

Value for money

Delivering what matters most for you

Independent Governance Committee of Aegon
Annual Report for the year 2020

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Chairman's statement



I am pleased to share with you the sixth annual report from Aegon's Independent Governance Committee (IGC) for the year 2020.

As we all know, the spread of Covid has impacted our society in a way no-one could have imagined. Living through a global pandemic has been, and remains, a deeply unsettling time for us all, and therefore a critical time for the IGC to ensure that Aegon continues to offer you value for money.

While this report is focused on the impact of the pandemic and our assessment of what Aegon has done to continue to serve and support you, there are a number of other key developments which have taken place during 2020.

In particular, we have overseen the design of Investment Pathways solutions which are the funds Aegon is required to make available for customers who want to draw income from their fund in retirement and do not have their own financial adviser to help them. As an IGC we have reviewed the structure and price of these funds, the communication and literature which helps you make choices, and ensured that Aegon has carried out appropriate research into what customers need. We will keep these under regular review.

We have also seen Aegon accelerate work on Environment, Social and Governance (ESG) issues and set out its strategy for responsible investment. The IGC has noted Aegon's commitment to make further progress in this critical area, with concrete targets and the structured approach and measurement that will be needed to get there.

Finally, in the area of investments, our previous concerns over the quality of data on Transaction Costs supplied by fund managers have now been addressed. The structured analysis and monitoring that has been put in place give the IGC confidence in the level of costs as well as how they are tracked and challenged.

However, the impact of the pandemic has been our main focus during the year. During the initial lockdown period we sought regular updates and discussions with Aegon to understand the actions being taken to provide you with the service you required following the temporary closure of the Aegon offices on 24th March, as required by Governments, and the move to working from home.

There were a number of areas we sought assurance on:

- The maintenance of all key processes and timely interactions with all customer enquiries.
- The developments put in place by Aegon to enhance its online presence and increase the contact options customers have.
- The financial strength and stability of Aegon, particularly during periods of market volatility.
- The actions Aegon was taking to protect all those customers who are increasingly vulnerable during times of investment market volatility or who are less familiar with engaging digitally.

We detail our findings later in the report, in the relevant value for money sections, and although the future remains uncertain, we are satisfied that Aegon is working hard to make sure it continues to have all the right measures in place to support you during and beyond this crisis.

In June 2020 the Financial Conduct Authority (FCA) concluded their review of the effectiveness of IGCs and highlighted some areas for our IGC to consider. These included our governance, the value for money framework we use to review Aegon's performance and sharing with you more of the detail we see on a regular basis around investment performance and transaction costs. We have addressed these findings during the year and together with Aegon, have been considering how best to develop our collective oversight of value for money. As a result we have challenged ourselves and Aegon to develop a stronger strategic focus on measurably improving customer outcomes, and this new value for money framework will be used and reported on in the next year. You will see in Appendix 2 the various challenges we have issued to Aegon during 2020, their response, and what this means for you.

The FCA also finalised their rules and guidance on requiring IGCs to report on the impact that costs and charges have on the funds you invest in over time. We explain more about this in the report and provide a link to example illustrations so you can see the impact.

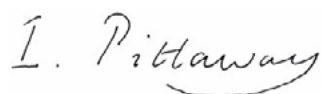
Overall our IGC believes that Aegon is working on the right areas to further improve value for money and customer outcomes. There are a number of areas we will continue to focus on during 2021, in particular:

- Implement our new value for money framework and continue to challenge Aegon to demonstrate how its actions are improving the outcomes for you.
- Closely monitor the impact of Investment Pathways solutions following their launch, seeking feedback from customers on the communications of the funds and reviewing the options offered in the market to ensure Aegon is offering value for money.
- Continue to assess, monitor, and report on Aegon's ESG policy as part of its fund range and also more generally what Aegon is doing as a company to deliver on ESG.
- Challenge Aegon to better demonstrate the impact of its communications and what actions you take after receiving or reading something.

Alongside our full report we have produced a [short video](#) where we summarise the IGC activities during the year, discuss the Investment Pathways solutions and outline what our new value for money framework will achieve.

I would like to express my thanks to my fellow IGC members and to the Aegon employees for their ongoing support for our IGC activities and their co-operation in responding constructively to our challenges.

As always we are very keen to hear from Aegon's customers, to understand your needs and opinions, and to use these to drive a better outcome for you. You can share these by emailing us at igc@aegon.co.uk. We are also always interested in meeting workplace customers or employers to improve our understanding.



Ian Pittaway

Chairman of Aegon's
Independent Governance Committee

1. Aegon's Workplace customers

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

In last year's report we highlighted that Aegon's business is split into two distinct business areas, **Traditional Products** (note this was previously called Existing Business) and **Platform Solutions** (previously called Digital Solutions), each with its own IT system and dedicated management. TargetPlan and ARC customers are part of Platform Solutions, whose policies are administered on Aegon's newest technology systems. Other customers are administered on the Traditional Products systems. You will see us referring to these two parts of Aegon's business in our report.

Our IGC is now responsible for seeking to ensure value for money for 1.95 million workplace customers across Aegon's workplace pension schemes. At the time of writing this report there are around 888,000 customers in Traditional Products and around 1,064,000 customers in Platform Solutions, including 171,000 TargetPlan customers.











“Our IGC is now responsible for seeking to ensure value for money for 1.95 million workplace customers written across Aegon's workplace pension schemes.”



In previous reports we told you that Aegon had partnered with the customer services company Atos to provide the servicing and administration of Traditional Product customers. We continue to closely monitor the service provided by both Aegon and Atos across the workplace population in the IGC remit. You will see later in section 7 of this report our findings on the service provided.

2. Challenging Aegon to meet our Value for Money principles – overview

Over the last six years, we've established standards to monitor closely the key areas which you have told us are of most importance to you when considering value for money. The following summarises our view for our key Value for Money principles across all Aegon workplace customers.

Principle	Overall RAG status	IGC conclusion
Fair Charge for services received	 	<p>We carried out a review of the product charges paid by the 1.95m workplace customers Aegon has, testing them against the charges disclosed in other IGC reports and the Department for Work and Pensions (DWP) Pension Charge survey. We believe that the product charges made by Aegon are in line with others in the market and offer workplace customers value for money.</p> <p>Outcome – GREEN – We believe the charges you pay on your Aegon plan are reasonable and in line with terms available in the wider workplace market.</p>
Valuable Investment Solutions	 	<p>We have seen evidence of strong fund governance and the work done to address the concerns raised in our previous report. Our previous concerns over the quality of data on Transaction Costs have also been addressed and the structured analysis and monitoring gives us confidence in how these are now tracked and challenged. We believe the introduction of Investment Pathways gives you clear investment solutions for taking income from your pension pot even if you choose not to take advice. Aegon has accelerated its work on ESG and set in action the promised strategy for responsible investments. It has also committed to make further progress in this area, with stretching targets and a structured implementation plan for how they will be achieved.</p> <p>Outcome – Amber – We believe the investment options you have as part of your Aegon plan provide you with valuable investment solutions and that Investment Pathways have been implemented in an appropriate way. There is further work required to apply ESG fully across the funds available to you.</p>
Quality Benefits and Services	 	<p>We have closely monitored the service levels provided by Aegon throughout 2020 and the impact of the pandemic, as well as the potential impact Brexit could have had, on the service you receive. Although customer experience measures confirm you appreciate the support provided by Aegon there are areas of underperformance which need to be addressed. These are around telephone calls and in particular, the number of customers hanging up before their call is answered.</p> <p>Outcome – AMBER – Overall the service provided has held up, however there are areas that need to be improved and we continue to challenge Aegon to ensure action is taken to address these hotspots.</p>
Communication and Engagement with customers	 	<p>We continue to see significant improvements made to the communications Aegon provides to customers to promote active engagement with your pension plan and support your financial wellbeing. We acknowledge the work carried out to support vulnerable customers through the pandemic and the launch of the security hub to raise awareness of scams and what you need to do to protect your data and savings.</p> <p>Outcome – GREEN – Aegon has continued to make improvements in this area over the last 12 months. In future, we will challenge Aegon to provide more evidence that its communications are having a measurable impact on member outcomes and our value for money rating will take that into account.</p>
Security of Customer Information and Money	 	<p>We are satisfied that Aegon is taking the steps required to keep your information and money secure. In particular we acknowledge the internal training and controls in place combined with the proactive customer engagement and collaborative approach to sharing good practice and intelligence across the industry.</p> <p>Outcome – GREEN - We are satisfied that Aegon is taking the steps required to keep your information and money secure.</p>

Overall our IGC believes that in this unprecedented year Aegon has delivered value for money to its workplace customers, and has the right focus and strategy to further improve your experience as a customer. We explore each of these findings in more detail throughout the report.

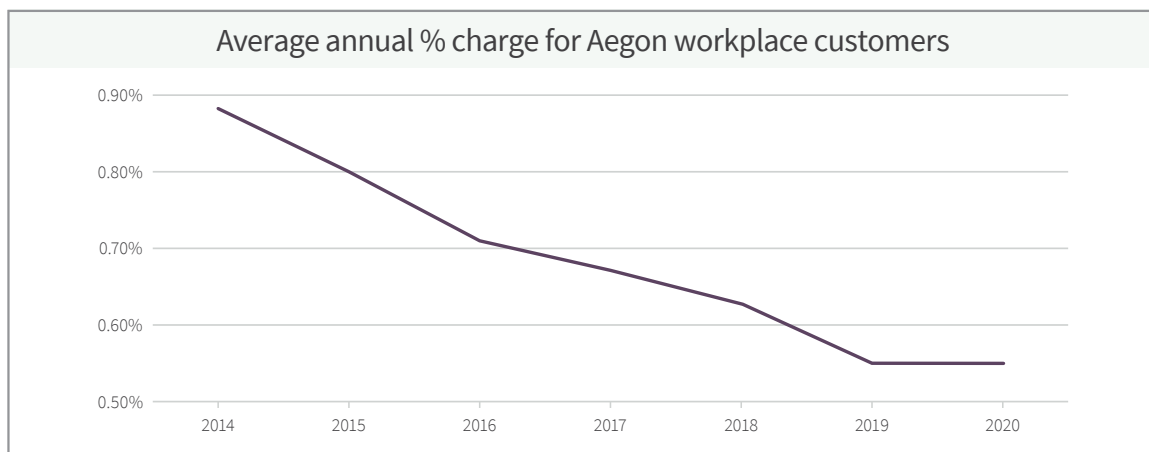
3. Fair charge for services received

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 price is and the value it offers, including in areas like investment performance, customer services, communications to you and security.

As a reminder you can see the charge that applies to your pension plan by looking at the statement that Aegon sends to you or the personal illustration you got when you took out your pension plan. For further information you can click on the following link which **explains the charges section in your statement for Traditional Product customers**, or this link which explains **the charges for customers with a policy in Platform Solutions**. Alternatively, you can **contact Aegon** and it will provide the required information.

