of focus and progress on ESG as the wider Aegon fund range as outlined in the earlier conclusion on page 26.

Our challenges to Aegon

- We await the feasibility on increasing the ESG integration to Pathway 2 for TargetPlan, and the potential to adopt the LEAF fund for Pathway 4 for TargetPlan.

What did the Redington study say about Investment Pathway solutions?

- Aegon's pathway fund's performance during 2023 typically lagged peers participating in the study.
- Distribution of pot sizes is broadly similar to other providers, as is the percentage of investors choosing each Investment Pathway option.
- A substantial reduction in carbon intensity scores had taken place by end of 2023 compared to the previous year. Aegon's scores were some of the lowest within the group of propositions analysed.

9. Investment Pathways Service

Customer Service

Customer Service Customer Outcomes

'My requests and instructions are acted on promptly and accurately, in line with my expectations'

'Any complaints I make are dealt with quickly and appropriately; lessons are learned so that the experience improves for other members'

9. Investment Pathways Service: Customer Service

What is a good outcome for customers?

'My requests and instructions are acted on promptly and accurately, in line with my expectations'

What did we investigate and what did we find?

We analyse the regular customer service reporting Aegon provides to ensure any Investment Pathways specific issues are identified.

As documented in section 5 of this report, we know that service in ARC and TargetPlan (which is where all Investment Pathways customers sit) was improved on 2022, with the key service indicators above target in most months of the year.

In addition, we look to identify Pathways specific issues from complaints and NPS data. We found that in 2023 only ten complaints were received from Pathways customers, with none of them related to an Investment Pathways specific issue. Similarly, there were no specific mentions of Investment Pathways in any of the feedback Aegon received from its NPS survey.

In last year's report we challenged Aegon to provide further detail on the service received specifically by Investment Pathway customers. This year, Aegon has been able to provide this level of detail, which has shown that, for most core processes, all customer requests were completed within the timescales promised by Aegon. The bereavements process was an exception – only 43% were completed within the target time that Aegon aims for.

The Redington survey results have shown that Aegon's processing times were generally better than most providers, with call wait times in line with the average and call abandonment rates being lower than most. Despite bereavements processing not being completed within the target Aegon sets itself, the average number of days for Aegon to process a bereavement was second lowest in the survey.

The Redington results have also shown us that Aegon offers limited flexibility around when income payments can be made to customers, with only a few dates available each month. Aegon told us that it plans to introduce additional payment dates on TargetPlan as part of a programme of improvements to the processes members follow when they reach retirement.

Our conclusions

Aegon's analysis and the Redington survey results both suggest that members using Aegon's Investment Pathways receive an acceptable service in most areas.

The limited flexibility in income payment dates could be inconvenient for some customers, and we are pleased to see Aegon taking action to increase the number of dates each month for TargetPlan. This won't benefit ARC customers however, and even after the change, Aegon will still lag some others who took part in the Redington survey. The data around slow handling of bereavement cases is a concern, and we will investigate this in more detail in 2024.

Our challenges to Aegon

- Understand why so few bereavement cases are resolved within the promised time and take action to improve performance in this area.

9. Investment Pathways Service: Customer Service

What is a good outcome for customers?

'Any complaints I make are dealt with quickly and appropriately; lessons are learned so that the experience improves for other members'

What did we investigate and what did we find?

Aegon presented us with data on the complaints received from Investment Pathway customers. As detailed above, none of the issues reported were specific to Investment Pathways.

There were only 10 complaints received in 2023, up from 4 in 2022. The majority of these complaints were upheld, meaning Aegon agreed the customer had cause to complain. Only a small number of these complaints were resolved within expected timescales, which is reflective of the overall Aegon complaints work position in 2023, which is detailed in section 5 of this report.

Our conclusions

Similar to our findings in the workplace pensions section of this report, Aegon has taken too long to resolve customers' complaints. We note that the position has been improving in the early part of 2024.

Our challenges to Aegon

- Improve the timeliness of dealing with customer complaints

What did the Redington study say about Pathways customer service levels?

- Aegon's average processing times were generally better than the average.
- Call wait times were in line with most others.
- Aegon received a very small number of complaints from pathways customers, none of which were escalated to the Ombudsman. However, the average time to resolve these complaints was longer than all other providers in the survey.

10. Investment Pathways Service

Communication and Member Engagement

Communication and Member Engagement Customer Outcomes

‘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 investment pathway choice for me’

‘I am drawing a sustainable income from my savings or understand the implications if I am drawing more than this’

10. Investment Pathways Service: Communication and Member Engagement

What is a good outcome for customers?

'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 investment pathway choice for me'

What did we investigate and what did we find?

Aegon's Investment Pathways are primarily aimed at existing members, who don't have a financial adviser and are looking to transition into drawdown.

Aegon Assist is in place to provide guidance to members making this transition, and the feedback it receives is largely positive. We get regular updates on how widely this service is used by members. Numbers have been consistent throughout the year, with around 7,200 calls handled each quarter. Of these, about 2,000 are guided conversations, 1,300 of which result in the member taking their pension benefits.

If members feel they need more than guidance at this point in their retirement journey, they can access independent financial advice through Origen Financial Services (owned by Aegon UK), which members pay for separately as they would if they found their own adviser.

The core communications Aegon issue to Pathway customers (annual statement, annual drawdown illustration, Pathway setup communication, and the communication of the risk profile of each Pathway and assumed member actions) were all assessed by Redington as part of their comparative exercise. Redington scored Aegon's communications above the survey average for readability, however they made less use of graphics than most.

Aegon also presented us with an update on its member retirement journey initiative on TargetPlan. Aegon believes this initiative will strengthen the proposition and improve the member experience. Included in the initiative is the introduction of digital retirement communications aligned with the existing approach for ARC members, which will focus on pre-retirement information, in-retirement support and income sustainability information. The first phase of this initiative, the introduction of new 'warm-up' communications, went live at the end of 2023. These communications go out many years before a member's target retirement age.

Finally, Aegon confirmed that 25% of Pathway customers had nominated a beneficiary in the event of their death. This was middle of the pack in the Redington comparative exercise, noting that some other providers require a nomination form to be completed as part of the process to enter drawdown.

Our conclusions

In addition to the regular reporting, we get from Aegon on the work it is doing to encourage members to engage with their pension, we have seen evidence of Aegon providing assistance and guidance specifically to members moving from saving into a pension to taking money out.

Aegon's core communications for Pathways customers score well against other providers (although there is still scope for further improvement).

Despite the percentage of Pathways customers with a nominated beneficiary in place being in line with other providers, it is considerably below the providers who capture this information as part of the drawdown application process. This is something we would like Aegon to explore further.

Our challenges to Aegon

- We asked in last year's report to see and analyse data on how the actual behaviour of members corresponds to the Pathway that they have selected. We recognise that it will take some time to be able to draw firm conclusions from this data about the effectiveness of the communications and support that members receive at this point, and so continue that challenge into 2024.
- Share with the IGC the progress on the TargetPlan member retirement journey initiative, and the impact it has.
- Explore ways to increase the number of members completing a beneficiary nomination form, including by exploring whether it would be added as a requirement as part of the drawdown application process.

What is a good outcome for customers?

'I am drawing a sustainable income from my savings or understand the implications if I am drawing more than this'

What did we investigate and what did we find?

