

# Value for money

Delivering for you, Aegon's  
workplace pension customers

Independent Governance Committee of Aegon  
Annual Report Summary 2018/2019





**We are pleased to share with you the fourth annual report from Aegon’s Independent Governance Committee. This short report provides an overview of our work during the year and our conclusions.**

We have also published our main report which provides more details. You can access the full report [here](#)

Over the last four years, we’ve put in place strong standards and collected extensive information so we have a full picture of Aegon’s performance in the key areas that you have told us are of most importance to you. These cover the service and support Aegon provides to you, the charges taken from your pension fund, the performance of the funds you invest your money in, how Aegon communicates with you and the security of your money and data.

All these areas are critical to ensuring your pension offers value for money and provides good customer outcomes. We monitor Aegon’s performance closely in all these key areas. You can read more about these later and there’s a more detailed review in our main report.

**As part of this, we selected some specific areas to focus on this year:**

- We gathered information on the total costs and charges of the funds you invest in, including new information on fund-level ‘transaction costs’, to gain a fuller insight on whether these offer fair value, compared to overall investment returns.
- We studied the outcome of Aegon’s communication review to understand how this is being used to improve communications with you, Aegon’s customers, to help you better understand and ‘engage’ with your pension.
- We spent time understanding the results of Aegon customer research and how it is using the findings for the benefit of Aegon’s customers.

We summarise our conclusions across these areas below.

## Cost of Investment

The last 12 months has seen a period of significant economic and political change across the globe, including within the UK with uncertainty over Brexit. This has led to investment markets being volatile, particularly in the final quarter of 2018, and investment values have generally fallen. Pensions invest in these markets so you may have seen this affecting your pension fund value.

The losses over Q4 resulted in most pension fund values falling over 2018 as a whole. When you save in a pension, it's typically for many years. The 2018 fall comes after good returns in previous years. The last year markets generally fell was 2008.

Our IGC has focused on ensuring the funds made available to you, are being overseen effectively by the Aegon Management Investment Committee (MIC), and that the total costs represent fair value for money.

Throughout the year we have assessed the investment decisions made by the MIC, who is responsible for the ongoing governance of all Aegon's pension funds. These funds are typically managed by fund managers outside of Aegon but Aegon is responsible for overseeing them. At each IGC meeting, Aegon's Investment Director updates the Committee on the performance of Aegon's pension funds and any changes that have been made.

Overall we are satisfied that Aegon is acting in your best interests by following a robust and clearly defined process.

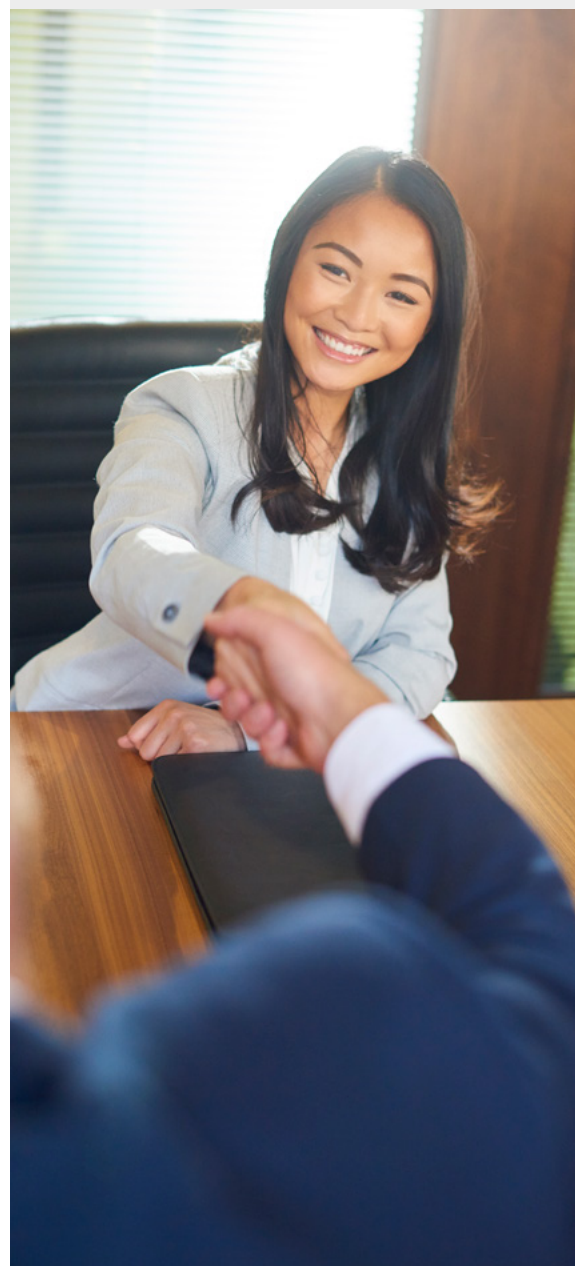
We gathered information on the total costs and charges of the funds you invest in. This meant we needed new information on fund-level 'transaction costs', to gain a fuller insight on whether these offer fair value, compared to the funds' overall investment returns.

Funds need to carry out transactions to buy and sell investments. Transaction costs vary by fund depending on the type of investment that the fund holds, how frequently the fund manager buys and sells the underlying investments and the funds overall objective, for example if it is trying to 'track' a particular stock market or to make more active investment decisions. It is important to consider transaction costs and other charges against investment performance as higher costs and charges which generate better investment performance can represent good value for money.