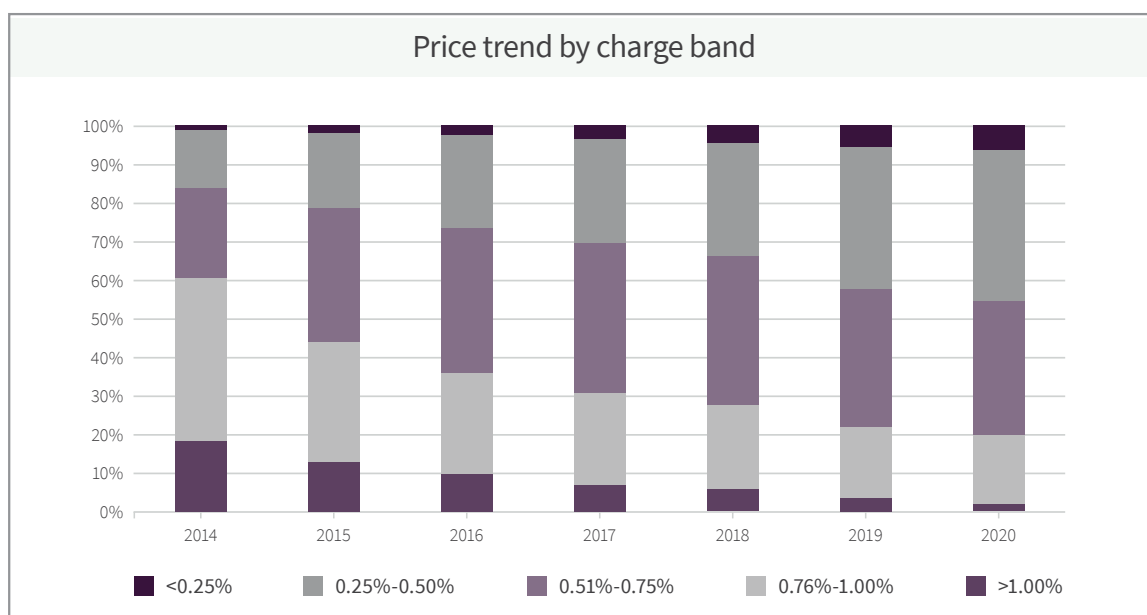
In each year we carry out a full review of the charges across Aegon’s workplace pension schemes.

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



As we would expect there is a range of charges for active schemes, reflecting the costs of administering different employer profiles, up to the regulatory charge ‘cap’ of 0.75% for default funds and we have reviewed the pricing approach taken by Aegon.

Aegon has confirmed there are a relatively small number of customers (c1.5%), who are no longer in an active workplace scheme, with an effective charge above 1%. All of these customers are invested in products with particular benefits such as With Profits policies with guaranteed benefits, or have chosen to invest in more expensive funds taking their overall charge above 1%. While these customers are free to switch away from these products without penalty, many of these customers are invested in funds which offer valuable guarantees which could not be transferred to a new policy. As a result it may not always be in the customer’s best interest to move to a lower cost option. If you have a policy like this we recommend you seek financial advice to review the best solution for you.



During the year the Department for Work and Pensions (DWP) carried out a survey of workplace pension charges. All the main providers of workplace pensions took part in this survey and it was helpful for the IGC to get an indication of where Aegon ranks relative to others.

The DWP report looked at how the average charge varies depending on the number of members in the scheme.

No. of members in scheme	Qualifying scheme average charge	Non qualifying scheme average charge	Aegon figures submitted to DWP
1 to 5	0.60%	0.85%	0.57%
6 to 11	0.62%	0.82%	0.56%
12 to 99	0.62%	0.76%	0.54%
100 to 999	0.54%	0.57%	0.47%
1,000+	0.41%	0.58%	0.38%
Total	0.50%	0.61%	0.46%

“The charge you pay on your savings is one of many important factors in determining if you are receiving value for money. We will continue to review the charges on a regular basis and use benchmarking where possible to challenge Aegon to maintain competitive and fair charging levels for all workplace customers.”

– Ronnie Taylor



The report separates out the average cost between “qualifying schemes”, which can be used for auto enrolment, and “non qualifying schemes”. The IGC are aware that Aegon took the decision back in 2015 to apply the 0.75% charge cap to all active workplace schemes at that point so for the survey purposes, all of Aegon’s schemes were in the ‘qualifying scheme’ category. We note the DWP report focuses on the costs with active schemes, that is those schemes still accepting contributions and does not include the costs for any ex-workplace customers. This is the reason why the average Aegon charge of 0.46% in the table above is lower than the average of 0.55% we see across the full workplace book.

The DWP report gives the IGC a benchmark to compare against and allows us to focus on any areas where the charges look higher than expected. Although the Aegon charges look favourable compared to the market average, we have carried out a review of all Aegon’s charges to assess if there are any outliers which required further analysis and explanation from Aegon. Aegon, like most providers, vary the charges between employer schemes to reflect their expectations of how much it will cost them to run it as a % of funds.

There are a number of points we will continue to explore including clarifying the approach to pricing some older schemes, which although within the 0.75% charge cap did look relatively high when compared with the terms offered to a newly written scheme. We do note the majority of employers with workplace pension arrangements with Aegon have an adviser in place, either permanent or appointed to carry out regular reviews, therefore any pricing outliers are challenged on a regular basis by those advisers. We also reviewed the number of times an employer has requested new terms on their workplace scheme, which was relatively low during 2020 although we acknowledge this has been an unusual year. Next year, we will scrutinise this further by reviewing the charges for schemes that do not currently have an active adviser in place.

4. Valuable investment solutions

With defined contribution pensions – the type of pensions that you have – there are four things that dictate how much you will receive as a pension: how much you and your employer pay in plus your tax relief top-up; how long you pay in; what the charges to run the pension are; and how the pension pot is invested both when building up your pot, and when taking income from your pot.

The investment aspects are key for our work in ensuring you have access to valuable investment solutions.

- How much you pay to administer and invest the pension is key as those charges come from your pot and reduce the amount you will have for retirement income. Charges are something that are hard for an individual to drill into – are they fair, are they in line with other pension providers, are there any avoidable costs from the way the investments are managed? These are the questions we ask on your behalf, to make sure your savings are invested in funds where the overall price you pay is competitive. You can see how we scrutinise those costs, and the typical way those costs impact the pension income that customers get in the sections **Costs and charges** and **Transaction costs** are further details in Appendix 4 along with **Example illustrations**.
- How the investment options you use are structured, their objectives, and their performance are also key parts of the way we assess the investment solutions to make sure customers' savings can be invested in line with their values and preferences; attitude to risk; and income plans and needs in retirement, and that all funds offered deliver a good return, in line with or ahead of their objectives.

It is important for you to know that your pension pot is invested in a mixture of stocks and shares of companies, bonds (loans to companies and governments), and other assets like cash. The way those investments are managed and the growth or loss in value of those investments drive the way your pension pot gains, or sometimes loses, value.

We are very aware that most customers are not investment experts and that many may be put off by the apparent complexity involved in investing. First and foremost, we scrutinise the default funds Aegon designs, the funds the majority of customers use, to ensure they are suitable for a broad range of investors, well-structured and performing as expected. We cannot judge if the funds are the best for each individual circumstance, but we do seek to give those using the funds the reassurance that they are thoroughly and regularly checked. Then we push Aegon to provide easy ways for you to understand that complexity to allow you to make informed decisions on where you want your pension pot invested. You will find details on our work in the sections **Investment Performance**, and **Fund Governance**.

There are two themes covered in detail later in this report - Investment Pathways solutions (Section 5) and ESG (Section 6):

- The new Investment Pathways solutions offered to customers without an adviser as they approach taking income from their pension pot. It's vital that people make an informed choice at this point as it can have a significant impact of the type of retirement income their pot provides.
- ESG – environmental, social and governance – is a way to ensure the money in your funds is being used in a responsible and sustainable way. As we said in our last report these issues have become more important to many more customers; we have increased the level of regular scrutiny on ESG matters, and the reporting of these.



“We strongly encourage customers to think carefully about where you invest. Different investments come with their own risks and rewards. Understanding your own appetite for investment risk and the potential reward is critical and is likely to change over time. Tying together your personal retirement plan and the way your money is invested in suitable funds can be the key to achieving your goals.”

– Alison Bostock

Fund governance

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

Aegon’s risk-based approach includes: reviewing the chosen managers and funds; performance reporting; fund monitoring; regular deep-dive fund reviews on funds with more than £500 million invested by customers; and monitoring corporate actions (a corporate action is something done by a company that materially impacts its stakeholders, for instance paying dividends, or a merger or acquisition). We review the governance process with Aegon annually.

We continue to believe that Aegon’s fund governance process remains fit for purpose.

Performance of Aegon’s own default funds

Aegon offers a number of different funds, off-the-shelf, that they have designed to be suitable as an employer’s pension scheme default fund – the fund that customers in that employer’s pension scheme use if they do not make their own investment decisions. Each fund alters its asset allocation as you approach retirement age to ‘de-risk’ your pension pot in those final critical years when you have less time to rebuild any loss. Within the funds listed are a range of options suited for customers planning to take an annuity, customers planning to take their fund as cash, and customers planning to remain invested as they enter retirement and to take income from their pension pot. Critically for each of these funds, Aegon monitors the asset allocation decisions, and through its fund governance framework Aegon takes any corrective actions required to keep the fund to its objective.

In a testing year that has thrown up constant challenges in the wider investing landscape – most obviously Brexit and the Covid 19 pandemic – we judge the default options have performed well both in their own right and in comparison to other default funds in the market. Overall the funds have performed in line with their objectives.

In this year's report we are including a summary of performance for the most used default funds offered by Aegon. You will also find analysis of the costs and charges for the default funds in the Appendix.

Fund	Investment approach	Investment performance						Comments
		1 year (%)		3 years (%pa)		5 years (%pa)		
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	
Universal Lifestyle Collection (ARC)	Active and Passive	8.9	4.8	6.9	4.4	9.8	7.3	The Universal Lifestyle Collection aims to outperform the ABI Mixed Investment 40-85% shares sector. The fund has achieved this across 1,3 and 5 years.
Balanced Lifestyle (ARC)	Active	13.8	4.8	8.1	4.4	10.0	7.3	The Balanced Lifestyle fund is actively managed by Aegon Asset Management and aims to outperform the ABI Mixed Investment 40-85% Shares sector. The fund has achieved across 1, 3 and 5 years.
Aegon Growth Tracker (Flexible Target) (ARC)	Passive	4.2	3.7	5.4	5.3	-	-	The Aegon Growth Tracker (Flexible Target) is passively managed and aims to perform in line with its benchmark. The fund has achieved this across 1, 3 and 5 years.
Aegon Default Equity & Bond Lifestyle (ARC)	Passive	4.2	-	5.4	-	9.3	-	The Aegon Default Equity & Bond Lifestyle solution is passively managed and aims to track the markets it invests in.
Aegon Workplace Default (ARC)	Passive	4.6	-	-	-	-	-	The Aegon Workplace Default was launched in May 2018 and when writing this report was just shy of a 3 year track record. The fund is passively managed and aims to track the return of the markets it invests in.
Aegon BlackRock LifePath Flexi 2058-2060 (BLK)	Passive with active asset allocation	8.4	8.4	7.7	7.7	10.6	10.6	Aegon's LifePath Flexi solution is passively managed but with active fund allocation by BlackRock's LifePath Investment Committee. The strategy aims to perform in line with its benchmark, which the fund has achieved across 1, 3 and 5 years.
Aegon 50/50 Global Equity Index Lifestyle (ARC)	Passive	1.3	0.9	4.0	3.7	9.3	9.0	The Aegon 50/50 Global Equity Index Lifestyle, is passively managed and aims to perform in line with the its benchmark. The fund has achieved across 1, 3 and 5 years.

31/12/2020 Source: Aegon

Costs and charges – how they impact your pension pot value

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

In addition, we have included in appendix 4.3 of this report a number of illustrations of returns for a representative range of funds before and after cost and charges over different time periods.

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

Transaction costs

The IGC monitor transaction costs incurred when funds buy and sell underlying stocks and shares. We do this using a reporting framework that was further strengthened this year. The framework provides us with a view on equivalent transaction costs from other pension fund providers, and also gives us a structured way to assess the value for money provided by different transaction costs. We believe it is a good step forward to ensuring we see timely information in a format that identifies any funds where transaction costs are out of line with expectations.

There has also been a marked improvement in this reporting period in the way third party fund managers provide the transaction costs for the funds they manage. This has also helped make the reporting framework more robust. This has addressed our concerns from last year's report and allows us to assign a 'green' assessment to transaction costs for this report.

We share more detail on transaction costs and the methodology in Appendix 4.1 of this report.

Fund suspensions / closures

In 2020 fund managers of property funds were not able to sell properties quickly enough to raise money for the number of investors trying to sell their holdings. When this happens, trading in the fund is suspended. When a fund is suspended customers are unable to pay into or switch out of the fund. We were kept informed about how Aegon dealt with these suspensions and how these were communicated to customers. We realise the situation is frustrating for those invested in these funds, though we note this issue was encountered across the market and we are satisfied Aegon has a robust process for such events.

