

# Continuing to Deliver Value For Money for Aegon UK's Workplace Pension Customers



**Second Annual Report**

Independent Governance Committee of Aegon UK  
2017

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## Chairman's statement



Welcome to the second Annual Report from Aegon UK's Independent Governance Committee (or 'IGC'). Having served as Chair for two years now, I am pleased to be able to report the ongoing progress Aegon UK is making in delivering value for money within employer pension schemes that help members save for their retirement. As an IGC, we continue to put you, Aegon UK's customers, at the heart of all our activities. If you are a member of a workplace personal pension with Aegon UK, this report is for you.

In this year's report, we explain what progress Aegon UK has made since our first report last April. We highlight what the IGC has investigated, what it found, recommendations made to Aegon UK and how Aegon UK has responded.

Our IGC is made up of three independent members and two from Aegon UK. As Chair, I'm one of the independent members. All of our independent members remain unchanged since we were set up. During this year, Aegon UK made changes to the members it appoints, reflecting changed roles within Aegon UK. I am pleased to welcome Paul Bucksey and Dougy Grant as the new Aegon UK members and am confident we continue collectively to have the right blend of skills from across the pension and customer service industries to make judgements around value for money.

One of our first tasks, when formed in April 2015, was to consider what value for money means for members of workplace personal pensions. With Aegon UK, we carried out research amongst members. There's no single or simple definition – it means different things to different people, but we remain clear that it is not just about charges. Based on the research, we set out our value for money principles which, in summary, cover:

- a fair charge for services received;
- valuable investment solutions;
- quality benefits and services; and
- effective communication and engagement with customers.

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**“One point brought out very clearly is the concerns members across the UK have about the security of their pension.”**

This year, I was particularly pleased that we participated with 10 other IGCs and their providers in a major piece of cross-industry research with a total of over 15,000 pension scheme members. The key aim was to gain a deeper understanding of what workplace pension scheme members across the industry view as value for money. In January 2017, we received the findings and discussed these in depth with the researchers. We cover what we've learnt in this year's report.

One point brought out very clearly in the research study is the concerns members of workplace pension schemes across the UK have about the security of their pension. In our report we explain the security having your pension with Aegon UK provides, and will be amending our principles next year to report back more fully on security aspects.

The research also showed how important it is that providers and employers help people take a keener interest in their pensions as this can really improve retirement outcomes. We are committed to ensuring that effective communications is one of our key value for money principles.

Our IGC has also paid close attention to the work of other IGCs, and reviewed the reports they issued last year. We will continue to learn from other IGCs as we challenge Aegon UK. It was very rewarding to have our IGC and its first report recognised when in November, we won **Pension Insight** magazine's IGC of the year award.

In our first year's assessment, our overall conclusion was Aegon UK was already taking actions to deliver improvements in value for money to its customers. The two key initiatives supporting our findings were:

- going further than government requirements in cutting charges for workplace personal pension schemes; and
- proactively 'upgrading' existing customers' pensions to its more modern 'platform' which is in line with our IGC value for money principles.

We have received detailed updates which show these initiatives continue to progress well, in line with Aegon UK's plans.

This year, we've challenged Aegon UK's plans in more detail including:

- the treatment of customers who have stopped paying into their pension and have a small fund with Aegon UK;
- how Aegon UK monitors the level and value of 'transaction costs' within the investment funds pension customers invest in; and
- seeking evidence of members 'engaging', understanding and getting the most out of their pensions after Aegon UK has upgraded them to its new platform.

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**“The research also showed how important it is that providers and employers help people take a keener interest in their pensions as this can really improve retirement outcomes.”**

We cover these and other points in our report. We remain satisfied that Aegon UK is delivering value for money and taking the right actions to continue to do so. As an indication of this, Aegon UK has provided evidence that over 1 million of its workplace customers satisfy our value for money charges principle. This represents 87% of customers who are governed by the IGC. The situation continues to improve every month, but of course, we'll always be looking for further improvements, ensuring Aegon UK stays firmly focused on its customers' needs in our complex and challenging environment.

In the year ahead, we will continue to challenge Aegon UK, championing the importance of value for money for you, Aegon UK's workplace pension customers. We set out our plans for the coming year in the report. I would like to express my gratitude to Aegon UK employees who provide ongoing support for our IGC's activities and for their openness and diligence in responding to our challenges.

Finally, can I stress again that we greatly appreciate all contact we have with Aegon UK's customers. We want to really understand your needs and views, and you can share these by emailing us at [igc@aegon.co.uk](mailto:igc@aegon.co.uk) – we'd be delighted to hear from you.



**Ian Pittaway**

Chairman of Aegon UK's  
Independent Governance Committee

**Contact us**

Email us: [igc@aegon.co.uk](mailto:igc@aegon.co.uk)

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**“Aegon UK  
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evidence that  
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# 1. Challenging Aegon UK to meet our value for money principles

As reported last year, our IGC has set out 10 value for money principles for Aegon UK to follow. We reviewed these against the principles other IGCs had developed and decided they remained appropriate for 2016/17. You can read these in Appendix 1.

We regularly assess how well Aegon UK is doing against those principles using a value for money 'dashboard'. In this part of our report, we have summarised the findings under each of the broader value for money headings in our principles.

We have challenged Aegon UK on a range of topics. These challenges include asking for evidence or data to demonstrate performance. We also ask for detailed information to understand why Aegon UK took, or plans to take, certain decisions. We have also challenged Aegon UK to do things differently. We refer to these throughout our report and summarise the key challenges and Aegon UK's responses in the table below. You'll find more detail later in the report.