Aegon presented us with its cost-of-living analysis, in which it found the risk of members taking an income in retirement that is unsustainable. Aegon monitors this closely and has found little change in the proportion of members taking an income, or in the average monthly income levels. Aegon says that it has not identified any concerns on the basis of this analysis so far.

Our conclusions

Aegon will be introducing further income sustainability information as part of its member retirement journey initiative which it hopes will improve awareness of this issue among Target Plan members.

What did the Redington study say about Pathways communication and engagement?

- For reading ease, Aegon's communications scored above the median.
- Aegon's communications contained fewer elements of graphic design than most others in the study.
- Aegon confirmed 25% of policyholders had completed a death benefit nomination form. The was in line with median figure, but far lower than those who include capturing a death benefit nomination as part of the drawdown application process.

11. Feedback

Feedback from members and employers

11. Feedback from members and employers

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

Towards the end of 2023, we had the opportunity to meet with an employer whose pension scheme is with Aegon, with around 7,000 employees enrolled and c. £250m invested. Conversations like this are invaluable as they give us direct and unfiltered feedback from those who use the services Aegon provide. The employer was generally satisfied with its pension arrangement, believing its members pay a competitive price, but provided some specific points of feedback. We have documented these points below, as we recognise from the work we've carried out with Aegon throughout the year, that it won't be the only employer and group of members to share these experiences. We have also detailed the responses we received when raising these points of feedback with Aegon.

The first point of feedback was around members contacting Aegon, with difficulties in getting through to the contact centre either via the phone or the webchat facility. We recognise from the customer service measures we see that this has been an issue at times, but know that there was an improvement in 2023, with call abandonment rates low throughout the year. Abandoned webchats have been higher than either we or Aegon would like, and we have seen Aegon take action to improve resource for this service. This feedback has highlighted a gap in the reporting we receive, which we have asked Aegon to fill.

Secondly, the employer commented on the fact that Aegon wasn't communicating with members who have passed their target retirement age, but not taken benefits. We agree that Aegon could do more here, in particular for members whose circumstances may have changed, and may no longer be in the right investment flightpath. Aegon is aware of this and is currently reviewing the retirement journey for TargetPlan members as detailed in section 10 of this report.

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

And of course, we are always keen to hear directly from you, Aegon's customers. 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 on this page.

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

Our approach

Appendix 1: Our approach

The Financial Conduct Authority – the regulator which oversees our work – expects IGCs to judge the Value for Money delivered to customers by workplace pensions providers in the context of:

- the level of charges and costs paid by members;
- 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 interest 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.

The scope for the IGC includes both those customers who are building up pensions 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.

The IGC is also expected to consider and report on:

- the adequacy and quality of Aegon's policy in relation to ESG financial considerations;
- the adequacy and quality of Aegon's policy in relation to non-financial matters;
- how these two matters are taken into account in Aegon's investment decision making; and
- the adequacy and quality of Aegon's policy in relation to stewardship.

Aegon has a Responsible Investment policy which covers these points, which we report on in section 4 of this report.

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 a set of member outcomes statements. These statements help us to consider 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 use the statements to help focus our agenda and to set out where we are looking for evidence from Aegon. Together, the categories set out by the FCA and our member outcome statements make up our Value for Money framework, which we use to structure our report.

In many cases, we need to be able to judge value by making comparisons. In other words, how do the costs customers are paying, or the performance of investments, compare with those from other pension companies? As a result, we are increasingly looking for comparable information about similar products from other companies. That is why, this year, we have again joined a number of other IGCs in participating in a comparative study conducted by the pensions consultancy, Redington. With over 2.5 million Aegon customers in scope for the IGC, we make use of cohorts of employer pension arrangements and cohorts of Pathway investments to make these comparisons. We have set out the key points from the Redington study throughout this report, and used the results to help inform our conclusions.

Appendix 1: Our approach

Our Value for Money framework

Value for Money category	What is a good outcome for members?
Costs and charges	‘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’
Investments	‘My savings are invested in funds that deliver a competitive return, in line with or ahead of their objectives and other comparable funds’ ‘My savings are invested in line with: my attitude to risk; and my income plans and needs in retirement’ ‘My savings are with a provider that has a policy on ESG factors, which sets out clearly how it takes financial and non-financial considerations into account in its investment strategy and decision making. Its approach to stewardship is clear’
Service: customer service	‘My requests and actions are acted on promptly and accurately, in line with my expectations’ ‘Any complaints I make are dealt with quickly and appropriately; lessons are learned so that the experience improves for other members’

Our Value for Money framework

Value for Money category	What is a good outcome for members?
Service: communication and member engagement	‘I receive relevant and timely communications about my pension because Aegon holds up to date contact details for me’ [Workplace] ‘I keep in touch with my long-term savings by making use of the secure portal and app Aegon provides’ [Workplace] ‘I read, understand and take action on the communications I receive from Aegon because they are: • clear and simple • in a form that meets my needs • personalised and proactive – nudging me to engage, and to act when it is in my best interests to do so’ [Workplace] ‘I have access to a wide range of information, education, guidance and advice and I use it to help me make the right choices for me’ [Workplace] ‘I understand how much I need to save to achieve my goals in retirement and whether I’m on track, by accessing tools, information and education on this topic’ [Workplace] ‘I understand what protection my pension offers if I die, I have a nominated beneficiary and keep these details up to date’ [Workplace] ‘The service I receive meets my needs as Aegon take steps to make sure people who have different needs, or need additional support receive an appropriate service.’ [Workplace] ‘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 investment pathway choice for me’ [Investment Pathways] ‘I am drawing a sustainable income from my savings or understand the implications if I am drawing more than this’ [Investment Pathways]

Appendix 2

Aegon's IGC members

Appendix 2: Aegon's IGC members

Aegon's IGC is chaired by ZEDRA Governance Limited, acting through Alison Bostock as its nominated representative. Including the Chair, it is made up of five members; three independent members and two Aegon appointed members.

Since the last annual Report, Independent Trustee Limited, represented by Ian Pittaway, advised that it would step down from the IGC. A specialist recruitment agent was appointed to run an independent search process for the Chair role. After due and careful consideration following this full market search, it was agreed that existing IGC member, Zedra Governance Limited, represented by Alison Bostock, would become the IGC Chair. In light of this outcome, a specialist recruitment agent was appointed to run an independent search process for an IGC member role. After due and careful consideration following this full market search it was agreed that Capital Cranfield, represented by Ramona Tipnis, would be appointed as a new IGC member. Independent Trustee Limited, represented by Ian Pittaway, stepped down with effect from 31 January 2024, and Zedra Governance Limited, represented by Alison Bostock, was appointed as Chair with effect from 1 February 2024. Cranfield Capital, represented by Ramona Tipnis, was appointed with effect from 1 January 2024.

In addition to the changes to the independent IGC members, following Tim Orton's appointment as CEO of Origen Financial Services, it was agreed that he would step down from the IGC as one of the AUK appointed members and that Alan McBride, Deputy Chief Actuary and With Profits Actuary at Aegon UK be appointed to the IGC in his place. This change took effect on 1 December 2023.

Independent chair: Alison Bostock, 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 a trustee to a number of DB and DC pension schemes, and previously served for 8 years on 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 the national Committee of Healthwatch England. Helen is also a member of the Board of the Aegon Master Trust.