At the time of writing this report many of the funds have reopened, and we will monitor the remaining funds to see how they move back to normal trading.

Aegon Janus Henderson UK Property (AOR)	Suspended in 2020, now re-opened
Aegon AM Property Income (AOR)	Fund will remain suspended until Aegon is notified otherwise by the fund manager of the underlying fund
Property	Suspended in 2020, now re-opened
Property Select Portfolio	Suspended in 2020, now re-opened
Aegon ASI Life UK Property	Suspended in 2020, now re-opened
Scottish Equitable Legal & General UK Property	Suspended in 2020, now re-opened
Scottish Equitable Threadneedle UK Property Trust	Suspended in 2020, now re-opened
Aegon Active Value Property Fund	Suspended in 2020, now re-opened
Mobius Life - ML Property Fund	Fund will remain suspended until Aegon is notified otherwise by the fund manager of the underlying fund
Aegon Threadneedle Pensions Property (BLK)	Suspended in 2020, now re-opened
Aegon Property (BLK)	Fund will remain suspended until Aegon is notified otherwise by the fund managers of the underlying funds

This reporting period also saw a small number of fund closures. In each case these were rationalising the fund range by the fund manager and did not negatively impact customers.

5. Key areas of focus in 2020 – Investment Pathways

This year has seen the introduction across the pensions sector of Investment Pathways.

Investment Pathways is an initiative to create four clear investment solutions for those planning to make use of their pension pot from age 55 or later, based on an individual's plans for the next five years. These are the options:

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

The FCA (the Financial Conduct Authority) has extended the remit of IGCs to assess and approve three specific areas: the design of the Investment Pathways solutions; whether the Investment Pathway solutions offer value for money; and the appropriateness of the solutions.

Design of Investment Pathways solutions

Aegon first offered the Investment Pathways solutions in February 2021. In this 2020 report period, prior to their launch, we have worked with Aegon throughout the planning and design of these solutions to make sure we are confident they are appropriate for customers. Aegon has demonstrated an open approach to including us in those discussions and has been willing to take on board our suggestions.

It is vital the Investment Pathways provide value for money, and that they are designed in the interests of customers who use one of the solutions. For our review we asked Isio, our external investment experts, to support us through a full appraisal of the proposed solutions.

The review encompassed a wide assessment of the proposed design including the underlying investments and asset allocation; it looked at the characteristics of the proposed solutions to ensure they are aligned with customer interests with clear aims and objectives; it considered the costs and charges to ensure they are good value; and it looked at the evidence Aegon had collected on customers' characteristics and objectives to see that the proposed solutions matched these. We also looked at how Aegon will review and manage the solutions after launch to keep them aligned with customer needs, and where appropriate how changes will be made.

During the design assessment we identified ESG as a theme that needed to be addressed. We have been pleased to see Aegon addressed this challenge in the solutions available at launch. We see the current ESG provision as a sound starting point and look to Aegon further developing the ESG components of its Investment Pathways going forward.

In designing the Investment Pathways solutions, Aegon has ensured consistency with customers' existing pre-retirement funds to make transition to Investment Pathways as easy as possible. The IGC and our investment advisers Isio support this approach. This smooth journey for customers is important and the proposed funds are expected to achieve this.

Communication of Investment Pathways solutions

To ensure customers are presented with engaging and easy ways to use the Investment Pathways, we considered the way these are communicated and signposted.

Aegon presented its review of communications at each stage for a customer approaching retirement and seeking to make use of the solutions.

We were encouraged to see that Aegon has used behavioural experts to help develop the journeys and customer materials around the Investment Pathways, and that the Aegon team had taken the opportunity to review the communications around the whole customer journey leading up to, and through the point of retirement, rather than only those areas specifically related to the new Investment Pathways.

Research was conducted with Aegon customers who have gone through that journey without advice. We noted that the key issues were judged by over 95% of those customers to be either 'very well explained', or 'well explained'.

Building on from the research, Aegon created a set of principles to guide the customer experience. These included: ensuring risks are clear; ensuring choices are presented in digestible steps; ensuring options for reviewing decisions are signposted; ensuring consistent language is used in all communications leading to the solutions. Aegon showed us how those principles had been used to design the communications for the Investment Pathways.

We reviewed the online, telephony, and pre-retirement communications to see how customers are guided through their choices. We agreed that the communications are appropriate for non-advised customers to make a clear choice.

Post-launch Aegon has set up an ongoing programme of research to understand how customers are making use of Investment Pathways. This will provide the IGC with evidence of the extent to which customers: understand their options; feel confident that they have made the right choice for them or that they are paying no more tax than necessary on their retirement income; and how easy the process was overall.

Investment Pathways conclusion and next steps

In our view, and in the view of the investment advisers Isio, the Aegon Investment Pathways solutions are well thought out to meet the needs of those likely to opt for Investment Pathways, with appropriate investment strategies to achieve the clear stated objectives. In our judgement, the Investment Pathways solutions offer value for money and are designed in customers' best interests. After our assessment we were satisfied with Aegon's design of the Investment Pathways.

Following the launch of the solutions we will continue to monitor these closely and report on these in future IGC reports to ensure they continue to provide value for money.

We have included in our 2021 plans to review:

- Analysis of the management information to understand who is using the Investment Pathways solutions, and to ensure the solutions are used as designed.
- Competitor review of Investment Pathways offered in the market.
- Further customer testing of the new online journeys.
- Review of further integration of ESG into the solutions.

We plan to do a full value for money assessment of the Investment Pathways solutions, including an analysis of transaction costs.

6. Key areas of focus in 2020 – Environmental, Social, Governance (ESG)

The IGC's role is to ensure the adequacy and quality of Aegon's policy in relation to financially material ESG considerations.

ESG is often referred to as 'responsible investing'. Many of you want to know where your money is invested, to ensure it is being used to invest in companies that operate ethically, and which seek to improve the quality of the environment we all live and work in. Increasingly ESG investing is also seen as a way to reduce investment risk through choosing sustainable investments.

ESG considerations include:

Environmental – climate change, energy efficiency, water use and conservation, deforestation, waste and pollution, and use of natural resources.

Social Impacts – human rights and labour standards, product safety and reliability, diversity and inclusion policies, nutrition and health, workplace safety, workplace benefits, supply chain controversial sourcing.

Governance – Board independence and diversity, shareholder rights, executive pay, ownership and control, accounting integrity and tax transparency.

Aegon has developed its Responsible Investment Framework to define how it embeds ESG into its investment structure and processes, setting out clear expectations on third-party fund managers and how Aegon monitors them.

The Framework is published on [Aegon's website](#). It commits Aegon to be responsible stewards for the assets managed on behalf of customers. It details its governance process to select, manage, and change fund managers. The framework spells out what the third party fund managers who invest customers' money are required to do.

We believe the Framework is a clear definition of how Aegon applies its responsible investment approach.

In the period covered by this report, we have seen Aegon take action in integrating ESG into the investments offered to customers. We are encouraged by the progress and the strong plans for further advances in the next reporting period.

While our assessment is principally based on the way ESG is integrated with the fund choice, we also note that Aegon has set itself a target to be in the top 25% of UK responsible businesses by 2025. That target has been backed by Senior Executive ownership with thorough planning and measurement to track progress.

ESG in Default funds

The Aegon Workplace Default fund is used by more than 90,000 customers. In our last report we challenged Aegon to better address the composition of this fund from an ESG point of view.

Aegon has worked to introduce ESG components into the fund, bringing these in progressively to avoid unnecessary transaction costs. At the time of writing this report, the growth phase of the Aegon Workplace Default now has 30% of the fund assets in ESG components.

LifePath, the default fund for around 80,000 customers, has also had an increase in the percentage ESG assets it holds. At the time of writing this report, ESG assets make up 70% of the growth stage of LifePath, and this is set to continue to grow.

In our opinion the work to expand the ESG components of these default funds has been a necessary step in meeting the needs of customers. The ESG content for all other default funds offered by Aegon are now to be addressed.

We have asked Aegon to balance the speed of integrating ESG into the fund range with the transaction costs incurred to buy and sell assets to achieve this. We have also asked Aegon to ensure the introduction of more ESG assets into those funds does not adversely impact expected returns.

Alongside the work to introduce a higher percentage of ESG assets to the default funds, we welcome Aegon's commitment that all Aegon default funds will have net zero carbon emissions by 2050, with a target to halve carbon emissions in these funds by 2030. Next year we will scrutinise the work Aegon is doing to benchmark and report progress against these targets.

ESG in Investment Pathways solutions

(for detail on Investment Pathways please see section above)

Aegon's work to bring in ESG components to the default funds ran in parallel with the design of the Investment Pathways solutions. The IGC urged Aegon to match the ESG commitments in those funds too, most especially for the Investment Pathways solutions 1 and 3. We are pleased to note that feedback was actioned by Aegon prior to their launch. We understand that there is currently little industry consensus on how to represent ESG issues within the portfolio elements that are held in government and corporate bonds. While this is an issue that extends beyond Investment Pathways, these are assets that make up a large part of Option 2. We recognise this is not an issue for Aegon alone, and urge further thinking from across the sector on how ESG can be reflected in these key assets.

ESG and wider fund range choice

Beyond the default funds, the IGC had also asked Aegon to consider adding an ESG fund offer for customers who wish to make a sustainable investment choice. Aegon has worked with a specialist team at HSBC asset management to build the HSBC Developed World Sustainable Equity Index fund, first made available to customers in December 2020 through the Aegon Workplace Default fund. We are aware of plans to offer this fund in its own right and of work to increase the range of ESG funds offered.

ESG conclusion and next steps

In the last 12 months Aegon has worked hard to address the needs of ESG in the default funds and the wider fund range. In our view the work that is underway will result in investment offers that properly address both the risks and opportunities within the ESG arena, and that are suited to the customers using Aegon's workplace solutions. Once fully implemented, we consider the ESG provision will match the likely needs of Aegon's workplace customers, both as a default investment option and for those wanting to have more tailored ESG solutions.

In the coming 12 months we will continue to monitor the progress of Aegon's ESG implementation, to ensure continued progress across the breadth of customers' default funds.