## Our key challenges and Aegon UK's responses

 Topic	 IGC's challenge	 Aegon UK's response/action	 What this means for customers
Upgrade programme progress	Is upgrade progressing to the timeline you shared with us?	Regular updates have demonstrated progress to plan	Customers who are upgraded benefit from a modern digital proposition and services with simpler and lower charges
Review of Workplace Pensions (RWP) programme progress	Is the RWP programme progressing to timeline?	Regular updates have demonstrated progress to plan	Members of auto-enrolment schemes will not be charged more than 0.75% of their fund each year
Treatment of customers not in the above programmes	Show us who is not included and explain why not	Explained most of those excluded have specific valuable features such as guarantees that they would lose if moved	We are checking that customers' existing plan continues to offer value for money
Customers with small funds	Demonstrate what you are doing to ensure they receive value for money	Commitment to review charges for customer with small funds across the full Aegon UK portfolio and to implement any changes during 2017	Customers with small funds will have reassurance their charges have been reviewed
Default funds	Provide more information on how these are selected and monitored	Investment Director provided detailed explanations and shared Aegon UK's approaches	We are making sure Aegon UK is offering investment funds which are designed and maintained for people who don't make specific investment choices

 Topic	 IGC's challenge	 Aegon UK's response/action	 What this means for customers
Investment fund governance	Demonstrate to us you have strong governance over the investment funds you offer workplace pension members	Demonstrated robust governance to Colin Richardson through his attendance at a meeting of the Aegon UK Management Investment Committee	Customers can have confidence their investment funds are well governed with action taken if they are not performing well
Investment 'transaction costs'	Provide more detail on transaction costs for default funds and present us with benchmarks	Provided information on its five largest default funds and demonstrated the costs were in line with other similar funds	We are investigating to make sure fund managers are not running up excessive transaction costs which would mean your investment returns suffer
With profits	Provide us with greater insight into Aegon UK's handling of with profits policyholders and the value they receive	Held a meeting with Aegon UK's With Profits Committee and agreed to regular contact on with profits issues	We are taking an interest in making sure with profits customers are being looked after and receiving value for money
Service standards	Show us how you assess if your service standards are what your customers would expect	Provided us with customer feedback and actions taken as a result of this	Aegon UK is making sure it understands customers' service needs
Customer views after being upgraded	Provide us with data on how customers feel after being upgraded	Statistics provided on member actions after being upgraded	Making sure customers who are upgraded are more satisfied with their new pension
Communications to workplace pension members	Explain your communications strategy and provide us with examples of workplace communications	Provided insights into strategy and examples of specific communications, including how successful these were proving	Clearer and more helpful communications to customers
Responding to customer feedback	Show us examples of actions you've taken from wider customer feedback (beyond service standards)	Range of examples provided which demonstrate Aegon UK encourages feedback and is taking action	Customer feedback is listened to and action taken
Aegon UK's business acquisitions	Demonstrate your acquisitions have not reduced your focus on value for money for workplace pension members	Shared strategic plans and protections in place to ensure the programmes delivering value for money for workplace pensions are not affected	Confident that Aegon UK continues to focus on its workplace pension members

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**“Because your funds are held securely by Aegon UK, your pension should be safe even if your employer were to have difficulties.”**

### Cross-industry research

Earlier this year, we received the findings of a major research project we participated in, along with 10 other IGCs and their providers. We also had discussions with Aegon UK regarding its own research amongst its wider customer base, not solely with workplace pension members. Amongst other things, both these found customers value knowing their pension funds are ‘secure’. As a result, we are planning to amend our principles for 2017/18 to specifically include a principle around the security of your pension with Aegon UK.

Aegon UK is regulated by the Prudential Regulatory Authority which requires it to demonstrate financial strength. Furthermore, because your funds are held securely by Aegon UK, your pension should also be safe even if your employer were to have difficulties.

We will examine the broader topic of security in more detail and report back next year.



### Fair charge for services received

We receive regular detailed progress updates on Aegon UK’s key initiatives to deliver value for money. These include moving customers on to its modern digital platform (its ‘upgrade’ programme) and progress with ensuring all customers are benefiting from the Government’s recent restrictions on charges within workplace pensions (its Review of Workplace Pensions or RWP programme). We explained these in detail in last year’s report. For ease of reference, we’ve included extracts from last year’s report in identifiable grey boxes. See extracts 1 and 2 for a reminder.

2016: extract 1

In our first year of operation, we focussed on reviewing and challenging the plans Aegon UK has to address industry-wide value for money concerns.

Before our formation, Aegon UK was already taking forward two key initiatives, which it believes will deliver improved value for money. These initiatives make sure its workplace pension schemes are meeting, and indeed often exceeding, new government and regulatory requirements to limit the amount that members of workplace pension schemes are charged, while also removing more complex charging structures. It is also moving the administration of customers’ policies to a more modern system or ‘digital platform’ with lower or simpler charges and better interactive features.

On the basis of these discussions and evidence, we confirmed to Aegon UK’s Board that we supported its plans and agreed them as an appropriate method of delivering value for money, addressing the broader industry concerns of the Independent Project Board.

### Upgrading customers to a modern digital platform

Aegon UK has told us that it is determined to move as many as possible of its existing customers into more modern products run on its latest technology, to give those customers the same benefits as new customers receive. The new 'platform' offers a range of benefits that have been specifically designed around the customer for a better experience, including:

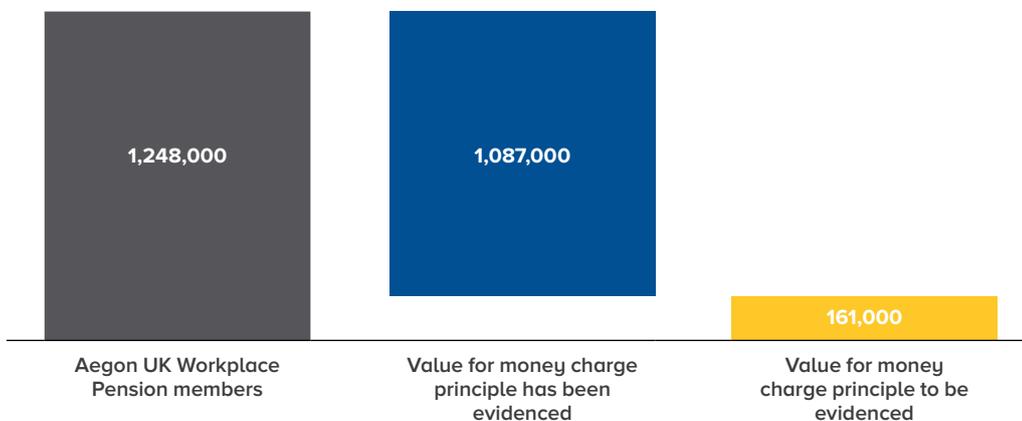
- Providing customers with modern pension solutions, that offer flexibility and put the customer in control
- Clearer communications and better customer interaction
- Providing products which have simpler and more transparent charges

Independent comment received by the IGC regarding this 'platform' have been positive and the IGC welcomes the investment Aegon UK has made in continuing to develop this.