Appendix 2: Aegon' s IGC members

Independent member: Ramona Tipnis, nominated representative of Capital Cranfield

Ramona joined Capital Cranfield in 2022 and has been a professional trustee since the beginning of 2020. Since accepting her first role as a trustee in 2011, Ramona has successfully applied over 20 years of experience in investment management and analysis. Her expertise is strengthened by a 5-year tenure as Head of Investor relations at a major national retailer. Ramona is an experienced Chair and co-trustee across DB, DC and hybrid schemes. Her previous involvement with the ZEDRA Governance Advisory Arrangement has provided her with a deep understanding of Value for Money assessments necessary for workplace schemes and Investment Pathways. Additionally, Ramona holds accreditation as a Professional Trustee from the Association of Professional Pension Trustees.

Aegon appointed member: 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 and wealth 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.

Aegon appointed member: Alan McBride, Deputy Chief Actuary and With Profits Actuary, Aegon UK

As With-Profits Actuary Alan advises the Aegon UK Board on the investment strategy and financial management of Aegon's with-profits fund and is responsible for ensuring the fair distribution of the fund's assets to its invested policyholders. As Deputy Chief Actuary Alan helps oversee Aegon UK's capital, liquidity, and solvency, ensuring that the organisation remains financially secure for the long-term. With 28 years of industry experience Alan has a deep understanding of pensions and investments, having held senior actuarial, pricing and finance roles with UK life and pensions product providers. Alan is focused on ensuring Aegon achieves good outcomes for its customers and that its workplace pensions and pathway investments give Value for Money.

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 independent 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 ZEDRA Governance Limited (formerly PTL Governance Ltd) was 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, ZEDRA Governance Limited and Capital Cranfield, 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 in to account the relevant FCA 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 3

Aegon's own default fund performance

Appendix 3: Aegon's own default fund performance

Fund Name	Investment Performance											
	1 Year (%) (ARC/TargetPlan)		1 Year (%) (Traditional)		3 Years (%) (ARC/TargetPlan)		3 Years (%) (Traditional)		5 Years (%) (ARC/TargetPlan)		5 Years (%) (Traditional)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Universal Lifestyle Collection (ARC & Trad Prods)	11.5	7.9	10.5	7.9	4.0	2.3	3.1	2.3	7.8	5.3	6.9	5.3
Balanced Lifestyle (ARC & Trad Prods)	7.1	7.9	6.2	7.9	2.3	2.3	1.4	2.3	7.8	5.3	7.0	5.3
Aegon Growth Tracker (Flexible Target) (ARC & Trad Prods)	9.9	11.2	8.8	11.2	4.8	4.5	3.8	4.5	7.2	7.6	6.2	7.6
Aegon Default Equity & Bond Lifestyle (ARC)	9.9	N/A	N/A	N/A	4.8	N/A	N/A	N/A	7.2	N/A	N/A	N/A
Aegon Workplace Default (ARC)	10.0	N/A	N/A	N/A	4.8	N/A	N/A	N/A	7.3	N/A	N/A	N/A
Aegon BlackRock LifePath Flexi 2058-2060 (BLK) (TargetPlan)	17.3	17.1	N/A	N/A	7.4	7.0	N/A	N/A	10.7	10.4	N/A	N/A

Appendix 3: Aegon's own default fund performance

Fund Name	Investment Performance											
	1 Year (%) (ARC/TargetPlan)		1 Year (%) (Traditional)		3 Years (%) (ARC/TargetPlan)		3 Years (%) (Traditional)		5 Years (%) (ARC/TargetPlan)		5 Years (%) (Traditional)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Aegon 50/50 Global Equity Index Lifestyle (ARC)	11.2	11.2	N/A	N/A	8.0	7.9	N/A	N/A	8.8	8.7	N/A	N/A
Universal Balanced Collection (annuity target) (ARC & Trad Prods)	11.5	7.9	10.5	7.90	4.0	2.3	3.1	2.3	7.8	5.3	6.9	5.3
Universal Balanced Collection (flexible target) (ARC & Trad Prods)	11.5	7.90	10.5	7.9	4	2.3	3.1	2.3	7.8	5.3	6.9	5.3
Ethical Managed Lifestyle (ARC & Trad Prods)	13.8	7.3	13.1	7.3	0.3	4.5	-0.4	4.5	5.4	4.9	4.7	4.9
Ethical Managed (flexible target) (ARC & Trad Prods)	13.8	7.3	13.1	7.3	0.3	4.5	-0.4	4.5	5.4	4.9	4.7	4.9
Ethical Lifestyle (ARC & Trad Prods)	15.2	7.9	14.4	7.9	1.7	8.6	1.0	8.6	6.7	6.6	5.9	6.6
Aegon BlackRock Consensus Lifestyle (ARC & Trad Prods)	9.8	7.9	8.7	7.9	4.9	2.3	3.9	2.3	7.0	5.3	6.0	5.3

Appendix 3: Aegon's own default fund performance

Fund Name	Investment Performance											
	1 Year (%) (ARC/TargetPlan)		1 Year (%) (Traditional)		3 Years (%) (ARC/TargetPlan)		3 Years (%) (Traditional)		5 Years (%) (ARC/TargetPlan)		5 Years (%) (Traditional)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Stakeholder default (Trad Prods)	N/A	N/A	8.9	7.9	N/A	N/A	3.8	2.3	N/A	N/A	6.2	5.3
GPP Default (Trad Prods)	N/A	N/A	8.8	7.9	N/A	N/A	3.8	2.3	N/A	N/A	6.2	5.3
Growth Tracker (cash target) (ARC & Trad Prods)	9.9	11.2	8.8	11.2	4.8	4.5	3.8	4.5	7.2	7.6	6.2	7.6
Growth Tracker (annuity target) (ARC & Trad Prods)	10.0	11.2	8.9	11.2	4.8	4.5	3.8	4.5	7.3	7.6	6.2	7.6
Balanced Tracker (flexible target) (ARC & Trad Prods)	9.7	9.4	8.7	9.4	1.0	0.8	0.0	0.8	4.6	4.4	3.6	4.4
Balanced Tracker (annuity target) (ARC & Trad Prods)	9.8	9.4	8.7	9.4	1.0	0.8	0.0	0.8	4.7	4.4	3.7	4.4
Adventurous Tracker (annuity target) (ARC & Trad Prods)	13.1	12.8	12.2	12.8	9.2	9.3	8.2	9.3	10.1	10.0	9.0	10.0