7. Quality benefits and services

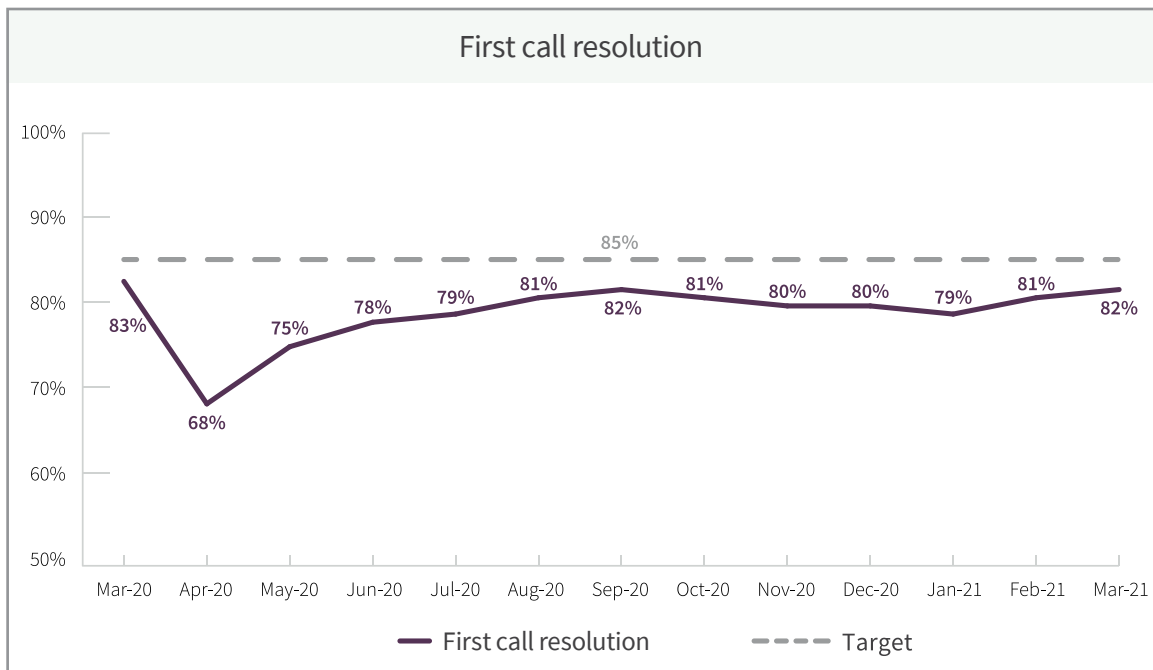
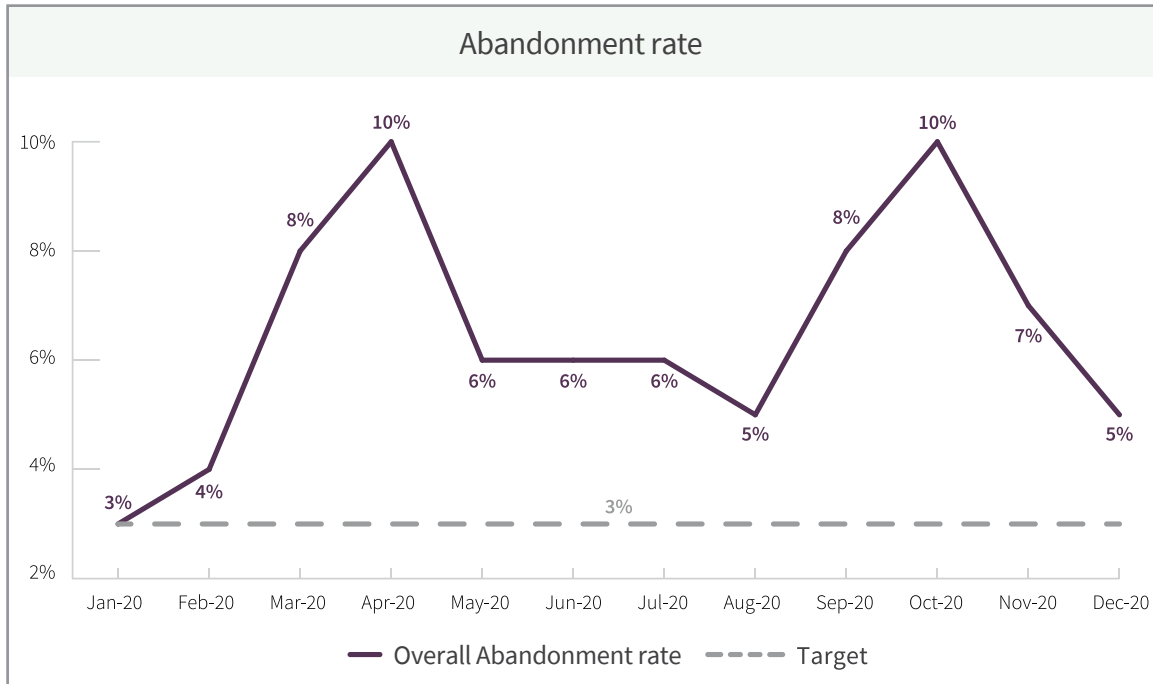
We recognise this has been a particularly challenging year for all those working in customer service areas as they balance your needs with working away from the office. We have held a number of meetings with Aegon during the year to better understand the impact the Covid pandemic is having on the service levels provided to you and what Aegon is doing to ensure they have the right levels of resource and support in this key area.

The IGC acknowledge that responding to the pace of this crisis was very challenging, and without doubt very unsettling for all customers as well as the Aegon staff. Within four weeks of closing their offices Aegon delivered a fully remote service with all key processes maintained and performing generally well through the crisis.

In practice the early period of the pandemic saw:

- Over 800 staff who provide service to workplace customers moving to working from home. As a result phone lines were closed for around four weeks.
- A resilient service in the back office administration team with overall service levels above 90%.
- A more challenging period for the contact centre with call abandonment rates (which are the percentage of customers who hang up before their call is answered) rising significantly as Aegon staff balanced the new remote working environment with the increase in demand. This saw abandonment rates rise to 10% and has been an area the IGC have closely monitored to ensure Aegon is addressing this.

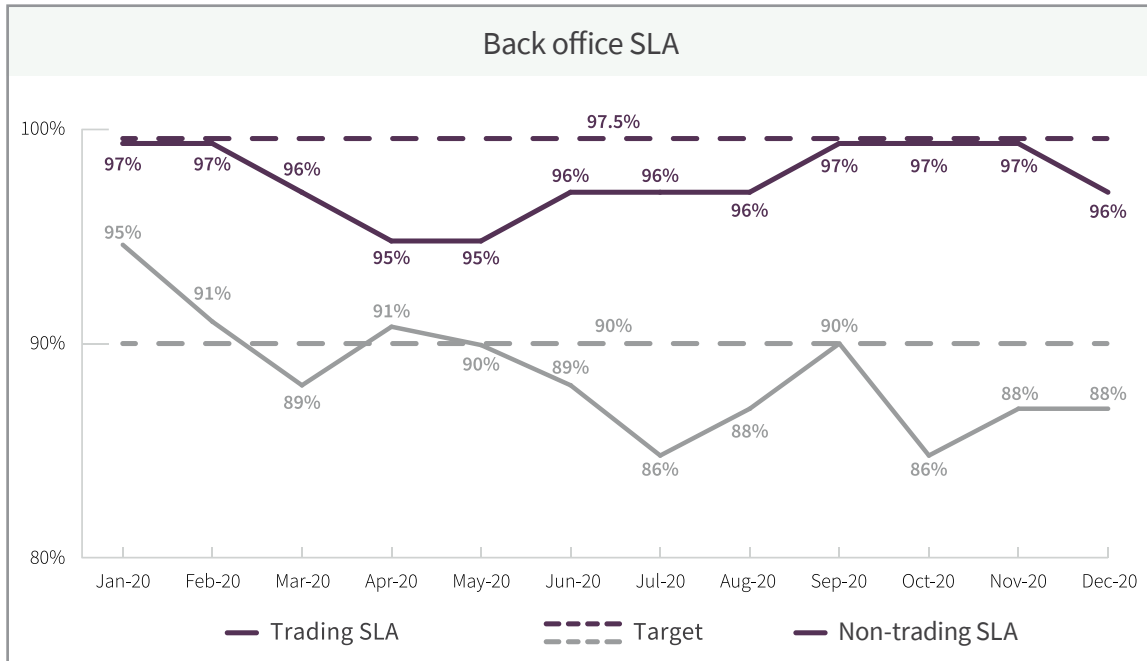
The most significant challenges on servicing levels were faced by the Aegon call centre teams servicing the Platform Solutions customers. This is an area we have focused on to understand the actions Aegon is taking to address the below target performance and to challenge how quickly it will take to recover the position and meet your requirements. We also review the percentage of calls where Aegon is able to answer your query, to your satisfaction, at the first time of asking. This is known as the “First Call Resolution” rate.



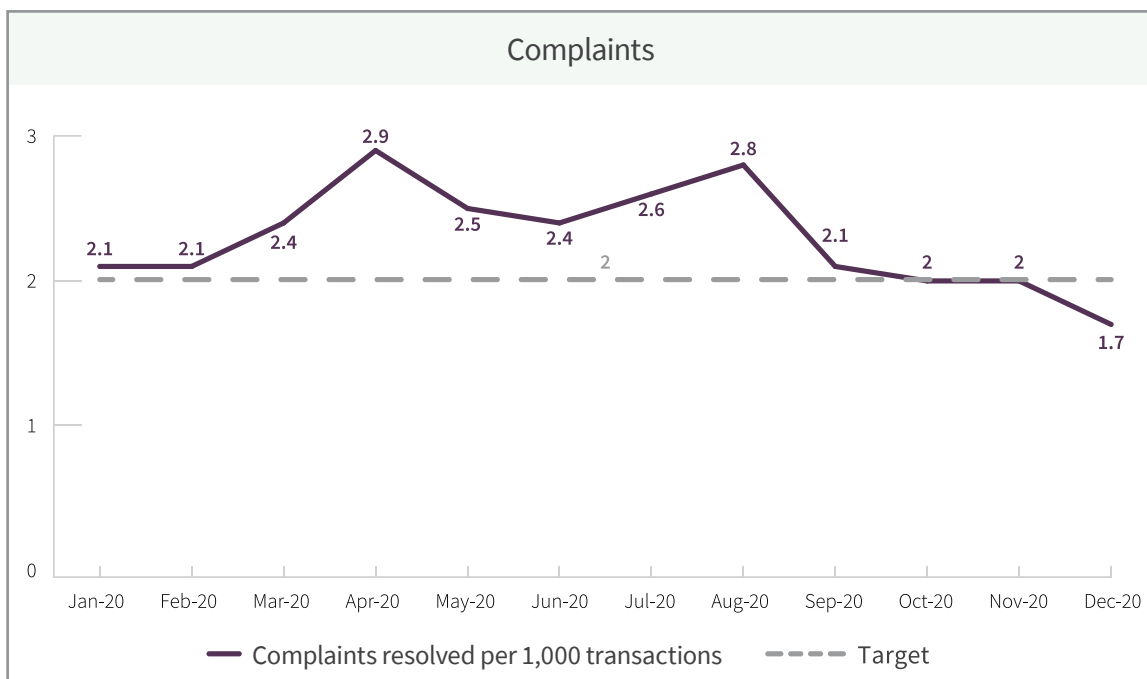
To help address the demand from customers, Aegon introduced a number of new channels to enable you to interact with them. While this development is welcomed it is clear to the IGC that significant investment is required by Aegon to bolster the support offered to you in order to meet the targeted service levels. We know Aegon is not unique in this sense and from discussions with Employee Benefit Consultants it is recognised that all providers are facing service level challenges as a result of the pandemic, however there are areas which do require immediate attention, not least the resource levels in the call centres.

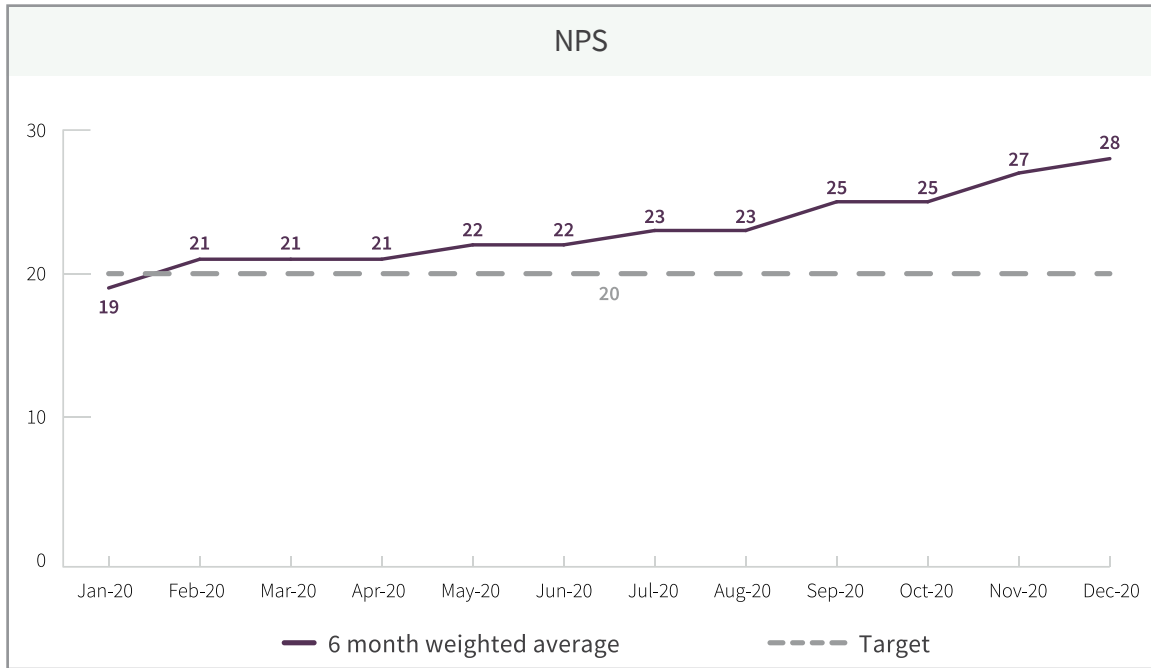
Aegon has shared their plans to add significant resources to this area, and we are aware of delays faced in recruiting individuals during the pandemic, however we do expect to see a significant improvement in service levels during 2021 and will continue to monitor this closely.