At each of our meetings over the last 12 months we have challenged Aegon UK on whether their projects are progressing in line with their plans, and delivering as intended. Based on evidence provided, we're satisfied they are.

As an indication of this, Aegon UK has provided evidence that over 1 million of its workplace customers satisfy our value for money charges principle. This represents 87% of customers who are governed by the IGC.

We asked Aegon UK to show us any groups of customers who are not part of these programmes, to explain why and to show us they are also receiving value for money. There are two groups of customers who are not covered, those with valuable benefits such as guarantees, and those no longer paying into their pension who have left behind very small funds.



**“We challenged Aegon UK to review its approach to charges for those with small funds. It is reviewing ongoing policy charges against the ongoing costs of administering the policy.”**



**Colin Richardson**

(Independent member) – Client Director of PTL

**“The IGC needs to consider all aspects of value for money, including financial aspects such as investment governance and charges, and qualitative aspects of the whole customer experience and engagement. The IGC is well placed to do this and to challenge Aegon UK on areas for improvement.”**

The customers who are excluded due to having valuable benefits such as guarantees that they would lose if moved, include those invested in with profits funds which we describe below. We accept that there are good reasons for not including these groups, but once Aegon UK’s key programmes are fully implemented, we will ask them to investigate and demonstrate to us that the valuable benefits are ‘value for money’ for any extra charge.

**With Profits**

A key group of customers not included in either initiative are those invested in one of Aegon UK’s with profits funds. We referred to this group in last year’s report – see extract 3. These are looked after by the Aegon UK Board and also by the Scottish Equitable Policyholders Trust, which has a specific duty to ensure with profits policyholders are treated fairly. We have met with the Chair of SEPT to gain a fuller understanding of how this part of Aegon UK’s business is managed and to ensure the extra benefits with profits customers receive justify the additional charges and so are in line with our views on value for money. We have satisfied ourselves that SEPT operates very robust processes. We have agreed to meet regularly with SEPT and will keep a close interest in SEPT’s work and in any actions Aegon UK considers for with profits customers in future.

2016: extract 3

**Customers invested in With Profits funds**

There are some customers who have investments in one of Aegon UK’s With Profits funds, which are no longer available to new customers. These funds offer customers valuable guarantees. Some receive a minimum guaranteed return of 4% each year provided they stay until their originally planned retirement age. We note the valuable guarantees members benefit from within these funds. We agree losing these guarantees would not usually be in the interest of members and therefore support Aegon UK’s decision to leave these members where they are and not move them to their new platform.

## Members with small funds

The other group we identified for further examination, to check whether Aegon UK was offering value for money was members who are no longer paying into their pension and have left behind particularly small funds. We challenged Aegon UK to review its approach to charges for those with small funds and to present to us its findings.

Aegon UK agrees this needs to be looked at and is keen to take a consistent approach to those with small funds across all of its policyholders, not just those within the scope of the IGC. It is reviewing this wider population to assess the ongoing policy charges against the ongoing costs of administering the policy. It is also considering how best to communicate with those in this group who might wish to consider taking actions. We await details of precisely how Aegon UK proposes to proceed. They have committed to implement any agreed changes during 2017.

## Valuable investment solutions

### Looking after your investments where you've not made an active choice

In our report last year, we discussed Aegon UK's investment funds. In the last 12 months, we asked for, and received, additional information on how Aegon UK looks after the investments of those who don't make an active investment choice. This is often referred to as investing in the 'default fund'. We wanted to explore how these funds are selected, designed, explained to customers and managed on an ongoing basis to meet the needs of customers generally. Aegon UK is changing its default funds to reflect new pension freedoms under which individuals have much more choice around how to take the proceeds from age 55. We have received detailed updates on these changes and when they will be delivered to customers.

As people approach retirement, it is a good idea to look at where their fund is invested and to change underlying investments. Historically, individuals would buy an annuity on retirement but people now have wider choices and can instead draw down regular income or take the full fund in one or more cash payments. If individuals have decided in advance which route they plan to take, Aegon UK has designed new funds that move their investments accordingly. But many people don't reach a decision until they are about to retire and for them, Aegon UK has changed the 'default' to invest in a way that is more likely to give a good outcome however an individual takes their retirement income.

These new funds are already on offer to new members and Aegon UK now wants to provide the same options to those who are already invested in a default fund. We are pleased Aegon UK is planning to actively help existing customers adapt their investment plans to reflect the new pension freedoms.

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**“We are pleased Aegon UK is planning to actively help existing customers adapt their investment plans to reflect the pension new freedoms.”**

## Investment governance

Whether a fund is a default fund or one that customers can select for themselves, it's important that the pension scheme provider keeps these funds and how they're performing under review. Aegon UK does this through its Management Investment Committee supported by external independent advice. Aegon UK's investment governance is based on its 'fund promise' for customers:

- We aim to offer high quality funds which meet customer objectives.
- We monitor funds to check if they perform as expected.
- We take action if funds don't meet expectations.
- We give customers the facts they need to make decisions.