Appendix 3: Aegon's own default fund performance

Fund Name	Investment Performance											
	1 Year (%) (ARC/TargetPlan)		1 Year (%) (Traditional)		3 Years (%) (ARC/TargetPlan)		3 Years (%) (Traditional)		5 Years (%) (ARC/TargetPlan)		5 Years (%) (Traditional)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Adventurous Tracker (flexible target) (ARC & Trad Prods)	13.1	12.8	12.0	12.8	9.1	9.3	8.1	9.3	10.1	10.0	9.0	10.0
Global Equity Tracker Lifestyle (ARC & Trad Prods)	12.6	12.8	11.6	12.8	9.1	9.3	8.1	9.3	10.0	10.0	7.7	8.8
Aegon BlackRock 50/50 Global Equity Tracker Lifestyle (ARC & Trad Prods)	11.2	11.2	10.2	11.2	8	7.9	7	7.9	8.8	8.7	7.8	8.7
Aegon BlackRock 40/60 Global Equity Tracker Lifestyle (ARC & Trad Prods)	13.7	13.4	12.6	13.4	9.1	9.2	8.1	9.2	10.6	10.4	9.5	10.4
Aegon BlackRock 50/50 Equity and Bond Tracker Lifestyle (ARC & Trad Prods)	8.9	8.8	7.8	8.8	-3.4	-3.7	-4.4	-3.7	2.8	2.5	1.8	2.5
Aegon BlackRock 75/25 Equity and Bond Tracker Lifestyle (ARC & Trad Prods)	7.0	7.7	6.0	7.7	1.9	2.0	0.9	2.0	4.5	4.5	3.5	4.5

Appendix 3: Aegon's own default fund performance

Fund Name	Investment Performance 1 Year (%) (ARC/TargetPlan)		1 Year (%) (Traditional)		3 Years (%) (ARC/TargetPlan)		3 Years (%) (Traditional)		5 Years (%) (ARC/TargetPlan)		5 Years (%) (Traditional)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK Fixed Interest and Global Equity Tracker Lifestyle (ARC & Trad Prods)	9.6	9.5	8.7	9.5	1.2	1.0	0.4	1.0	4.8	4.4	3.9	4.4
Dynamic Lifestyle (ARC & Trad Prods)	12.7	12.8	11.9	12.8	4.4	6.6	3.6	6.6	12.7	9.9	11.9	9.9
Cautious Lifestyle (ARC & Trad Prods)	7.9	6.6	7.0	6.6	2.7	0.5	1.8	0.5	4.0	3.0	3.2	3.0
Balanced Passive Lifestyle (ARC & Trad Prods)	11.1	7.9	10.1	7.9	5.0	2.3	4.0	2.3	7.0	5.3	6.0	5.3
MI Workplace Savings (L) (ARC & Trad Prods)	9.7	N/A	8.7	N/A	1.7	N/A	0.7	N/A	3.9	N/A	2.9	N/A
MI Workplace Savings (M) (ARC & Trad Prods)	11.4	N/A	10.4	N/A	3.2	N/A	2.3	N/A	4.9	N/A	4.0	N/A
MI Workplace Savings (H) (ARC & Trad Prods)	12.9	N/A	11.9	N/A	5.0	N/A	4.1	N/A	6.1	N/A	5.2	N/A

Appendix 3: Aegon's own default fund performance

	Investment Performance											
	1 Year (%) (ARC/TargetPlan)		1 Year (%) (Traditional)		3 Years (%) (ARC/TargetPlan)		3 Years (%) (Traditional)		5 Years (%) (ARC/TargetPlan)		5 Years (%) (Traditional)	
Fund Name	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Balanced Plus Core Lifestyle Portfolio (ARC & Trad Prods)	9.1	N/A	8.3	N/A	3.2	N/A	2.4	N/A	5.4	N/A	4.6	N/A
Balanced Core Lifestyle Portfolio (ARC & Trad Prods)	7.8	N/A	7.0	N/A	1.4	N/A	0.6	N/A	3.9	N/A	3.1	N/A
Adventurous Core Lifestyle Portfolio (ARC & Trad Prods)	12.9	N/A	11.9	N/A	7.4	N/A	6.5	N/A	8.6	N/A	7.8	N/A
Growth Core Lifestyle Portfolio (ARC & Trad Prods)	10.6	N/A	9.7	N/A	5.0	N/A	4.2	N/A	6.8	N/A	6.0	N/A
Growth Plus Core Lifestyle Portfolio (ARC & Trad Prods)	11.7	N/A	10.9	N/A	6.2	N/A	5.4	N/A	7.7	N/A	6.9	N/A
Cautious Core Lifestyle Portfolio (ARC & Trad Prods)	6.7	N/A	5.9	N/A	-0.3	N/A	-1.0	N/A	2.6	N/A	1.8	N/A
Conservative Core Lifestyle Portfolio (ARC & Trad Prods)	5.5	N/A	4.7	N/A	-2.1	N/A	-2.8	N/A	1.0	N/A	0.2	N/A

Appendix 3: Aegon's own default fund performance

Fund Name	Investment Performance											
	1 Year (%) (ARC/TargetPlan)		1 Year (%) (Traditional)		3 Years (%) (ARC/TargetPlan)		3 Years (%) (Traditional)		5 Years (%) (ARC/TargetPlan)		5 Years (%) (Traditional)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Aegon BlackRock LifePath Capital 2058-2060 (BLK) (TargetPlan)	17.3	17.1	N/A	N/A	7.4	7.0	N/A	N/A	10.7	10.4	N/A	N/A
Aegon BlackRock LifePath Retirement 2058-2060 (BLK) (TargetPlan)	17.3	17.1	N/A	N/A	7.4	7.0	N/A	N/A	10.7	10.4	N/A	N/A

Source: Aegon as at 31/12/2023. See fund factsheets for objectives and investment approach. All figures are net of charges, but may not be reflective of scheme specific charges, further details can be found on factsheets and member statements.

All of the above funds change their investment mix as your retirement date gets closer, placing more of your money in, what are regarded by investment experts as, less risky investments. This means that closer to retirement, you will likely have a higher allocation to fixed income assets such as corporate and government bonds.

While this means that the returns are generally lower than in the growth stages, the risk is also generally reduced as shown here:

Fund	Return (%pa) – 3 years to 31/12/2023	Risk (%pa) 3 years to 31/12/2023
Growth stages		
Aegon Workplace Default	4.78	8.10
LifePath Flexi 2064-66	7.42	12.67
Retirement stages		
Aegon Workplace Default Retirement	-0.25	6.89
LifePath Flexi	-1.12	9.54
Inflation (UK RPI)	8.66	2.51

Sources: FE analytics and Aladdin, 3-year annualised returns to 31 December 2023. Risk is measured by the 3-year standard deviation.

Appendix 4

Disclosure of costs and charges

Appendix 4: Disclosure of costs and charges

This appendix provides detail of the costs and charges members 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 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 transaction 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;
- The funds overall objective – typically those with a higher performance target will likely buy and sell more often.

Analysis of transaction costs:

During 2023 Aegon conducted transaction cost assessments on 857 funds, compared to 537 funds in 2022. The analysis focused on the costs for these funds against a peer group of similar funds, allowing identification of any outliers. Where there were outliers, we looked at total investment costs for the fund (annual management charge + additional expenses + transaction costs) and fund performance over the time the transaction costs applied. These validation tests allowed us to identify whether 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.

Transaction costs were reviewed for the 12 months ending 30 June 2023 and included trading during September and October 2022 when asset managers had to take material action to counter significant market volatility potentially contributing to higher transaction costs for a number of funds. A further update in September 2023 showed that whilst investigation was still required by Aegon for some funds, this had reduced to 27 funds (3%) with a total AUM of £1.4bn.

Following its assessment, the IGC has concluded that the transaction costs in the fund range are reasonable compared to other similar funds available from competitors. The IGC will continue to monitor the funds that have been flagged for further investigation on transaction costs to ensure that satisfactory information is provided. Further action will be taken if a fund shows deterioration in value.