Although the call centres have had their challenges we are aware that the back office administration teams focused on financially critical transactions to mitigate the risk of financial detriment to you. This is a sensible and pragmatic approach which ensured prioritisation of the transactions which impact your outcomes most. However, as the graph showing Service Level Agreements (SLA) highlights, there remains room for improvement and with additional resource in place Aegon expect to see these measures back in line with target during 2021.



On a more positive note, it is clear that overall you appreciate the support being provided by Aegon throughout the pandemic. The IGC have also seen an improvement in the Net Promoter Score (NPS) which Aegon uses as a key measure of customer satisfaction. We also monitor complaints statistics which did rise during the initial lockdown, then stabilised and started to reduce back to the target levels.





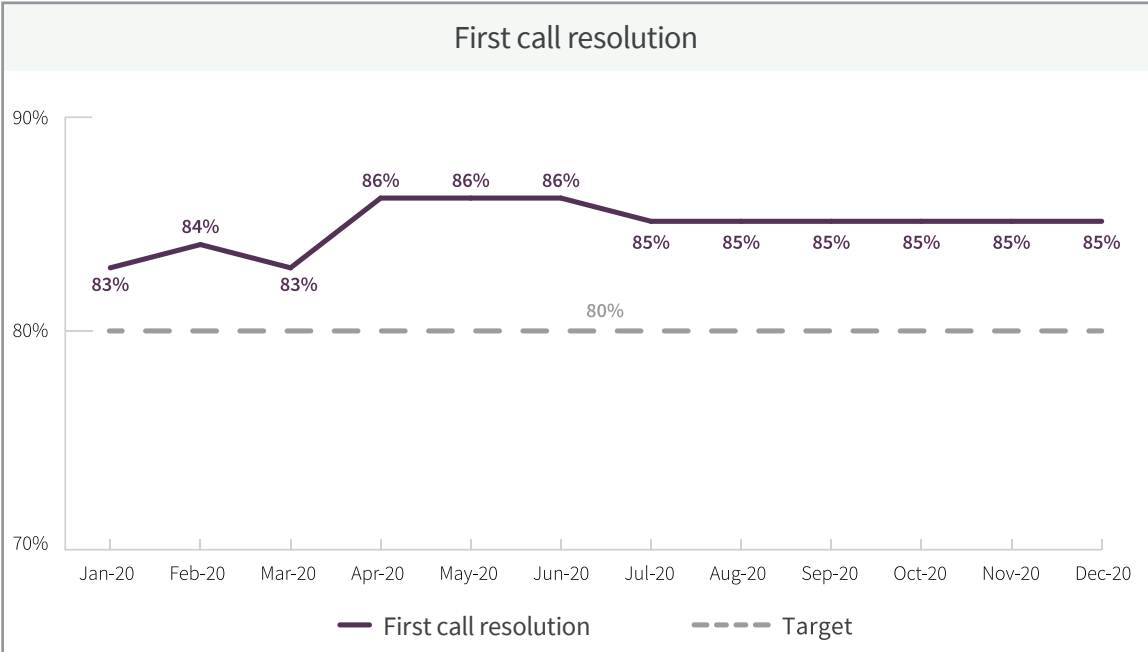
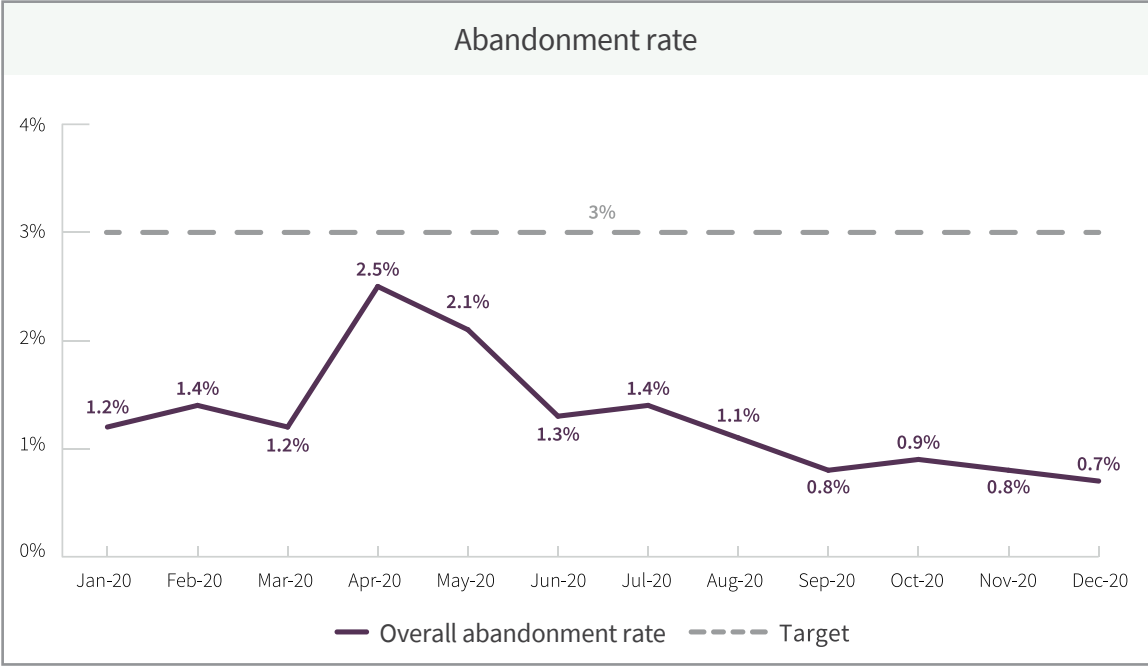
The IGC also reviewed whether the complaint issues experienced were a result of volumes of work or were more of a quality issue. Aegon acknowledged there were pockets of their customer service team who were relatively inexperienced and are taking steps to address this by continued training.

The Committee noted that, despite all the challenges during 2020, the overall morale remained positive amongst staff with a 10% increase in engagement score for the customer services teams. We think that this, together with the customer satisfaction scores, is positive evidence that Aegon has the customer service team in place to deliver for you now and in the future.

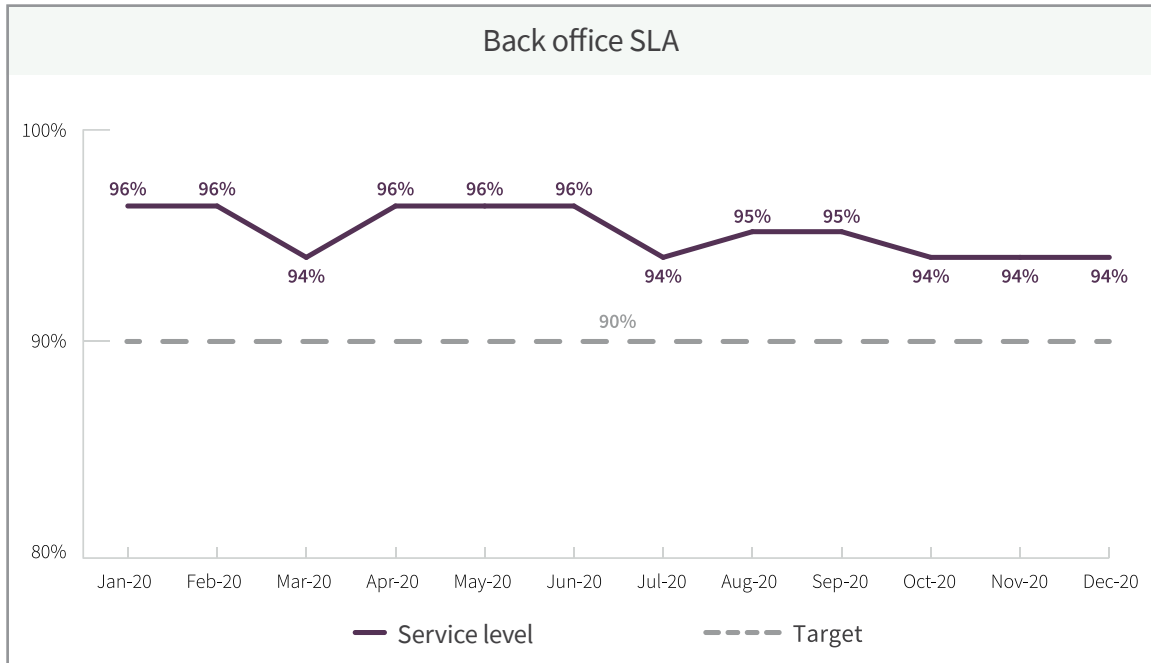
Oversight of Atos

As well as the Covid pandemic, 2020 brought the first full calendar year of Traditional Product customers being serviced by Atos, the external customer services company who now administer Aegon's Traditional Products customers. We receive regular updates from the Aegon Oversight team as to how this service is performing, covering the same key measures as highlighted above for Aegon's Platform Solutions customers.

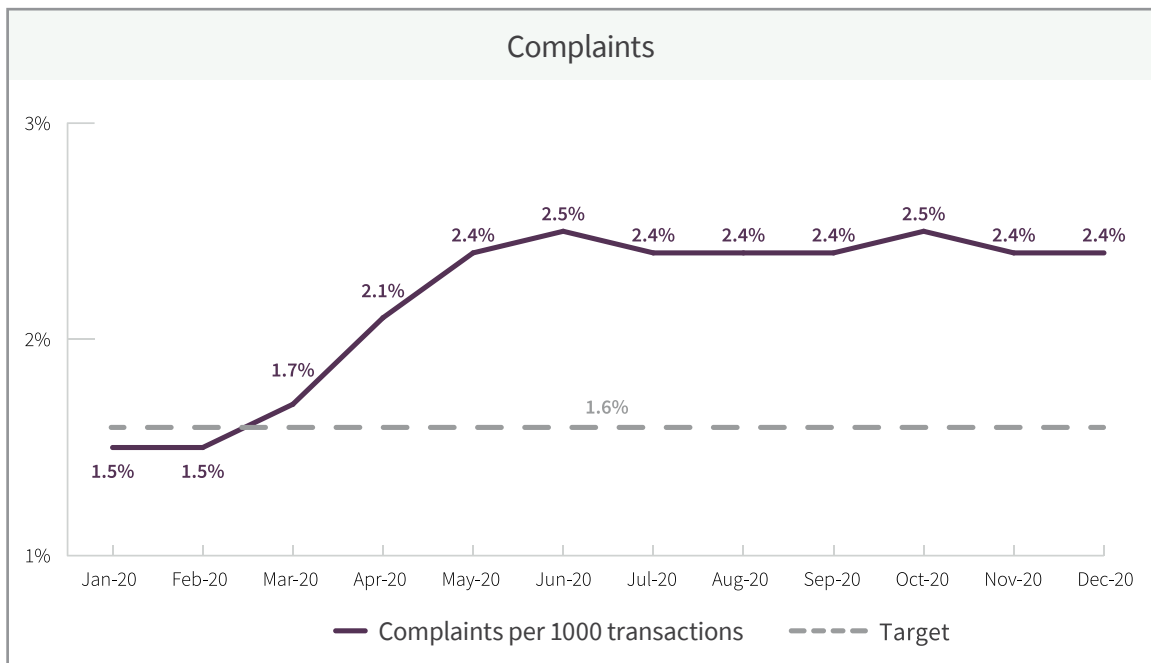
We know the Aegon team has been impressed by the service levels maintained by Atos during the year and this is backed up when we look at the key call centre measures with both abandonment rates and first call resolution rates remaining ahead of target.