Aegon relies on other fund managers outside Aegon to provide transaction costs for its funds and it has taken a while to get a regular system in place. We are satisfied that it is now established and will provide a regular flow of data which will allow our IGC to carry out a robust analysis going forward. Our initial conclusion is that on the information available to us, the total costs you pay for the funds Aegon offers you are reasonable and in line with what we would expect relative to the market. We will be carrying out rigorous analysis next year as more data is forthcoming.

Further details of our assessment on transaction costs and other charges alongside investment returns are set out in the main report.

**“Our initial conclusion is that on the information available to us, the total costs you pay for the funds Aegon offers you are reasonable and in line with what we would expect relative to the market.”**



## Customer Communications

In last year's report we highlighted we would examine the outcome of a communication review being carried out by Aegon to improve customer communications. This was the one area we felt Aegon could make significant improvements in and this was reflected in the Amber rating we awarded last year for communications.



Saving for retirement can be a complex topic and communicating clearly and in an engaging way has proved to be a difficult area across the industry. However, it is a very important area and it's critical we keep pushing Aegon to improve how and when it communicates with you to help you understand and engage with your pension.



We are very encouraged to see a number of improvements Aegon is making, whether when customers join schemes or as they approach retirement. Aegon has focussed first on making these improvements to new customers on its Digital platform. We are challenging Aegon to extend these improvements to reach all workplace customers.



We encourage you to use the tools and materials Aegon offers to better understand your pension plan. We will continue to challenge Aegon to promote these and ensure they are easy to access and understand. We include some links to tools and other material in our main report.



## Customer Research

We believe it is vital that Aegon understands the evolving needs and requirements of you, its workplace customers, and responds to these. During the year we have studied the findings of customer research Aegon has carried out, and discussed with Aegon what actions it has taken as a result to further improve customer outcomes.













We have been impressed by the quality and quantity of focused research that Aegon has invested in over the last year. We particularly welcomed a joint project with the Confederation of British Industry (CBI) into [employer views on employee engagement with their workplace pensions](#) and research commissioned from the Centre for Economics and Business Research (CEBR) into [financial wellbeing in the workplace](#).



**We look forward to monitoring how Aegon is using these research findings to shape their pension scheme offering and communications to improve outcomes for you.**

## Overview of Value for Money assessment

Value for Money principle	Our key challenges to Aegon	Outcome
Fair Charges for services received  	Provide a detailed breakdown to demonstrate the charges applied across the Aegon book are fair.	We received data so we could carry out a full review of the charges paid by the 1.7m workplace customers in the Aegon book. We concluded they are fair and in line with the terms offered by Aegon's peers.
Valuable Investment Solutions  	Show us how you make sure the funds of most importance to workplace customers are performing as you'd expect.	Aegon shares information on its MIC decisions and actions it takes to address any underperforming funds. We are satisfied with the rigour of its investment governance.
	Obtain transaction costs from all fund managers.	The process for fund managers to provide the required data on fund level transaction costs took longer than we had hoped, but we are satisfied that systems are now in place to allow our IGC to carry out robust analysis going forward. The delay in receiving this information limited the time we had to carry out as detailed a review as we would have liked. This is an area that can improve therefore we have ranked this principle as Amber.
	Provide analysis of the transaction costs received.	Based on the information available to us, the total costs you pay for the funds Aegon offers you are reasonable and in line with what we would expect relative to the market.
Quality Benefits and Services  	Demonstrate how Aegon is responding to customer demand for improved services.	We carried out a detailed review of the Customer Service areas and performance across Aegon and are satisfied that Aegon is meeting your evolving demands for improved services. We're pleased with the improvements Aegon has made including more efficient resolution of queries and the increased use of technology.
	Demonstrate that Aegon is meeting the service standards expected in the workplace market	We have reviewed the progress of key measures of customer satisfaction and are satisfied the level of service offered to workplace customers remains good.
Communication and Engagement with customers  	Provide details of the Aegon communication review and how this is being used to improve customer communications helping customers engage with their pension plans	We are pleased with the improvements made but we want all, not just some, of Aegon's workplace customers to benefit from these improved communications.
Security of customer information and money  	Provide the IGC with regular updates on how Aegon keeps customer information and money safe	We are satisfied that Aegon is taking strong steps to keep your information and money secure.



## Conclusion

Our conclusion is that Aegon is on the whole delivering value for money to workplace pension customers, but more needs to be done in some areas.

We have seen significant progress in the key area of customer communication and are challenging Aegon to extend these improvements to reach all workplace customers. We have been impressed by the quality and quantity of focused research that Aegon has invested in over the last year and look forward to seeing how the findings are used to improve outcomes for you.

Whilst 2018 has been disappointing for investment markets, the performance of key Aegon default funds has been in line with market benchmarks although there are areas for improvement and we will closely monitor the actions the Aegon MIC take to address these.

Aegon has now established with fund managers a process to provide the required data on fund transaction costs. Although this took longer than we would have liked, it will now enable us to carry out a full analysis of the total costs you are paying.

**“Our conclusion is that Aegon is on the whole delivering value for money to workplace pension customers, but more needs to be done in some areas.”**

### Looking forward to next year, we will be paying particular attention to the following:

- Monitor closely the total costs and charges of the funds Aegon provides for you to invest in and confirm if they are reasonable, relative to investment performance, and deliver value for money.
- Study what Aegon is doing to make customer communications more engaging, and how it can extend improvements to all workplace customers.
- Make sure Aegon continues to provide the service levels and information you require as its operations grow.

As always we are very keen to hear from Aegon’s customers, to understand your needs and opinions, and to drive better outcomes for all Aegon’s workplace customers. You can share these by emailing us at [igc@aegon.co.uk](mailto:igc@aegon.co.uk)