4.2 Disclosure of costs and charges

We provide a 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 **here**.

Each table below has a column ‘Total Fund Costs’, that represents the full amount members 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 members can use when assessing the costs and charges of the investments they hold.

Fund Annual Management Charge

When selecting a fund, members can see the Fund Annual Management Charge they will pay; this is set for each fund within the product range available to a member, and known in advance of them investing. The charge depends on the investments they select.

Annual Additional Expenses

In addition to the Fund Annual Management Charge, members will pay their 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.

Appendix 4: Disclosure of costs and charges

Transaction costs

All funds have transaction costs when they buy and sell investments. Members pay their 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 subtotal column, the cost members 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 the administration of the pension. These are explained in the tables below.

Table 1: Costs and charges for default funds on workplace ARC:

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

The table shows a representative cost for the Annual Platform Charge, members can view the actual charge they pay by checking their yearly benefit statement.

Fund Name	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)	0.095	0.026	0.000104439	0.000014061	0.000016030	-0.000006062	0.00	0.000080410	Not Recorded	0.12	0.29
Balanced Lifestyle (ARC)	0.200	0.02	0.000091605	0.000000000	0.000056710	0.000034894	0.00	0.000000000	Not Recorded	0.22	0.29
Aegon Growth Tracker (Flexible Target) (ARC)	0.039	0.018	0.001374660	0.000442852	0.000110119	0.000748115	0.00	0.000073574	Not Recorded	0.06	0.29
Aegon Default Equity & Bond Lifestyle (ARC)	0.040	0.018	0.001374660	0.000442852	0.000110119	0.000748115	0.00	0.000073574	Not Recorded	0.06	0.29

Appendix 4: Disclosure of costs and charges

Fund Name	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 Workplace Default (ARC)	0.035	0.018	0.001800779	0.000749982	0.000128368	0.000851763	0.00	0.000070666	Not Recorded	0.05	0.29
Aegon 50/50 Global Equity Index Lifestyle (ARC)	0.050	0.018	0.000348000	0.000208000	0.000040000	0.000020000	0.00	0.000080000	Not Recorded	0.07	0.29
Aegon Balanced Passive Lifestyle (ARC)	0.085	0.029	0.000165000	0.000000000	0.000000000	0.000018000	0.00	0.000147000	Not Recorded	0.11	0.29
Cautious Lifestyle (ARC)	0.200	0.016	0.000217855	0.000090306	0.000100348	0.000027201	0.00	0.000000000	Not Recorded	0.22	0.29
Aegon 75/25 Equity & Bond Index Lifestyle (ARC)	0.043	0.010	0.000957287	0.000199016	0.000049469	0.000642330	0.00	0.000066471	Not Recorded	0.05	0.29
Universal Balanced Collection (Flexible Target) (ARC)	0.089	0.026	0.000104439	0.000014061	0.000016030	-0.000006062	0.00	0.000080410	Not Recorded	0.12	0.29
Aegon 50/50 Bond & Equity Index Lifestyle (ARC)	0.043	0.018	0.000458993	0.000104414	0.000020080	0.000249706	0.00	0.000084793	Not Recorded	0.06	0.29

Appendix 4: Disclosure of costs and charges

Fund Name	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Annual Platform Charge (%)
				Explicit Costs							
			Sub Total	Taxes	Fees & Charges	Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti Dilution Offset		
Aegon BlackRock Consensus Lifestyle (ARC)	0.043	0.015	0.000473162	0.000081606	0.000025682	0.000256828	0.00	0.000109045	Not Recorded	0.06	0.29
Dynamic Lifestyle (ARC)	0.250	0.018	0.000031153	0.000000000	0.000056585	-0.000025432	0.00	0.000000000	Not Recorded	0.27	0.29
Aegon's MI Workplace Savings (M) (ARC)	0.200	0.008	0.000218000	0.000000000	0.000000000	0.000056000	0.00	0.000162000	Not Recorded	0.21	0.29
Scottish Equitable UK Fixed Interest & Global Equity Tracker Lifestyle(ARC)	0.200	0.019	0.000048708	0.000000000	0.000000000	0.000000010	0.00	0.000048697	Not Recorded	0.22	0.29
Aegon Balanced Tracker (Flexible Target) (ARC)	0.030	0.020	0.000961320	0.000449136	0.000030755	0.000323989	0.00	0.000157440	Not Recorded	0.05	0.29
Balanced Plus Core Lifestyle Portfolio (ARC)	0.238	0.017	0.000556288	0.000119415	0.000040738	0.000240779	0.00	0.000155357	Not Recorded	0.26	0.29
Aegon Global Equity Tracker Lifestyle (ARC)	0.085	0.025	0.000137000	0.000000000	0.000000000	0.000000000	0.00	0.000137000	Not Recorded	0.11	0.29

Appendix 4: Disclosure of costs and charges

Fund Name	Fund Annual Management Charge (%)	Annual Additional Expenses (%)	Transaction Costs (%)							Total Fund Costs (%)	Representative Annual Platform Charge (%)
				Explicit Costs							
			Sub Total	Taxes	Fees & Charges	Implicit Costs	Indirect Costs	Securities Lending & Borrowing Costs	Anti Dilution Offset		
Aegon Growth Tracker (Cash Target) (ARC)	0.039	0.018	0.001276170	0.000371857	0.000105900	0.000724163	0.00	0.000074251	Not Recorded	0.06	0.29
Aegon's MI Workplace Savings (L) (ARC)	0.200	0.008	0.000218000	0.000000000	0.000000000	0.000059000	0.00	0.000159000	Not Recorded	0.21	0.29
Universal Balanced Collection (Annuity Target) (ARC)	0.089	0.026	0.000104439	0.000014061	0.000016030	-0.000006062	0.00	0.000080410	Not Recorded	0.12	0.29
Balanced Core Lifestyle Portfolio (ARC)	0.240	0.016	0.000469550	0.000037451	0.000028673	0.000244978	0.00	0.000158447	Not Recorded	0.26	0.29
Aegon Ethical Lifestyle (ARC)	0.298	0.011	0.000351321	0.000339541	0.000175692	-0.000163912	0.00	0.000000000	Not Recorded	0.31	0.29
Aegon 40/60 Global Equity Index Lifestyle (ARC)	0.043	0.008	0.000770876	0.000154620	0.000049224	0.000504050	0.00	0.000062983	Not Recorded	0.05	0.29
Adventurous Core Lifestyle Portfolio (ARC)	0.1810	0.019	0.0006	0.0002	0.0001	0.0002	0.0000	0.0002	Not Recorded	0.20	0.29