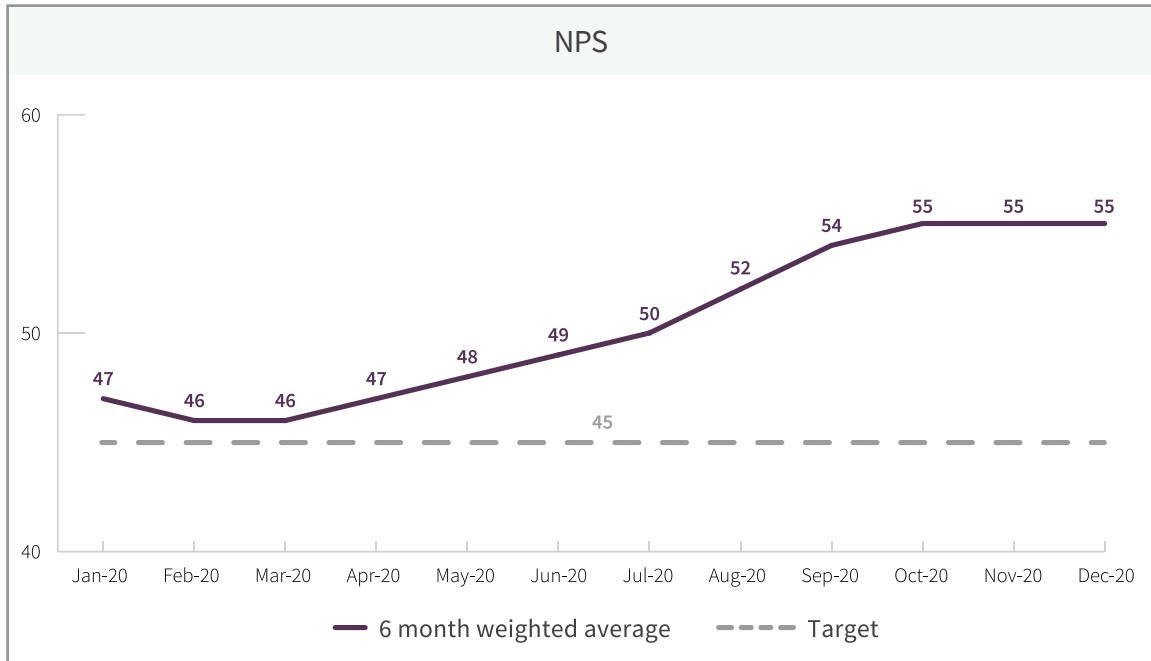


Similarly in the back office administration team they have maintained a steady above target performance throughout the year and have been able to balance both financially critical transactions and non-trading transactions to the required service levels.



The only area of underperformance was through an increase in the number of complaints being received due to issues with how quickly you receive your funds. We are aware that Atos is looking at areas to improve as a result of this feedback. The IGC note the improvement in NPS throughout the year which positively reflects how you feel about the service you are receiving.





“2020 was a very challenging year for customers, with the operating model and service levels impacted by the global pandemic. However, key trading service levels were resilient, and customer Net Promoter Scores continued to increase throughout the year. Aegon has increased resource levels since the start of the pandemic, resulting in service levels ending the year in an improving position.”

– Doug Grant

8. Communication and engagement with customers

Our main focus this year has been to ensure that Aegon provided you - and the employers and financial advisers who support you – with timely, relevant and where possible, tailored information during a time of exceptional turbulence.

In the early stages of lockdown, while Aegon established homeworking and had to close its phonelines to customers, this included producing guides to help you access online contact forms, register for online services, and to carry out certain transactions such as fund switching, death benefit nomination and taking a small pots lump sum online.

Aegon listened to the questions that you and employers were asking and created videos and on-line content to answer the most common ones. These videos included guides to **taking your workplace pension early if struggling financially, the impact of pausing pension contributions** and questions around the **impact of market volatility on pension values**. For employers, the videos covered topics such as the **financial security of Aegon, trends in member activity** and the **impact of furlough on employees**.

Aegon also produced a wide range of information and content to help employers answer your questions about your pension. This included a new online content hub which includes service updates, podcasts, webinars on topics like the performance of the ‘default’ funds where most of you have your pension savings, and details of who to contact for further information.

Towards the end of the year, Aegon launched an ambitious new financial wellbeing strategy to extend this support to you via your employer much further. We shall be monitoring the progress of these initiatives next year, and will look to understand which, and how many, customers they are reaching, and how they are supporting you to make the right choices.

We also reviewed throughout the year how Aegon worked to highlight issues and provide useful content to customers and other consumers through channels that they don’t own, including a wide range of news outlets. A good example is Kate Smith’s regular ‘Pensions Doctor’ column in the Daily Telegraph. Key themes were saving enough for retirement, the value of financial advice, and how important it is to engage people in their pensions and how technology can be used to support this.

Vulnerable customers

We challenged Aegon throughout the year to demonstrate how they were supporting customers in more vulnerable situations. The team showed us that they define vulnerability in a broad way – to include people with financial problems, for example, or poor mental health – and shared examples of the training that staff receive to help them identify and support customers appropriately.

Aegon also contacted 6,000 customers who were either within six months of retirement, or already drawing on their pension savings. The severe market volatility caused by the pandemic and its short-term impact on pension values meant that these customers were particularly vulnerable to the risk of making early decisions that could damage their long-term financial health. In line with advice from the FCA, this communication encouraged customers to seek support from Aegon or a financial adviser before taking any action.

We will continue to encourage and monitor Aegon’s progress in this important area next year, especially their initiatives to identify more customers with an ongoing or a temporary vulnerability, and to understand more about how these customers’ experiences of interacting with Aegon, and their pension outcomes, differ from other customers.

We have also challenged Aegon to demonstrate better the ultimate impact of their communications.



“The content and tools the team produce are generally creative and based on a good understanding of customers’ needs and behaviours but we believe more can be done to tailor those messages to meet the needs of different groups of customers.”

– Helen Parker

We also want to understand what actions customers are taking as a result of these prompts, and whether these are helping to deliver better outcomes for customers. We think that Aegon’s being able to quantify the extent to which is it tangibly helping you to help yourself in this way is an important part of delivering value for money.

9. Security of customer information and money

Throughout the year we assessed the critical areas of information security and financial crime by reviewing the processes and controls that Aegon has in place to monitor these risks.

We noted the increase in phishing attempts (where you receive an email that is crafted to look like it has come from a legitimate source, but the aim is to get some information from you or download malicious software onto your PC) and the work undertaken by the Aegon team to avoid these causing security breaches. This includes training staff in how to spot and avoid these scams, especially when working away from the office.

We also took time to better understand Aegon UK's security control environment and the steps being taken to ensure that controls were fully understood and routinely applied across the business, taking learnings from the external review carried out by Deloitte.

Aegon also described how it takes a collaborative approach to cyber security sharing intelligence on both risks and how best to protect customers with many other providers across the financial services industry.

The area of financial crime has rightly been under the spotlight during 2020. We note that Aegon continue to operate key operational financial crime controls such as, customer engagement during pension transfers, client identification and verification along with bank account validation when making payments. As with cyber security we are reassured by the collaborative engagement across the financial services industry to share good practice and intelligence, noting this has increased in frequency since the start of the Covid pandemic.

Unfortunately, there are numerous examples of fraudsters looking to take advantage of customers concerns about fluctuating investment values and financial hardship during this Covid pandemic.

Aegon has shared with us how they've worked with their contact centre to make sure the customer service team are trained on what to look for – including additional content in their telephone scripts - and how they can help out with any workplace customers who find themselves in such a situation. They've also enhanced their customer communications by including helpful information relating to pension scams and the industry bodies who support it. This includes signposting the FCA's 'ScamSmart' campaign, and the joint government and finance industry initiative, 'Take Five'.

Aegon has also introduced its own [security hub](#) which provides some practical hints and tips on things to look out including:

- A [short animated film](#) to give you pointers on what to look out for
- Some basic details:
 - The different types of scams.
 - Tips on what to look out for.
 - What to do if you're unfortunate enough to be scammed.
- Helpful links to external reference sites.
- High level security content:
 - How to prevent identity fraud.
 - Keeping your information safe.
 - Device safety.

Overall we are satisfied that Aegon is taking the steps required to keep your information and money secure.

10. Our contact with Aegon's customers

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

This year, as well as our regular reviews of customer satisfaction and complaints data, we also reviewed the results of in-depth customer research on a number of important new developments. These included: Investment Pathways (see section 5); the impact of financial wellbeing and what is required to keep your information and money safe during the pandemic.

We also asked Aegon to add a series of additional questions to its monthly survey of customers. These are designed to help us build a picture of how well you understand some key issues about your pension – how much you pay in charges, for example, or whether you know the warning signs of a scam. Over time, these surveys will help us monitor the impact of communications that are designed to help you understand and take actions on these issues.

During the year we met with a number of employers – usually the person who is responsible for the pension scheme within a company, who has regular contact with Aegon and who will often be your first port of call for questions about your workplace pension. These conversations are another useful way for us to understand where Aegon is doing well and where it could do better.

Unfortunately, due to the pandemic we were unable to meet directly with the Customer Service teams in Aegon and listen to the calls they receive from you to assess the range of queries you had and how Aegon responded to them as we normally would. We aim to resume this as soon as possible but, in the meantime, we will continue to review your feedback from many other sources.

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

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

How to contact Aegon if your query is for them

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

[Aegon support - contact us](#)

Or in writing to:

Freepost RUCB-LJKR-HHBU

Aegon

Sunderland

SR43 4DU

Or by email:

igc@aegon.co.uk

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. Our priority is to make sure the workplace personal pension products and services you receive from Aegon meet the benchmarks we've set for value for money as set out in our principles. 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 against

Fair charge for services received

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

Valuable investment solutions

- Customers are offered a range of investment solutions which are governed and monitored appropriately.
- Default funds and investment strategies are 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 are 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.

Security of customer information and money

- Data and money provided to Aegon is held and managed securely

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.

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 reasons.

Appendix 2

Challenges made by IGC during 2020

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

Topic	IGC's challenge	Aegon's response / action	What this means to customers
Pricing methodology	Share evidence of how Aegon prices workplace schemes, the frequency of reviews and the range of prices across the Aegon book of workplace business.	Provided the IGC with a full explanation of the pricing methodology, how Aegon balances shareholder needs in a competitive market and the prices this generates across the Aegon's workplace business.	Allows us to test if you are receiving a fair price relative to others in the Aegon portfolio and to challenge Aegon to act on any pricing outliers.
Pricing of existing workplace schemes relative to new schemes	Share evidence of how the price of existing schemes compares with the price offered to new schemes and explain any significant differences.	Provided the IGC with a comparison of terms and an explanation as to why there can be a difference between existing and new scheme pricing. Ongoing action: Aegon to identify any pricing outliers, including any for schemes without an active adviser, for further review.	Allows us to test if you are receiving a fair price relative to new schemes and to challenge Aegon to act on any pricing outliers.
Employer / adviser demand for a re-price	Share the demand for a new price and how it trends over time.	Provided a detailed breakdown of the number of employers who had requested a scheme re-price and how this has varied over the last 2 years.	Enables the IGC to test how active your employer (or adviser) is in seeking improved prices.
Workplace charges relative to the market	Demonstrate that workplace charges meet the regulatory charge cap and show how they compare against others in the market.	Provided a detailed overview of the charges applied to all workplace customers and via the DWP Pensions Charges review demonstrated how Aegon compare against others in the market.	Enables the IGC to test that your price is compliant with legislation and is comparable with prices offered elsewhere in the market.
Investment Pathways	Aegon to develop a framework for reviewing customer behaviours and actions taken when entering an Investment Pathway.	Outlined research plans to test customers' level of understanding and confidence in having made the right choices and how easy it was to follow the process. Ongoing action: to implement this programme of research.	This will help refine and improve the Investment Pathways options for future customers who opt for any of these funds.
ESG and Investment Pathway funds	Aegon to accelerate the process of ESG integration into the asset allocation of the fund solutions for Investment Pathways 1 & 3.	The process of integrating ESG into the pathways has started. Ongoing action: Opportunities to extend ESG integration across wider asset classes will be considered in Q2 2021.	Ensures that ESG is firmly embedded in the fund range available to you.