We were keen to have first-hand experience of how the MIC works and Colin Richardson, one of our independent members, attended a committee meeting in April 2016. Here are his observations:



**Colin Richardson**  
(Independent member)  
– Client Director of PTL

“The IGC needs to assess the design and successful operation of Aegon UK's default investment funds, and also how Aegon UK reviews the investment performance of all funds and takes actions where change is necessary.

“The Aegon UK Management Investment Committee (MIC) takes the leading role in these functions, using analysis, reports and recommendations from the Aegon UK investment team. The MIC has a wide membership including senior roles of Chief Executive, Chief Financial Officer and Chief Risk Officer.

“I was pleased to attend the April 2016 MIC and to review its considerations and decisions. These include the continuing choice of investment funds available to you; changes and replacements; and the design of investment strategies through the various stages of policies' lifetimes. The MIC reviews performance of all funds and also investment costs. The investment team provides analysis and detailed reports on headline performance, risk factors and other measures. The investment team is cross-examined at the MIC and has to robustly justify its recommendations for approval.

“My view, which is shared by the IGC, is that the MIC is well equipped to assess the investment needs of customers. Considerable emphasis is given to protecting your interests. The MIC received extensive analysis on which to base their decision around changes to default investment funds for the future.

“The MIC takes difficult and important decisions and I was pleased to witness robust debate. At times, proposals for example for new default funds are rejected for reasons of design or cost to members which is healthy. I was particularly gratified to witness the MIC prioritising your interest above Aegon UK's commercial interests in these investment decisions.”

Aegon UK's Investment Director will provide the IGC with key summaries and meeting reports on subjects relevant to the IGC role as well as regularly attending IGC meetings to discuss the main investment governance subjects under consideration.

## Transaction costs

IGCs are responsible for reviewing the value for money of the costs fund managers incur when buying and selling stocks and shares within pension funds. All funds do need to buy and sell stocks and shares and good investment decisions around what to hold and sell, promptly executed, can boost performance.

Some 'transaction costs' are more readily measurable than others and in October 2016, the Financial Conduct Authority (the UK regulator) set out proposals for a standard method of calculating all transaction costs. Our IGC and Aegon UK have taken a keen interest in this. We hope, in the coming year, fund managers from across the UK will produce full information on the standard basis allowing us to report to you on our assessment of the value for money of transaction costs.

In the meantime, we were not prepared to delay investigating transaction costs and asked Aegon UK to provide as much data as it could, including by requesting information from other 'external' fund managers who manage funds for Aegon UK's customers. Aegon UK provided us with transaction cost information on its five largest default funds, covering more than 70% of its workplace members. Our current assessment is these costs look reasonable but we look forward to being able to carry out a fuller comparison against other funds once a standard calculation approach is agreed across the industry.

## Property funds

After the UK voted to leave the EU, some investors were keen to withdraw money from property funds. These funds typically hold physical properties which can take time to sell and this meant some people couldn't cash in their holdings or invest new money in property for a period. This included some funds that Aegon UK offers to workplace pension members. Aegon UK wrote to affected customers and by December 2016 had returned to usual trading. Aegon UK provided us with full details throughout and we are satisfied the approach taken was in the best interest of customers in an unusual investment period.



## Quality benefits and services

Aegon UK provides us with a regular dashboard of information on how well it is doing against the service standards it sets itself. This includes information on customer calls, times to deliver key processes, service levels, complaints data and administration systems performance. These all remain satisfactory.

We challenge Aegon UK to ensure it regularly checks the service standards it sets are what its customers expect. Aegon UK has shared with us its customer feedback for both its 'platform' and 'existing business' customers. While feedback is only one measure, we are pleased to see an improving picture. More significantly, we are pleased that Aegon UK is taking actions to make improvement based on the feedback it is receiving. We explain this further later in our report.

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**“We were not prepared to delay investigating transaction costs.”**

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**“We challenge Aegon UK to ensure it regularly checks the service standards it sets are what its customers expect.”**

**“For too long, the pensions industry has used complex language which discourages people from engaging.”**



## **Communication and engagement with customers**

The research we carried out jointly with other IGCs and their providers shows just how important helping customers engage with their pensions can be in delivering good retirement outcomes. We have delved deeper into Aegon UK’s approaches to communicating with its workplace pension customers, both on its platform and in its existing business. Aegon UK has shared with us the new approaches it is now taking.

All of Aegon UK’s communications seek to deliver on the five principles of clarity, relevance, timeliness, sufficient information to make informed decisions, and clearly communicating valuable attributes.

Looking specifically at workplace, Aegon UK’s key priorities in this area are:

- To track and understand the actions taken by those on its platform compared to those with older products.
- To constantly review and improve communication based on learnings.
- To encourage all customers to provide email addresses to improve customer contact.
- To encourage employers to adopt the role of pension scheme ‘ambassador’ to encourage employee action.

It is clear to us that Aegon UK’s upgrade programme is about innovating to help its existing customers achieve better outcomes. While Aegon UK believes strongly that upgrade is in the customers’ best interests, we have asked Aegon UK to demonstrate to us how upgrade has been received by customers and whether there was any signs of better member engagement.

- Customers have responded positively to upgrade, which can be evidenced by very low opt-out rates.
- Experience to date has shown that over half of customers paying ongoing contributions who are upgraded have ‘activated’ or gone online to use their new digital account, an improvement over how engaged customers were before.
- Through the activation process Aegon UK has obtained permission from many more customers to send them personalised and relevant communications.
- Monitoring activity post activation is important and results so far indicate that over a quarter of customers have returned to their online account and supporting content.

We have seen evidence of Aegon UK’s commitment to providing its workplace customers with tools and education material to empower them to get the most from their retirement savings.



### **Jo Causon**

(Independent member) – Chief Executive of the Institute of Customer Service

**“A key role for the IGC is to continue to challenge Aegon to ensure that it remains resolutely focused on understanding and delivering to customer needs as well as looking outside of the pension sector at what good customer service looks like.”**

Initial research shows a digital approach to communications is more efficient in responding to customer needs in a timely and relevant manner. However, it is important that Aegon UK also considers the needs of those customers who are currently used to paper-based communication or for whom Aegon UK has no email address.