Appendix 4: Disclosure of costs and charges

Fund Name	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 Adventurous Tracker (Flexible Target) (ARC)	0.0300	0.0230	0.0018	0.0011	0.0001	0.0005	0.0000	0.0001	Not Recorded	0.05	0.29
Cautious Core Lifestyle Portfolio (ARC)	0.2420	0.0150	0.0005	0.0000	0.0000	0.0003	0.0000	0.0002	Not Recorded	0.26	0.29
Ethical Managed (Flexible Target) (ARC)	0.3700	0.019	0.0002	0.0002	0.0001	-0.0001	0.0000	0.0000	Not Recorded	0.39	0.29
Aegon Balanced Tracker (Annuity Target) (ARC)	0.0300	0.019	0.0010	0.0005	0.0000	0.0003	0.0000	0.0002	Not Recorded	0.05	0.29
Aegon's MI Workplace Savings (H) (ARC)	0.2000	0.008	0.0002	0.0000	0.0000	0.0001	0.0000	0.0002	Not Recorded	0.21	0.29
Aegon Growth Tracker (Annuity Target) (ARC)	0.0390	0.018	0.0020	0.0009	0.0001	0.0009	0.0000	0.0001	Not Recorded	0.06	0.29
Aegon Adventurous Tracker (Annuity target) (ARC)	0.0300	0.023	0.0015	0.0009	0.0001	0.0004	0.0000	0.0001	Not Recorded	0.05	0.29

Appendix 4: Disclosure of costs and charges

Fund Name	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						
Ethical Managed Lifestyle (ARC)	0.0000	0.019	0.0002	0.0002	0.0001	-0.0001	0.0000	0.0000	Not Recorded	0.02	0.29
Growth Core Lifestyle Portfolio (ARC)	0.0000	0.018	0.0006	0.0001	0.0001	0.0003	0.0000	0.0001	Not Recorded	0.02	0.29
Growth Plus Core Lifestyle Portfolio (ARC)	0.0000	0.019	0.0006	0.0001	0.0001	0.0002	0.0000	0.0001	Not Recorded	0.02	0.29
Conservative Core Lifestyle Portfolio (ARC)	0.0000	0.014	0.0005	0.0000	0.0000	0.0003	0.0000	0.0002	Not Recorded	0.01	0.29

Source: Aegon as at 31/12/2023

The Transaction Costs data is obtained from the underlying fund managers and is the most recent data available, however some of the figures may be from an earlier date such as the end of the previous quarter.

Appendix 4: Disclosure of costs and charges

Table 2: Costs and charges for Traditional Products – default funds

For these pensions there is an administrative charge known as the Product Charge (the last column on the right). Members pay the sum of the Total Fund Costs and the Product Charge. The table shows a representative cost for the Product Charge. Members can view the actual charge they pay by checking their 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, where the text 'included in RPC' (standing for 'included in Representative Product Charge') is included 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. Members can see these funds in the **online listing**.

Fund Name	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	Included in RPC	0.026	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.03	0.72
Balanced Lifestyle	Included in RPC	0.02	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Aegon Growth Tracker (Flexible Target)	Included in RPC	0.018	0.001	0.000	0.000	0.001	0.000	0.000	0.00	0.02	0.72
Aegon 50/50 Global Equity Index Lifestyle	Included in RPC	0.018	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72

Appendix 4: Disclosure of costs and charges

Fund Name	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 Balanced Passive Lifestyle	Included in RPC	0.029	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.03	0.72
Cautious Lifestyle	Included in RPC	0.016	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.01	0.72
Aegon 75/25 Equity & Bond Index Lifestyle	Included in RPC	0.010	0.001	0.000	0.000	0.001	0.000	0.000	0.00	0.01	0.72
Universal Balanced Collection (Flexible Target)	Included in RPC	0.026	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.03	0.72
Aegon 50/50 Bond & Equity Index Lifestyle	Included in RPC	0.018	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Aegon BlackRock Consensus Lifestyle	Included in RPC	0.015	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
GPP Default	Included in RPC	0.018	0.001	0.000	0.000	0.001	0.000	0.000	0.00	0.02	0.72

Appendix 4: Disclosure of costs and charges

Fund Name	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						
Dynamic Lifestyle	Included in RPC	0.018	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Aegon's MI Workplace Savings (M)	0.08	0.008	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.01	0.72
Stakeholder Default	Included in RPC	0.018	0.001	0.000	0.000	0.001	0.000	0.000	0.00	0.02	0.72
Scottish Equitable UK Fixed Interest & Global Equity Tracker Lifestyle	Included in RPC	0.019	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Aegon Balanced Tracker (Flexible Target)	Included in RPC	0.019	0.001	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Scottish Equitable Ethical Managed Lifestyle	Included in RPC	0.019	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Balanced Plus Core Lifestyle Portfolio	Included in RPC	0.017	0.001	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72

Appendix 4: Disclosure of costs and charges

Fund Name	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 Global Equity Tracker Lifestyle	Included in RPC	0.025	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Aegon Growth Tracker (Cash Target)	Included in RPC	0.018	0.001	0.000	0.000	0.001	0.000	0.000	0.00	0.02	0.72
Aegon's MI Workplace Savings (L)	0.08	0.008	--	0.000	0.000	0.000	--	0.000	--	0.11	0.72
Universal Balanced Collection (Annuity Target)	Included in RPC	0.026	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.03	0.72
Balanced Core Lifestyle Portfolio	Included in RPC	0.016	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Aegon Ethical Lifestyle	Included in RPC	0.011	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.01	0.72
Aegon 40/60 Global Equity Index Lifestyle	Included in RPC	0.008	0.001	0.000	0.000	0.001	0.000	0.000	0.00	0.01	0.72

Appendix 4: Disclosure of costs and charges

Fund Name	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						
Growth Core Lifestyle Portfolio	Included in RPC	0.018	0.001	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Adventurous Core Lifestyle Portfolio	Included in RPC	0.019	0.001	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Aegon Adventurous Tracker (Flexible Target)	Included in RPC	0.023	0.002	0.001	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Growth Plus Core Lifestyle Portfolio	Included in RPC	0.019	0.001	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Cautious Core Lifestyle Portfolio	Included in RPC	0.015	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Ethical Managed (Flexible Target)	Included in RPC	0.019	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.02	0.72
Aegon Balanced Tracker (Annuity Target)	Included in RPC	0.019	0.001	0.001	0.000	0.000	0.000	0.000	0.00	0.02	0.72

Appendix 4: Disclosure of costs and charges

Fund Name	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 (H)	0.08	0.008	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.03	0.72
Aegon Growth Tracker (Annuity Target)	Included in RPC	0.018	0.002	0.001	0.000	0.001	0.000	0.000	0.00	0.02	0.72
Conservative Core Lifestyle Portfolio	Included in RPC	0.014	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.01	0.72
Aegon Adventurous Tracker (Annuity Target)	Included in RPC	0.023	0.002	0.001	0.000	0.000	0.000	0.000	0.00	0.02	0.72

Source: Aegon as at 31/12/2023

The Transaction Costs data is obtained from the underlying fund managers and is the most recent data available, however some of the figures may be from an earlier date such as the end of the previous quarter.

Appendix 4: Disclosure of costs and charges

Table 3: Costs and charges for TargetPlan default funds

For TargetPlan the Fund Management Charge covers the administration of the pension as well as the Investment Management fees. Members 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. Members' own charges may vary from those detailed. Members can find details of their Annual Management Costs and Additional Expenses for all the investment funds available to them by logging onto TargetPlan and selecting 'Funds Information'. Members can also fund this information in their Investment Funds Guide, which was included in their Welcome Pack and is in their Document Store on TargetPlan.