Transaction costs	Aegon to conduct a full review of transaction costs, highlighting any outliers and the actions taken to address these.	Aegon's value for money framework for transaction costs is carried out annually. This was shared with IGC and identified all funds within the analysis had transaction costs aligned to the aims and objectives of the fund.	Ensures that the transaction costs being paid by customers is in line with the market.
Improving customer service levels–resource model	Share the ongoing resource levels (quality and quantity) in Platform Solutions and the impact this has on service levels.	Provided the IGC with recruitment plans and the expected service levels once fully resourced. Ongoing action: to fill recruitment gap, complete training and return service to green.	Customers' service levels are expected to improve across all areas.
Oversight of Atos	Challenge Aegon to demonstrate that the outsourcing of Traditional Products administration has not been to the detriment of customer service.	Provided the IGC with detailed evidence showing the service levels and customer satisfaction scores achieved by Atos.	Traditional Product customers can be confident they are receiving good quality service.
Service performance data	To aid comparison, Aegon to present service performance data across the whole IGC in-scope population, whilst retaining the more granular information.	Provided the IGC with a comparison dashboard together with a detailed breakdown by platform.	It enables the IGC to quickly identify any hotspots and to focus attention on resolving them to improve customer service.
Vulnerable customers	Aegon to provide evidence and data relating to Vulnerable Customer training provided to Aegon staff.	Full details of the mandatory training programme and contents were provided.	Reassurance that Aegon staff are equipped to identify and support vulnerable customers.
Vulnerable customers	Aegon to clarify how they identify and support vulnerable customers, particularly during uncertain and turbulent times.	Provided the IGC with details of how target populations are identified and engaged with. Vulnerable customer refresher training delivered, expanding on why CV19 may drive an increase in disclosures. Ongoing action: to deliver on initiatives to further improve this process.	Customers felt engaged and supported by Aegon, providing a level of comfort and security during a time of uncertainty and volatility.
Vulnerable customers	Aegon to articulate how it considers issues of vulnerability (both permanent and transitory) in broader areas such as product design, customer engagement and scams.	Full details of the Aegon Proposition Development and Product Review processes were provided which outline how Aegon embed the needs of vulnerable customers within the framework. Ongoing action: Aegon to better understand and evidence the impact of their communications on different groups of customers, including those in vulnerable situations.	Customers can be confident that products are designed with consideration given to the additional support requirements some customers may have.
Financial wellbeing	Aegon to articulate its strategy on financial wellbeing and the actions taken to address this key topic.	Launched the new financial wellbeing strategy in Q4 2020. Ongoing action to demonstrate the progress of these initiatives and how they are supporting you to make the right choices for you.	Provides support for customers seeking to better understand and improve their financial wellbeing.

Appendix 3

Aegon's IGC members

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

Independent chairman: Ian Pittaway, 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.

Ian is an expert on governance and often advises Trustee Boards on the most effective way to approach and take decisions. He is Chairman of his firm's independent trustee company and is chairman of trustees or independent trustee of a number of pension schemes, including, as representative of Independent Trustee Limited, on the Board of the Aegon Master Trust. 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 a former Chairman of the Association of Professional Pension Trustees (APPT) and a former Chairman and Secretary of the Association of Pension Lawyers. Ian writes extensively for the pensions and national press, and lectures widely.



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

Alison joined PTL as a full time professional trustee in 2015, after a 25 year career in pensions consultancy as an actuary. Alison acts as trustee to a number of DB and DC pension schemes, and is a leading member of PTL'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 PTL's representative on the Board of the Aegon Master Trust on 1 December 2018.



Independent member: Helen Parker

Helen Parker has 30 years' experience working on consumer issues, first in executive roles and now as a non-executive. Helen was a member of the senior leadership team of Which?, Europe's largest independent consumer organisation, for more than a decade. This included serving as Editorial Director, responsible for the organisation's independent information and advice services, and later as Policy Director, responsible for the evidence that underpinned its campaigning on behalf of all UK consumers. Helen now has a number of non-executive roles with a focus on consumer engagement and protection. She is a Deputy Chair of the Financial Services Compensation Scheme which protects consumers when authorised financial services firms fail. She is also a non-executive committee member of Healthwatch England, the independent national champion for people who use health and social care services. She is a member of the independent Challenge Group established by energy regulator, Ofgem, and of the Office of Rail and Road's Consumer Expert Panel.

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



Ronnie Taylor – Chief Distribution Officer, Aegon UK

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



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

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

Dougy Grant – Chief Service Officer, Aegon UK (IGC member to December 2020)

Dougy is an actuary with over 20 years of experience within Aegon, holding leadership roles in finance, marketing, sales, operations, and general management. He has been the Chief Service Officer at Aegon since July 2020 having previously been the Managing Director of Existing Business. Dougy is a member of the Aegon UK Executive Committee and the Aegon UK Customer Committee, which is responsible for ensuring good customer outcomes across all of Aegon's customers.



Dougy brings a deep understanding of Aegon's business and its operations. He takes a customer centric approach and has a proven track record of improving customer outcomes. Dougy's main focus is on driving improved levels of customer satisfaction. He is ensuring Aegon is focused on the right areas of customer service, taking and applying learnings from across different business units and seeking ways to improve the overall customer experience.

Andy Manson – Chief Marketing Officer, Aegon UK (IGC member from December 2020)

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



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

Experience and expertise

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

Independence

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

The corporate members, Independent Trustee Limited and PTL Governance Ltd, 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. 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's IGC.

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

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

Appendix 4

Disclosure of costs and charges

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

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

4.1 Transaction costs in detail

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

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

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

Analysis of transaction costs

We reviewed the 2020 transaction costs in detail for key funds under our remit, representing 75% of customers' investments. Our analysis focused on the transaction costs for these key funds against a peer group of similar funds, allowing us to identify any outliers. Where there were outliers, we looked at total investment costs for the fund (annual management charge + additional expenses + transactions costs) and fund performance over the time the transaction costs applied. These validation tests allowed us to identify whether the higher transaction costs had impacted the total investment costs of the fund against its peer group as well as whether the higher transaction costs had impacted the fund from meeting its fund objective. Table 1 outlines the outcome from our assessment of transaction costs. Where funds appear in quartile 4 they went through further validation tests focusing on total investment costs and fund performance over the relevant transaction cost period. If they passed this test, the funds were rated green.

Three funds were rated amber (keep under watch): Aegon BlackRock LifePath Flexi 2064-2066 (BLK); Aegon BlackRock 30/70 Currency Hedged Global Equity Index (BLK); and Global Equity Tracker. While the three funds passed the further validation tests they did flag as significant outliers against their peer group. After discussion with the relevant fund manager and a deep dive into the make-up of the costs, it was resolved that the three amber rated funds had justifiable reasons for their transaction costs. We will continue to monitor them over 2021.

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

Table 1: Outcome of review of transaction costs in 2020

Fund name	Transaction costs*	Peer group median	Quartile ranking	1 year performance to 31/12/2020		Outcome RAG
				Fund	Benchmark	
Universal Lifestyle Collection	0.13	0.07	Q4	8.9	4.8	
Aegon Workplace Default	0.14	0.07	Q4	4.6	3.7	
Aegon BlackRock LifePath Flexi 2031-2033 (BLK)	0.09	0.07	Q3	8.5	8.2	
Aegon BlackRock LifePath Flexi 2064-2066 (BLK)	0.13	0.03	Q4	8.4	8.4	
Aegon BlackRock 50/50 Global Equity Index Lifestyle	0.03	0.03	Q2	1.3	0.9	
Global	0.41	0.24	Q3	25.0	9.6	
Distribution	0.10	0.30	Q1	0.2	2.4	
Balanced Passive Lifestyle	0.13	0.07	Q4	4.4	4.8	
SE Retirement Fund	0.04	0.09	Q2	10.8	10.4	
Aegon BlackRock Consensus Lifestyle	0.03	0.07	Q1	5.4	4.8	
SE BlackRock 75/25 Equity and Bond Index Lifestyle	0.03	0.07	Q1	0.8	0.5	
SE Technology	0.14	0.24	Q1	57.9	39.3	
SE Cash	0.00	0.00	Q1	0.4	0.1	
Ethical	0.13	0.23	Q1	-0.1	-9.8	
Aegon BlackRock 30/70 Currency Hedged Global Equity Index (BLK)	0.09	0.03	Q4	6.5	6.5	
Aegon 50/50 Equity and Bond Index	0.05	0.07	Q2	8.4	8.2	
Global Equity Tracker	0.19	0.03	Q4	2.2	1.4	
MI Savings (M)	0.09	0.07	Q3	-2.0	n/a	
UK Equity	0.26	0.23	Q3	-5.4	-9.8	
Aegon BlackRock 50/50 Global Equity Index (BLK)	0.03	0.03	Q2	1.1	1.1	
SE Baillie Gifford Balanced Managed	0.20	0.30	Q2	34.0	5.3	

Aegon UK Fixed Interest and Global Equity Tracker	0.10	0.07	Q3	6.1	5.4	
Aegon Balanced Tracker (Flexible Target)	0.11	0.07	Q3	6.0	5.5	
Aegon BNY Mellon Multi-Asset Balanced	0.10	0.30	Q1	6.8	5.3	
SE Property (Suspended)	0.00	0.00	Q1	-4.1	-4.2	

*Transaction costs are for the 12-month period to 31/12/2020 Source: Aegon as at 31/12/2020

4.2 Disclosure of costs and charges

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

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

The Total Fund Costs are the sum of:

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

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

Fund Annual Management Charge

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

Annual Additional Expenses

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

Transaction costs

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

Other costs:

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

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

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

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

Fund name	Management style	Fund annual management charge (%)	Annual additional expenses (%)	Transaction costs (%)							Total fund costs (%)	Representative annual platform charge (%)
				Sub-total	Explicit costs		Implicit costs	Indirect costs	Securities lending & borrowing costs	Anti-dilution offset		
					Taxes	Fees & charges						
Universal Lifestyle Collection (ARC)	Active and Passive	0.10	0.02	0.13	0.00	0.00	0.03	0.09	0.01	0.01	0.24	0.29
Balanced Lifestyle (ARC)	Active	0.20	0.01	0.28	0.00	0.03	0.00	0.25	0.00	0.00	0.49	0.29
Aegon Growth Tracker (Flexible Target) (ARC)	Passive	0.03	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.19	0.29
Aegon Default Equity & Bond Lifestyle (ARC)	Passive	0.04	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.20	0.29
Aegon Workplace Default (ARC)	Passive	0.04	0.01	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.19	0.29
Aegon 50/50 Global Equity Index Lifestyle (ARC)	Passive	0.05	0.01	0.03	0.02	0.00	0.03	0.00	0.01	0.03	0.09	0.29
Aegon Balanced Passive Lifestyle (ARC)	Passive	0.09	0.02	0.13	0.00	0.00	0.00	0.11	0.02	0.00	0.23	0.29
Cautious Lifestyle (ARC)	Active	0.20	0.01	0.10	0.03	0.03	-0.01	0.06	0.00	0.00	0.31	0.29
Aegon 75/25 Equity & Bond Index Lifestyle (ARC)	Passive	0.04	0.01	0.03	0.03	0.00	0.09	0.00	0.01	0.11	0.08	0.29
Universal Balanced Collection (Flexible Target) (ARC)	Active and Passive	0.09	0.02	0.13	0.00	0.00	0.03	0.09	0.01	0.01	0.23	0.29
Aegon 50/50 Bond & Equity Index Lifestyle (ARC)	Passive	0.04	0.01	0.05	0.01	0.00	0.05	0.00	0.01	0.02	0.10	0.29