We are pleased that Aegon UK recognises the importance of language and tone in its communications. For too long, the pensions industry has used complex language which discourages people from engaging. We welcome Aegon UK’s focus on continually exploring how best to express complex matters, meeting their legal requirements, while also helping build customer understanding.

One particular development Aegon UK has shared with us is its new approach to communicating with its with profits customers. When applying its five principles to with profits customers, Aegon UK is reviewing its yearly statements, pre-retirement packs and communications around switching and transfers and will make improvements where needed, starting in 2017. We will take a close interest in this.

The IGC also endorses Aegon UK’s focus on supporting employers to be ‘ambassadors’ of their workplace pension schemes. We were encouraged by data Aegon UK shared with us which shows how much more interest members take in their pension if the employer plays an active role in promoting the scheme.

Aegon UK has also shared with us its plans for an ‘Employee Academy’ which will support employees joining workplace pensions make best use of available tools and understand savings options. We will be monitoring the impact of this programme.

For those customers where it is not in their interests to move to Aegon UK’s new platform, we support Aegon UK’s initiative to collect email addresses which will then allow them to communicate by email with many of the benefits digital communications bring. We will be looking for updates from Aegon UK on how well this programme is progressing.

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### **Customer research**

We firmly believe any provider of workplace pensions must continually seek feedback from its customers, learn from this and take action. The research project with other IGCs and providers was a very important research initiative. In addition, we have challenged Aegon UK to show us evidence of how it obtains feedback. We have included some examples of improvements below. We are pleased Aegon UK has a ‘customer panel’ with which it conducts research and we are interested in understanding more about how Aegon UK is using this to learn and improve.

#### **‘Better conversation’ framework launched in contact centres**

Customer feedback to Aegon UK’s call centre suggested too much emphasis was being given to turnaround times rather than on offering higher quality, individualised responses. Aegon UK carried out more research on this in 2016 which confirmed their customers wanted an increased focus on quality rather than speed. Aegon UK brought in external parties to observe their contact centres and based on this, made important improvements to language and tone and to how to convey key points. When piloted across contact centres, customer satisfaction increased markedly. Using a measure called ‘Net Promoter Score’, the result was 19 points higher, which is a significant increase.

#### **‘Aegon Cares’ call-back programme launched**

Where customers expressed dissatisfaction, Aegon UK logged their concerns and fed this into broader improvement programmes but had no dedicated process to follow up with these specific customers to discuss and resolve their issues. They have recently put in place a full-time ‘Aegon Cares’ role which includes calling back those who’ve raised issues and also feeding back through Aegon Cares Twitter and Facebook pages. This has been a major success with those surveyed after being called back expressing a significant increase in satisfaction with Aegon UK’s service.

#### **Review of communication and documentation within Aegon UK’s claims process**

Aegon UK found its communication and documentation for claims processing was receiving poor feedback from a number of customers. They carried out detailed research with their customer panel to gain more understanding of where the weaknesses lay. They then brought in an external firm to review claims documentation and to gain wider insights into how they could improve their written communications. Aegon UK is in the process of agreeing improved communications and will research customer feedback afterwards to make sure they have addressed customer concerns.

#### **Website ‘log on’ enhancements**

Customers had told Aegon UK that the processes for logging onto their website could be improved and also highlighted where content could be changed to help them. Aegon UK has acted on this feedback and this has led to improvements in customer feedback.

## 2. The wider world of customers and pensions

When looking at value for money for pensions, we mustn't ignore trends in the wider world. Our experiences elsewhere shape what we expect from our pension scheme. Here, our IGC member, Jo Causon, shares her views on wider trends.

“We are living in unprecedented and uncertain times, with customers more switched on. Understandably, customers are challenging providers of goods and services more, calling for them to make things easier in a complex world where they have less money in their pockets. For me the importance of organisations proactively responding to this, to create the best possible customer experience, has never been greater.

“Organisations need to recognise their success hinges on a strong and sustained focus on improving their customers' experience. My own organisation's extensive research suggests a clear link between a focus on service, customer satisfaction scores and the performance of an organisation.

“In today's increasingly short-term world, with higher levels of competition, there is a real opportunity for organisations to continually research and measure the experiences their customers truly want and need. I am pleased to see the continued focus of the IGC on this, driving a much greater understanding of customer needs and preferences. There is always more to do and our job is never finished but Aegon UK appears to be committed to this agenda.”



**Jo Causon**

(Independent member)  
– Chief Executive of the  
Institute of Customer  
Service

### Defined Benefit Schemes

In other parts of the pension world, we have seen concerns raised about the security of 'defined benefit' pension schemes, partly as a result of the behaviours of certain employers but also because of the economic circumstances we face – low interest rates and volatile stocks and shares performance. The concerns over defined benefit schemes are not directly relevant to our activities but we appreciate they may have caused concerns for members of defined contribution workplace pensions too. When an employer offers a workplace pension run by Aegon UK, your funds are protected by Aegon UK and should be safe even if your employer runs into difficulties.

### Brexit

The UK's decision to leave the European Union could also have an impact on workplace pensions. The schemes we look into are 'defined contribution' pensions and as funds are partly or wholly invested in stocks and shares, their value is affected as stockmarkets rise and fall. We were pleased to see Aegon UK taking a proactive approach to communicating with its customers after the result of the referendum. This reminded those some way from retirement that they had a long investment horizon and there was no need to make rushed decisions. It also encouraged those about to retire to seek advice at a time of significant investment market volatility coupled with very low interest rates affecting annuity rates.

## 3. Aegon UK developments

This report and the work of the IGC is about workplace personal pensions. Aegon UK is part of the international Aegon UK group which provides life insurance, pensions and asset management in over 20 countries around the world. The Group serves millions of customers worldwide and has approximately €723 billion assets under management. The UK business, Aegon UK, has been in operation since 1831 and today, following its recent acquisitions, has around 2.75 million customers.