Fund Name	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)	0.35	0	0.0734	0	0	0	0.063397	0.010136	0.000159	0.497
Aegon BlackRock LifePath Capital 2058-2060 (BLK)	0.35	0	0.0734	0	0	0	0.063397	0.010136	0.000159	0.497
Aegon BlackRock LifePath Retirement 2058-2060 (BLK)	0.35	0	0.0734	0	0	0	0.063397	0.010136	0.000159	0.497

Source: Aegon as at 31/12/2023

The Transaction Costs data is obtained from the underlying fund managers and is the most recent data available, however some of the figures may be from an earlier date such as the end of the previous quarter.

Appendix 4: Disclosure of costs and charges

Table 4: Charge Bands for Aegon Workplace Customers

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 shows this for each set of Aegon workplace products. The analysis is based on the default fund for each scheme.

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

	Number of active schemes			
Charge Band	Workplace ARC	Traditional Products	TargetPlan	Total
<0.25	200	34	9	243
0.25-0.5	2,121	1,036	67	3,224
0.51-0.75	795	5,540	15	6,350
Total	**3,116**	**6,610**	**91**	**9,817**

Source: Aegon as at 31/12/2023

You can view the full range of administration charges **here**.

4.3 Illustrations

Example illustration for Aegon Retirement Choices (ARC)

Purpose of this example illustration

This isn't a personal illustration – it is based on the assumptions detailed later 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 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 Fundsmith Equity (ARC)
Growth	2.74%	2.94%	2.93%
Platform charge	0.29%	0.29%	0.29%
AMC*	0.04%	0.07%	0.10%
AAE*	0.02%	0.02%	0.05%
TC	0.07%	0.04%	0.01%

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. 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.

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 01/01/2023 to 31/12/2023.

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

Appendix 4: Disclosure of costs and charges

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 Fundsmith Equity (ARC)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1600	1600	1610	1600	1610	1600
3	5030	5000	5040	5010	5040	5010
5	8740	8650	8780	8700	8780	8690
10	19400	19000	19600	19200	19600	19100
15	32300	31300	32800	31800	32800	31700
20	47800	45900	48900	46900	48800	46700
25	66500	63100	68300	64800	68200	64400
30	88700	83300	91600	86000	91400	85400
35	115000	106000	119000	111000	119000	110000
40	146000	134000	152000	140000	152000	139000
45	183000	166000	192000	174000	191000	172000
49	217000	195000	229000	206000	228000	203000

About this illustration

We've made the following assumptions for the purposes of this example illustration:

- 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 (£133.34 each month increasing by 3.5% each year in line with assumed salary increases).
- We've shown the scheme default Aegon Workplace Default (ARC).
- We've also shown the North American (ARC) and the Aegon Fundsmith Equity (ARC) to show funds with lower and higher charges for comparison.

Appendix 4: Disclosure of costs and charges

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.

Appendix 4: Disclosure of costs and charges

Example illustrations for the Traditional Products Group Personal Pension

Purpose of this example illustration

This isn't a personal illustration – it is based on the assumptions detailed later 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 Fundsmith Equity
Growth	2.63%	2.94%	2.93%
Product charge	0.72%	0.72%	0.72%
AMC	Included in product charge	Included in product charge	0.99%
AAE	0.03%	0.02%	0.05%
TC	0.06%	0.04%	0.01%

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

Product charge is an annual management charge which covers the costs associated with managing your plan and investments. 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.

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 01/01/2023 to 31/12/2023.

Appendix 4: Disclosure of costs and charges

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.

	Universal Lifestyle Collection		North American		Aegon Fundsmith Equity	
Years	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1600	1600	1610	1600	1610	1590
3	5020	4960	5040	4990	5040	4910
5	8720	8550	8780	8620	8780	8410
10	19300	18500	19600	18800	19600	17900
15	32000	30200	32800	31000	32800	28800
20	47300	43700	48900	45200	48800	41000
25	65600	59300	68300	61900	68200	54800
30	87200	77300	91600	81400	91400	70300
35	112000	97900	119000	104000	119000	87600
40	143000	121000	152000	130000	152000	107000
45	178000	148000	192000	160000	191000	128000
49	211000	172000	229000	188000	228000	147000

About this illustration

We've made the following assumptions for the purposes of this example illustration:

- 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 (£133.34 each month increasing by 3.5% each year in line with assumed salary increases).
- We've shown the scheme default Universal Lifestyle Collection.
- We've also shown the North American and the Aegon Fundsmith Equity to show funds with lower and higher charges for comparison.

Appendix 4: Disclosure of costs and charges

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.

Appendix 4: Disclosure of costs and charges

Example illustrations for the Traditional Products Group Stakeholder Pension

Purpose of this example illustration

This isn't a personal illustration – it is based on the assumptions detailed later 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	Scottish Equitable Baillie Gifford 60/40 Worldwide Equity
Growth	2.63%	2.94%	2.94%
Product charge	0.72%	0.72%	0.72%
AMC	Included in product charge	Included in product charge	0.35%
AAE	0.03%	0.02%	0.01%
TC	0.06%	0.04%	0.07%

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

Product charge is an annual management charge which covers the costs associated with managing your plan and investments. 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.

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 01/01/2023 to 31/12/2023.

Due to the Stakeholder product charge cap, the Scottish Equitable Baillie Gifford 60/40 Worldwide fund may not be available to all customers.

Appendix 4: Disclosure of costs and charges

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.

About this illustration

We've made the following assumptions for the purposes of this example illustration:

- 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 (£133.34 each month increasing by 3.5% each year in line with assumed salary increases).
- We've shown the scheme default Universal Lifestyle Collection.
- We've also shown the North American and the Scottish Equitable Baillie Gifford 60/40.
- Worldwide Equity to show funds with lower and higher charges for comparison.

Years	Universal Lifestyle Collection		North American		Scottish Equitable Baillie Gifford 60/40 Worldwide Equity	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1600	1600	1610	1600	1610	1600
3	5020	4960	5040	4990	5040	4960
5	8720	8550	8780	8620	8780	8540
10	19300	18500	19600	18800	19600	18500
15	32000	30200	32800	31000	32800	30100
20	47300	43700	48900	45200	48900	43600
25	65600	59300	68300	61900	68300	59200
30	87200	77300	91600	81400	91600	77000
35	112000	97900	119000	104000	119000	97500
40	143000	121000	152000	130000	152000	121000
45	178000	148000	192000	160000	192000	147000
49	211000	172000	229000	188000	229000	171000

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.

Appendix 4: Disclosure of costs and charges

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 you invest in over time.

Fund transactional costs and charges total (%)

	Aegon BlackRock Lifepath Flexi (Default)	Aegon BlackRock UK Equity Index (BLK)	Aegon Schroders Global Emerging Markets (BLK)
Growth	-1.30% to 3.00%*	3.00%	2.99%
AMC	0.26%	0.20%	1.19%
AAE	0.00%	0.00%	0.20%
TC	0.07%	0.08%	0.25%

*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 average of the actual annual transaction costs for the period 01/01/19 to 31/12/23.

Appendix 4: Disclosure of costs and charges

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.