Figures correct as at March 2017

### Acquisitions

Over the last year, Aegon UK has made two significant acquisitions of BlackRock's Defined Contribution business and of Cofunds, one of the largest investment 'platforms' in the UK. Following these acquisitions, we wanted to be assured that Aegon UK was not reducing its focus on delivering value for money to its workplace members. We have discussed how Aegon UK ensures there is executive focus on both existing customers and new acquisitions. One positive aspect is that Aegon UK runs its 'existing business' separately from its new 'digital' business, with strong management structures within each. Dougy Grant, one of our new IGC members, is the Managing Director of 'Existing Business' and has provided further insight into the renewed emphasis on supporting customers here as well as on new systems. To support the integration of the acquisitions, Aegon UK has a dedicated integration director. The Chief Risk Officer has also explained how the business is ensuring it has firm controls over implementation risk.

Cofunds does not include workplace pensions, so our main interest is in whether work on integrating Cofunds will affect plans Aegon UK has in place for workplace pension members. We have already challenged Aegon UK on this and to date have been reassured there has been no impact. We will continue to monitor this.

The acquisition of BlackRock's Defined Contribution pensions business brings a new element to Aegon UK's workplace pensions offering. Previously, Aegon UK focused on 'contract-based' pensions which is the focus of IGCs. BlackRock has historically offered trust-based pensions including 'master trust' schemes, to larger employers, as well as contract-based pensions. We will be exploring carefully with Aegon UK if there are learnings to be taken from the BlackRock business to further enhance value for money in contract-based pensions. The existing BlackRock customers are continuing to be served from BlackRock's existing premises in Peterborough, providing continuity.

One of our independent members, Colin Richardson, also sits on BlackRock's IGC, as does Paul Bucksey, one of the Aegon UK members. We see no conflicts here and indeed see this as a strength in allowing greater learnings.

## 4. Our contact with Aegon UK's customers



### **Contact us to give us your views – please!**

We believe it's vitally important to hear from you as customers of Aegon UK, and also from employers and advisers, to understand your thoughts on the value for money of Aegon UK's workplace pensions.

Aegon UK has helped us put in place a simple way for you to contact us directly to give us your views on Aegon UK's value for money. You'll find this in our section of the Aegon UK website. We review the comments we receive and reflect these in our work.

We have also spent time with Aegon UK employees who answer your calls to their helpdesk. We also listened in to some of these calls. This allows us to hear direct from a range of people who interact and have contact with Aegon UK. We were very impressed by the professionalism, enthusiasm and genuine interest Aegon UK's team showed its customers. Aegon UK had told us its focus was on offering a quality service rather than setting targets for quicker call handling times and this was very clear to us, with real customer benefits.

We firmly believe that providing a high quality helpdesk service, run by professional employees, is a key part of value for money.

### **How to contact Aegon UK (if your query is for them)**

You can do this by telephone on 03456 10 00 10, or in writing to Customer Services, Aegon, Edinburgh Park, Edinburgh, EH12 9SE.

### **Contact us**

Email us: [igc@aegon.co.uk](mailto:igc@aegon.co.uk)

## 5. Cross-industry member research

We were very pleased to have participated in the cross-industry member research exercise with other IGCs and their providers. This was carried out by NMG Consulting, a leading multinational consultancy focusing solely on investments, insurance and reinsurance markets. This was one of the largest pieces of research ever carried out on value for money in pensions and over 15,000 members from across the 10 providers participated and fed back their views. We were very keen to review the findings of what customers view as important regarding value for money against our principles.

The research involved two all-day workshops where groups of individuals shared their views on pensions and value for money. Colin Richardson attended one of these to observe the views of participants. After gathering initial views, the researchers explained various aspects of pensions and gave the participants the opportunity to develop their views.

The workshop outputs indicate after deliberation, members consider four aspects as key:

- **Support** – ‘Help me in making good decisions about my pension’
- **Product** – ‘My pension money, how it is invested and the return I get’
- **Charges** – ‘Clear, simple and good value approach to charges’
- **Security** – ‘Safeguards to protect my money’

Based on outcomes of these workshops, a questionnaire was developed to test the views of the much larger population through an online survey. Here, those surveyed answered a series of questions to allow the researchers to come up with a list of which attributes are most important to members. We have included the full list of attributes in priority order in Appendix 3.

In an online survey, there is less opportunity to explain information in more detail or to delve deeper for respondent views. However, the two parts of the research reached similar conclusions regarding what is important.

Our value for money principles cover many of these aspects. However, we have not so far focussed specifically on assessing ‘security’ aspects. The second most important attribute is ‘controls and safeguards’ and the fourth is ‘a reputable, financially strong pension provider’. Aegon UK is regulated by the Prudential Regulatory Authority which requires it to demonstrate financial strength. Within our dashboard, we do collect information regarding controls and we also have insights into the controls Aegon UK operates for example on investment matters through its Management Investment Committee. We intend to add ‘security’ to our value for money principles and will report in more detail on this in our next annual report.

Those surveyed also highlighted the importance under value for money of the employer paying in as much as they do and of getting tax relief on their contributions. We believe providers, including Aegon UK, should do more to make these aspects clear in their communication to members.

The research then asked members to provide their views on how well their workplace pension provider delivers against the attributes. NMG provided a detailed analysis of Aegon UK customer feedback broken down between members or ‘new’ and ‘legacy’ schemes and also by age band and size of pension pot. We will be using these findings to shape our priorities as we continue to challenge Aegon UK to deliver value for money to you.

One finding is that those of Aegon UK’s customers in newer schemes are more satisfied than those in ‘legacy’ schemes which are no longer open to new members. This appears to demonstrate that Aegon UK’s newer propositions are improvements on what they offered in the past.



**Paul Bucksey**

(Aegon UK member) – Managing Director, Head of Workplace

**“The IGC features a strong blend of experience and viewpoints which ensures that Aegon UK focuses on delivering value for money and better financial outcomes for our pension scheme members.”**

## 6. Looking ahead – next steps

With our second year as an IGC coming to a close, we are already planning what we want to explore in year three.

One of our first actions will be to revisit our value for money principles. Based on both industry-wide and Aegon UK research, we know customers consider the ‘security’ of their pension to be an important aspect of value for money. We will build this into our principles and take the opportunity to explore if we should make further changes.

While reviewing our principles, we will also look into how best we can ask Aegon UK to provide evidence of how well they are delivering on these through our value for money dashboard. We want to make sure we have the best information to truly measure customer outcomes.

While we have made some progress in examining the value for money of transaction costs within the default funds Aegon UK offers its customers, we want to be able to analyse this in more detail, and hope the FCA finalises a standardised calculation approach so we can do so.

Our examination of whether Aegon UK can do more to offer value for money to those with small pension pots is ongoing and will be a key part of our work next year.

Aegon UK has made significant progress in its key initiatives, the review of Workplace Pensions and Upgrade. It has been clear with us on which groups of customers are not within these programmes and we’ll give greater attention to these excluded groups to make sure they are also receiving value for money.

We will continue to focus on how Aegon UK is engaging with its customers, researching their views and acting on feedback. We will be taking a closer interest in how it is using its Customer Panel to research customer views and needs. We are also keen to understand how moving to Aegon UK’s new platform helps customers engage better with their pension and if Aegon UK can show us evidence of changes in customer activity that improve their retirement prospects.

We will also keep a close interest in Aegon UK’s communications approaches and material.



### **Dougy Grant**

(Aegon UK member) – Managing Director,  
Existing Business

**“As well as encouraging Aegon UK to increase its value for money focus for workplace pensions, our IGC has had real influence over how we assess value for money across all of our customers.”**

## 7. Conclusion

Looking back over our second year as Aegon UK's IGC, we are pleased with the progress so far, continuing to challenge and work with Aegon UK to deliver further improvements in value for money across workplace pension scheme members. We are particularly pleased with how open Aegon UK has been with us and how receptive they have been to our requests for evidence and explanations.

We have deepened our understanding of how Aegon UK's key programmes are improving value for money for hundreds of thousands of its customers. We are particularly pleased to see that the upgrade and RWP programmes remain on track so far and the considerable progress alongside a difficult external environment.

Aegon UK has been open with us regarding its strategic plans following its two major acquisitions this year. We are pleased to see its renewed focus on looking after its existing customers as well as those from the new companies it has acquired.

The change in nominated members from Aegon UK has brought new thinking to the IGC, and the handover has ensured continuity of focus and commitment.

We have a full agenda for our third year and we will continue to focus on ensuring all Aegon UK's workplace pension customers are receiving value for money.

Finally, we would like to stress again how important it is for us to hear direct from you, Aegon UK's customers. We will continue to learn from your feedback to customer helpdesks and research. And, of course, we'd be delighted if you contact us direct at [igc@aegon.co.uk](mailto:igc@aegon.co.uk)



### **Ian Pittaway**

(Independent Chair) – Senior Partner at Sacker & Partners

**“It is important that the IGC is actively engaging with Aegon UK to ensure that value for money remains a key focus at all times.”**

# Appendix 1

## Value for money principles

Value for money will mean different things to different people and there is no simple definition. The Regulators like the FCA have deliberately not sought to define this. In all walks of life, you will have views on just how good the value for money you receive is. Our priority is to make sure the workplace personal pension products and services you receive from Aegon UK meet the benchmarks we've set for value for money as set out in our principles.

Pension schemes can have very different membership profiles, contribution levels and design features. All of this means rather than trying to have a single simple statement of value for money, we decided it was better to develop a set of principles covering all aspects. We can then apply these to different situations.

For example, you may have a large fund, but someone else may have a very small fund. If you are both being charged the same percentage of fund each year, that may be excellent value for a small fund holder but less good for a large fund holder.

From customer research, we know workplace pension scheme members place a high value on 'security' of their money. We intend to include this in our principles in future.

We would like to stress that the principles are not set out to reflect any order of importance.

## The value for money principles we measure Aegon UK against



### Fair charge for services received

The total charge customers pay while with Aegon UK represents good value against the nature and quality of benefits and services received.

Customers will receive value for money but will not all receive identical services nor will they all have identical charges. The pooling nature of insurance and pensions mean cross subsidies exist and are often required for practical, market or legislative reasons.



### Valuable investment solutions

Customers are offered a range of investment solutions which are governed and monitored appropriately.

Default funds and investment strategies will be actively monitored with changes made, where necessary, to ensure their characteristics and net performance continue to be aligned with the interests of relevant customers.

Fund transaction costs will be monitored to ensure they represent good value.



### Quality benefits and services

Benefits and services are developed in response to customer needs and demands.

Customer service and interactions are timely, accurate and customer focused.



### Communication and engagement with customers

Communications to customers are clear and straightforward, avoiding jargon, and designed to ensure customers understand the benefits they are receiving for the charges they pay.

Communications and supporting tools encourage customers to engage with their pension and support key decisions (e.g. investment decisions, retirement transition) to improve customer outcomes.

Changes, whether internal or external, which significantly affect customers are communicated in a clear and timely manner.

References to 'customers' refer to groups of similar customers rather than to individuals, and cover those within the scope of the IGC remit, namely relevant members of Defined Contribution workplace personal pension schemes.

# Appendix 2

## Aegon UK's IGC members

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

The IGC continues to work constructively with Aegon UK, challenging it to keep focussing on how best to deliver value for money to workplace personal pension members. You can read our Terms of Reference, which sets out formally what we're required to do, here: [aegon.co.uk/about-aegon/independent-governance-committee/igc-terms-of-reference.html](http://aegon.co.uk/about-aegon/independent-governance-committee/igc-terms-of-reference.html)

In line with what the financial services regulator, the FCA, expects, the IGC has a majority of three independent members, including an independent Chair. We also have two members from Aegon UK who provide important insights into Aegon UK's business and allow us to make more informed recommendations. Aegon UK has appointed new members to reflect changes in roles within their business. The Aegon UK members must act in the interests of members whenever engaged in IGC activity.