	Aegon BlackRock Lifepath Flexi (Default)		Aegon BlackRock UK Equity Index (BLK)		Aegon Schroders Global Emerging Markets (BLK)	
Years	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1600	1597	1610	1608	1610	1596
3	4954	4929	5045	5023	5045	4918
5	8520	8449	8780	8717	8780	8420
10	18435	18131	19575	19295	19575	18006
15	29916	29180	32743	32037	32743	28880
20	43153	41744	48704	47298	48704	41175
25	58358	55985	67945	65480	67945	55037
30	75763	72083	91033	87048	91033	70622
35	95629	90231	118627	112536	118627	88106
40	118241	110643	151491	142554	151491	107675
45	143917	133553	190512	177803	190512	129536
49	166899	153851	226851	210305	226851	148826

About this illustration

Your current age is 16 and retirement age is 65. This is based on the age of the youngest person in the scheme.

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

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

We've shown the default Aegon BlackRock Lifepath Flexi option that the majority of members invest in.

We've also shown the Aegon BlackRock UK Equity Index (BLK) fund and the Aegon Schroders Global Emerging Markets (BLK) fund to show the funds with the lowest and highest charges.

Appendix 4: Disclosure of costs and charges

The value of your investments will grow at a rate appropriate to the funds you're 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) you're 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.

Appendix 4: Disclosure of costs and charges

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 you invest in over time.

Fund transactional charges and costs total (%)

	Aegon BlackRock Lifepath Flexi (Default)	Aegon BlackRock Pre-Retirement (BLK)	Aegon Property (BLK)
Growth	-1.30% to 3.00%*	2.57%	2.85%
AMC	0.36%	0.25%	1.01%
AAE	0.00%	0.00%	0.00%
TC	0.07%	0.08%	0.07%

*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 average of the actual annual transaction costs for the period 01/01/19 to 31/12/23.

Appendix 4: Disclosure of costs and charges

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.

About this illustration

Your current age is 16 and retirement age is 65. This is based on the age of the youngest person in the scheme.

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

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

We've shown the default Aegon BlackRock Lifepath Flexi option that the majority of members invest in.

We've also shown the Aegon BlackRock Pre-Retirement (BLK) fund and the Aegon AM Property (BLK) fund to show the funds with the lowest and highest charges.

	Aegon BlackRock Lifepath Flexi (Default)		Aegon BlackRock Pre-Retirement (BLK)		Aegon Property (BLK)	
Years	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1600	1596	1607	1604	1609	1599
3	4954	4921	5014	4989	5030	4946
5	8520	8428	8693	8620	8737	8498
10	18435	18040	19186	18865	19379	18341
15	29916	28961	31767	30970	32251	29687
20	43153	41329	46762	45196	47721	42713
25	58358	55292	64548	61840	66220	57614
30	75763	71015	85552	81238	88240	74605
35	95629	88675	110264	103766	114351	93923
40	118241	108470	139244	129849	145208	115831
45	143917	130610	173129	159964	181564	140618
49	166899	150167	204254	187319	215187	162733

Investment growth

The value of your investments will grow at a rate appropriate to the funds you're 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) you're 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**.

Appendix 5

Glossary

Appendix 5: Glossary

Annuity: At retirement, members can buy an annuity with their pension savings. An annuity is a guaranteed yearly income for life. Once purchased, members have the security of knowing that their money won't run out in retirement.

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.

Auto-enrolment: All employers, by law, must provide certain employees with a workplace pension scheme and make regular contributions for them if they are:

- classed as a 'worker'
- aged between 22 and the current State Pension age
- earn at least £10,000 a year
- usually work in the UK

Benchmark: Benchmarks are used to measure a fund's performance against similar types of investments, similar markets or regions.

Beneficiary: The recipient of a cash sum paid out from a pension following the death of the policyholder. Members can nominate who they would like their beneficiaries to be.

Biodiversity: Diversity within species, between species and of ecosystems.

Contributions: Payments made to a pension pot, usually paid monthly and invested into funds linked to a variety of different investment asset types.

Core financial transactions: Include (but not limited to) investment of contributions, transfer of members' assets to and from the scheme, switching between investments within the scheme, and payments out of the scheme to members/beneficiaries.

Default fund: A default fund (or default investment strategy) is a type of lifestyle fund that members of a workplace pension scheme are automatically invested in if they don't select a fund when joining the workplace scheme. Lifestyle funds are designed for savers who don't make active fund choices throughout their working life.

Drawdown: A drawdown pension lets the policyholder keep their money invested, and take a regular income or a lump sum. The income provided will vary depending on the fund's performance, and isn't guaranteed to last the policyholder's lifetime (unlike an annuity).

Environmental, Social, and Governance (ESG): How companies choose to respond to ESG issues, such as climate change, diversity & inclusion and human rights, could ultimately influence investment returns
and the ability of your pension to provide a reliable income for you in retirement.

- Environmental – looks at how companies manage risks, such as climate change and waste & pollution, or take opportunities, such as the move to renewable energy.
- Social – relates to a company's effect on individuals and society and covers factors such as human rights and labour standards, diversity, equity and inclusion or workplace safety.
- Governance – good governance ensures a company's management team and its board look beyond short-term financial interests alone to make decisions based on a high ethical standard, covering factors such as board structure and remuneration.

Environmental, social and governance (ESG) screens: ESG screens exclude investments based on set criteria such as exposure to weapons, tobacco, UN Global Compact violators, thermal coal, oil sands or gambling.

Environmental, social and governance (ESG) tilts: ESG tilts favour investments in companies with high ESG scores and reduce exposure to companies with low ESG scores. ESG tilts may reduce the carbon footprint of a portfolio by decreasing exposure to carbon-intensive companies and favouring carbon-efficient or low-carbon assets.

Explicit costs: Where a known monetary amount is paid when the fund buys and sell 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.

Appendix 4: Glossary

Expression of wish (in relation to ESG): The process by which Aegon describes to key fund managers its voting preferences for key resolutions, including climate-related ones. The aim is for fund managers to align with Aegon's positions and, consequently, it expects them to exercise their voting rights and responsibilities in line with Aegon's expressions.

Financial Conduct Authority (FCA): Financial regulator with oversight of the financial services industry.

Glidepath: An investment strategy that automatically moves investments from growth funds (stocks and shares) into less risky assets as an investor approaches retirement

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

Investment Pathway: Four specific investment choices available to members at the point of retirement, to align their investment with their retirement objectives, over a five-year time horizon.

Lifestyle funds: See explanation for glidepath.

Objectives: The fund objective explains how the fund invests and what it's trying to achieve for investors.

Quartiles: Performance is measured using **quartile** rankings which shows how a fund is performing against the relevant investment sector or universe if the performance figures were divided into four sections (quartiles). First or second quartiles indicate good performance in relation to comparable funds on the market.

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.

Stewardship: Stewardship is a powerful tool that fund managers can use to influence corporate behaviour, engaging with the companies they invest in to make your money talk on your behalf. They can vote on the re-election of board directors, and challenge companies on weak employment practices or poor environmental records.

Value for Money: The FCA requires us to assess and report on the Value for Money delivered by Aegon to its workplace pension members and Investment Pathways customers through assessing costs and charges, investment performance and quality of service.

Workplace pension: Employers must set up a workplace pension scheme by law – see auto-enrolment. A workplace pension is a tax efficient way of saving for retirement that's set up through an individual's employer, and is a term used to describe all forms of pension scheme offered by an employer. Contributions to the pension pot are usually paid in by the individual and their employer each month. The minimum pension age for taking benefits from a pension is usually 55 – this is rising to age 57 from 6 April 2028.