**Independent chairman:**

**Ian Pittaway, Senior Partner at Sacker and Partners LLP, nominated representative of Independent Trustee Limited.**

Ian acts for a number of pension schemes as legal advisor and has gained extensive pensions law experience on a wide range of issues. This includes acting as an arbitrator and as an expert witness in court proceedings.

Ian is Chairman of his firm's independent trustee company and is chairman of trustees or independent trustee of a number of pension schemes. As independent chairman or trustee of several pension funds, he has gained a good appreciation of the issues faced by trustee boards from a client perspective. He is also Chairman of the Association of Professional Pension Trustees (APPT).

Ian is a former Chairman and Secretary of the Association of Pension Lawyers. He writes extensively for the pensions and national press, and lectures widely.



**Independent member:**

**Jo Causon – CEO of the Institute of Customer Service.**

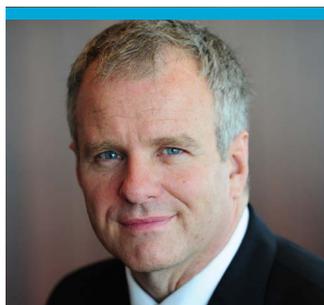
Jo brings with her a wealth of customer service experience from both commercial and not for profit organisations which extend beyond financial services. She has been the CEO of the Institute of Customer Service since 2009 which has enabled her to put customer service at the heart of business activities. She demonstrated this by launching the UK Customer Satisfaction Awards in 2011. Jo, therefore, brings a broad customer view to the IGC.



**Independent member:**

**Colin Richardson, Client Director of Pitmans Trustees Ltd (PTL), nominated representative of PTL.**

Colin is an actuary with more than 25 years of experience in pensions consultancy for trustees and companies. Colin undertakes pensions governance on a full-time basis. As well as independent pension trustee appointments, Colin sits on BlackRock's IGC and on the PTL Governance Advisory Arrangement, which offers an alternative to an IGC for smaller providers running workplace personal pension schemes. Colin also acts on behalf of PTL as Trustee for a number of Master Trust pension arrangements.



### **Paul Bucksey – Managing Director, Aegon Workplace, Aegon UK.**

Paul heads Aegon UK's Workplace business, which provides fully bundled as well as investment-only Defined Contribution (DC) services to UK sponsoring employers and trustees. Following Aegon UK's acquisition of BlackRock's UK DC Platform and administration business in August 2016, Paul has taken on responsibility for the development, distribution and management of Aegon UK's Workplace propositions going forward. He has been a member of the National Association of Pension Funds (NAPF) DC Committee and the Investment Association's DC Committee, and will remain a member of the BlackRock IGC and a Trustee of the BlackRock Master Trust until the legal transfer of business from BlackRock is complete.

Paul joined Aegon UK from BlackRock, where he was a Managing Director and in charge of BlackRock's UK DC Business. Prior to joining BlackRock in 2011, Paul was head of UK DC Business Development at Friends Life, and before that he was a Director at Fidelity Worldwide Investment, responsible for DC business development. Paul has over 20 years of experience in UK pensions, with earlier client consulting roles at PricewaterhouseCoopers LLP and the IFG Group.



### **Dougy Grant – Managing Director, Existing Business, Aegon UK.**

Dougy heads Aegon UK's Existing Business, which is responsible for nearly 2 million customers – mainly in individual and group personal pensions – and employs over 1000 members of staff. He chairs the Existing Business Management Committee – responsible for all aspects of the running Aegon UK's Existing Business, as well as various sub committees, and is a member of Aegon UK's Customer Committee.

Dougy's career began with Aegon in 1998 and, since qualifying as an actuary in 2001, he has held leadership roles in finance, marketing, sales, and general management, including a short spell with Aegon in the USA. Dougy had a break from Aegon taking on a role as an associate director at PwC, before returning to Aegon UK in 2011 as Head of Finance Transformation. In 2012 he became Retail Strategy Director, before taking up the role of Protection Director in 2014.

### **Changes in IGC membership**

Because of organisational changes within Aegon UK, it changed its nominated members during the year. Paul and Dougy replaced the previous Aegon UK appointees during the year.

For the period 6 April 2016 to 30 August 2016, Angela Seymour-Jackson served as an IGC member as did Stephen Crosbie for the period 6 April 2016 to 24 November 2016.

### **Experience and expertise**

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

### **Independence**

The independent members of Aegon UK's IGC fulfil the FCA requirements to be demonstrably independent of Aegon UK. 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. They have never had any material business relationship with any company within the Aegon group.

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

In the interests of transparency, we should highlight that the Chair of the IGC, Independent Trustee Limited, is a wholly owned subsidiary of Sacker and Partners LLP which is appointed as conflict adviser to the Trustees of the BP Pension Fund. BP is also a pension scheme client of Aegon UK. In the opinion of Independent Trustee Limited and the IGC, no conflict arises between Sacker and Partners LLP's relationship with BP and Independent Trustee Limited's role as the Chair of Aegon UK's IGC.

The individual member, Jo Causon, considers herself to be independent in character and judgement.

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

Aegon UK 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

## Cross-industry member research

The online survey of over 15,000 workplace pension members across a range of providers produced the following priority list of what members consider most important for workplace pension value for money. These are the views of those surveyed, and not necessarily of the IGC. The 'MaxDiff' methodology asks those surveyed to compare groups of four attributes and to say which were more important than others. This means the scores are all relative to one another. Just because an attribute scores less highly does not mean it is not important to members.

### MaxDiff analysis: Importance of attributes in terms of what members want from their workplace pensions.