Aegon BlackRock Consensus Lifestyle (ARC)	Passive	0.04	0.01	0.03	0.02	0.00	0.06	0.00	0.01	0.06	0.09	0.29
Dynamic Lifestyle (ARC)	Active	0.25	0.01	0.41	0.00	0.01	0.00	0.40	0.00	0.00	0.67	0.29
Aegon's MI Workplace Savings (M) (ARC)	Passive with active asset allocation	0.20	0.02	0.09	0.00	0.00	0.02	0.06	0.01	0.00	0.31	0.29
Scottish Equitable UK Fixed Interest & Global Equity Tracker (ARC)	Active and Passive	0.20	0.01	0.10	0.00	0.00	0.00	0.08	0.01	0.00	0.31	0.29
Aegon Balanced Tracker (Flexible Target) (ARC)	Passive	0.03	0.02	0.11	0.02	0.00	0.07	0.00	0.01	0.00	0.16	0.29
Balanced Plus Core Lifestyle Portfolio (ARC)	Passive with active asset allocation	0.24	0.01	0.12	0.03	0.00	0.07	0.00	0.02	0.00	0.37	0.29
Aegon Global Equity Tracker Lifestyle (ARC)	Passive	0.09	0.02	0.19	0.00	0.00	0.00	0.18	0.02	0.00	0.30	0.29
Aegon Growth Tracker (Cash Target) (ARC)	Passive	0.03	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.19	0.29
Aegon's MI Workplace Savings (L) (ARC)	Passive with active asset allocation	0.20	0.02	0.06	0.00	0.00	-0.01	0.06	0.01	0.00	0.28	0.29
Universal Balanced Collection (Annuity Target) (ARC)	Active and Passive	0.09	0.02	0.13	0.00	0.00	0.03	0.09	0.01	0.01	0.23	0.29
Balanced Core Lifestyle Portfolio (ARC)	Passive with active asset allocation	0.24	0.01	0.11	0.03	0.00	0.06	0.00	0.01	0.00	0.36	0.29
Aegon Ethical Lifestyle (ARC)	Active	0.30	0.00	0.13	0.06	0.02	0.04	0.00	0.00	0.00	0.43	0.29
Aegon 40/60 Global Equity Index Lifestyle (ARC)	Passive	0.04	0.01	0.04	0.02	0.00	0.09	0.00	0.01	0.08	0.10	0.29

Adventurous Core Lifestyle Portfolio (ARC)	Passive with active asset allocation	0.18	0.02	0.15	0.05	0.01	0.08	0.00	0.02	0.00	0.35	0.29
Aegon Adventurous Tracker (Flexible Target) (ARC)	Passive	0.03	0.02	0.17	0.05	0.00	0.10	0.01	0.02	0.00	0.22	0.29
Cautious Core Lifestyle Portfolio (ARC)	Passive with active asset allocation	0.24	0.02	0.10	0.02	0.00	0.06	0.00	0.01	0.00	0.36	0.29
Ethical Managed (Flexible Target) (ARC)	Active	0.37	0.01	0.12	0.03	0.01	0.02	0.06	0.00	0.00	0.51	0.29
Aegon Balanced Tracker (Annuity Target) (ARC)	Passive	0.03	0.02	0.11	0.02	0.00	0.07	0.00	0.01	0.00	0.16	0.29
Aegon's MI Workplace Savings (H) (ARC)	Passive with active asset allocation	0.20	0.02	0.08	0.00	0.00	0.01	0.07	0.01	0.00	0.30	0.29
Aegon Growth Tracker (Annuity Target) (ARC)	Passive	0.03	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.19	0.29
Aegon Adventurous Tracker (Annuity Target) (ARC)	Passive	0.03	0.02	0.17	0.05	0.00	0.10	0.01	0.02	0.00	0.22	0.29

31/12/2020 Source: Aegon

Table 3: Costs and charges for Traditional Products default funds

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

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

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

Fund name	Management style	Fund annual management charge (%)	Annual additional expenses (%)	Transaction costs (%)							Total fund costs (%)	Representative product charge (%)
				Sub-total	Explicit costs		Implicit costs	Indirect costs	Securities lending & borrowing costs	Anti-dilution offset		
					Taxes	Fees & charges						
Universal Lifestyle Collection	Active and Passive	Included in RPC	0.02	0.13	0.00	0.00	0.03	0.09	0.01	0.01	0.14	0.72
Balanced Lifestyle	Active	Included in RPC	0.01	0.28	0.00	0.03	0.00	0.25	0.00	0.00	0.29	0.72
Aegon Growth Tracker (Flexible Target)	Passive	Included in RPC	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.16	0.72
Aegon 50/50 Global Equity Index Lifestyle	Passive	Included in RPC	0.01	0.03	0.02	0.00	0.03	0.00	0.01	0.03	0.04	0.72
Aegon Balanced Passive Lifestyle	Passive	Included in RPC	0.02	0.13	0.00	0.00	0.00	0.11	0.02	0.00	0.15	0.72
Cautious Lifestyle	Active	Included in RPC	0.01	0.10	0.03	0.03	-0.01	0.06	0.00	0.00	0.11	0.72
Aegon 75/25 Equity & Bond Index Lifestyle	Passive	Included in RPC	0.01	0.03	0.03	0.00	0.09	0.00	0.01	0.11	0.04	0.72
Universal Balanced Collection (Flexible Target)	Active and Passive	Included in RPC	0.02	0.13	0.00	0.00	0.03	0.09	0.01	0.01	0.14	0.72
Aegon 50/50 Bond & Equity Index Lifestyle	Passive	Included in RPC	0.01	0.05	0.01	0.00	0.05	0.00	0.01	0.02	0.06	0.72
Aegon BlackRock Consensus Lifestyle	Passive	Included in RPC	0.01	0.03	0.02	0.00	0.06	0.00	0.01	0.06	0.05	0.72
GPP Default	Passive	Included in RPC	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.16	0.72
Dynamic Lifestyle	Active	Included in RPC	0.01	0.41	0.00	0.01	0.00	0.40	0.00	0.00	0.42	0.72
Aegon's MI Workplace Savings (M)	Passive with active asset allocation	0.08	0.02	0.09	0.00	0.00	0.02	0.06	0.01	0.00	0.19	0.72
Stakeholder Default	Passive	Included in RPC	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.16	0.72
Scottish Equitable UK Fixed Interest & Global Equity Tracker	Active and Passive	Included in RPC	0.01	0.10	0.00	0.00	0.00	0.00	0.01	0.00	0.11	0.72

Aegon Balanced Tracker (Flexible Target)	Passive	Included in RPC	0.02	0.11	0.02	0.00	0.07	0.00	0.01	0.00	0.13	0.72
Scottish Equitable Ethical Managed Lifestyle	Active	Included in RPC	0.01	0.12	0.03	0.01	0.02	0.06	0.00	0.00	0.14	0.72
Balanced Plus Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.01	0.12	0.03	0.00	0.07	0.00	0.02	0.00	0.13	0.72
Aegon Global Equity Tracker Lifestyle	Passive	Included in RPC	0.02	0.19	0.00	0.00	0.00	0.18	0.02	0.00	0.21	0.72
Aegon Growth Tracker (Cash Target)	Passive	Included in RPC	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.16	0.72
Aegon's MI Workplace Savings (L)	Passive with active asset allocation	0.08	0.02	0.06	0.00	0.00	-0.01	0.06	0.01	0.00	0.16	0.72
Universal Balanced Collection (Annuity Target)	Active and Passive	Included in RPC	0.02	0.13	0.00	0.00	0.03	0.09	0.01	0.01	0.14	0.72
Balanced Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.01	0.11	0.03	0.00	0.06	0.00	0.01	0.00	0.12	0.72
Aegon Ethical Lifestyle	Active	Included in RPC	0.00	0.13	0.06	0.02	0.04	0.00	0.00	0.00	0.13	0.72
Aegon 40/60 Global Equity Index Lifestyle	Passive	Included in RPC	0.01	0.04	0.02	0.00	0.09	0.00	0.01	0.08	0.05	0.72
Growth Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.02	0.13	0.04	0.01	0.07	0.00	0.02	0.00	0.15	0.72
Adventurous Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.02	0.15	0.05	0.01	0.08	0.00	0.02	0.00	0.16	0.72
Aegon Adventurous Tracker (Flexible Target)	Passive	Included in RPC	0.02	0.17	0.05	0.00	0.10	0.01	0.02	0.00	0.19	0.72
Growth Plus Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.02	0.14	0.04	0.01	0.07	0.00	0.02	0.00	0.16	0.72
Cautious Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.01	0.10	0.02	0.00	0.06	0.00	0.01	0.00	0.11	0.72
Ethical Managed (Flexible Target)	Active	Included in RPC	0.01	0.12	0.03	0.01	0.02	0.06	0.00	0.00	0.14	0.72

Aegon Balanced Tracker (Annuity Target)	Passive	Included in RPC	0.02	0.11	0.02	0.00	0.07	0.00	0.01	0.00	0.13	0.72
Aegon's MI Workplace Savings (H)	Passive with active asset allocation	0.08	0.02	0.08	0.00	0.00	0.01	0.07	0.01	0.00	0.18	0.72
Aegon Growth Tracker (Annuity Target)	Passive	Included in RPC	0.02	0.14	0.04	0.00	0.08	0.01	0.02	0.00	0.16	0.72
Conservative Core Lifestyle Portfolio	Passive with active asset allocation	Included in RPC	0.01	0.07	0.01	0.00	0.05	0.00	0.01	0.00	0.08	0.72
Aegon Adventurous Tracker (Annuity Target)	Passive	Included in RPC	0.02	0.17	0.05	0.00	0.10	0.01	0.02	0.00	0.19	0.72

31/12/2020 Source: Aegon

Table 4: Costs and charges for TargetPlan default funds

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

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

Fund name	Management style	Fund annual management charge (%)	Annual additional expenses (%)	Transaction costs (%)							Total fund costs (%)
				Sub-total	Explicit costs		Implicit costs	Indirect costs	Securities lending & borrowing costs	Anti-dilution offset	
					Taxes	Fees & charges					
Aegon BlackRock LifePath Flexi 2058-2060 (BLK)	Passive with active asset allocation	0.31	0.00	0.13	0.00	0.00	0.00	0.11	0.01	0.00	0.44
Aegon BlackRock LifePath Capital 2058-2060 (BLK)	Passive with active asset allocation	0.31	0.00	0.13	0.00	0.00	0.00	0.11	0.01	0.00	0.44
Aegon BlackRock LifePath Retirement 2058-2060 (BLK)	Passive with active asset allocation	0.31	0.00	0.13	0.00	0.00	0.00	0.11	0.01	0.00	0.44

31/12/2020 Source: Aegon

Glossary of transaction costs terms

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

- **Taxes:** Transaction taxes such as stamp duty.
- **Fees & charges:** Broker commissions, dealing fees and other explicit non-tax transaction costs.

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

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

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

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

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

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

Table 5: Charge bands for Aegon Workplace customers

Charge Band	No. of active schemes			Total
	Workplace ARC	Traditional Products*	TargetPlan	
<0.25%	533	23	2	558
0.25%-0.50%	1,860	1,140	56	3,056
0.51%-0.75%	270	6,108	36	6,414
Total	2,663	7,271	94	10,028

*Traditional Products also have a high number of individual customers who used to be members of workplace schemes but have since left those arrangements. The annual charge for these customers is typically in the charge band 0.76% - 1%. This is why the representative charge for Traditional Products is shown as 0.72% in table 3 above.

4.3 Illustrations

Purpose of these example illustrations:

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

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

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

Example illustrations for the Aegon Self Invested Personal Pension Scheme

Purpose of these example illustrations

These aren't personal illustrations, they're based on the assumptions detailed later on in this document. The purpose of these illustrations is to show how fund related costs and administration charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

	Platform administration and fund related charges (%)		
	Aegon Workplace Default (ARC)	North American (ARC)	Aegon ASI Multi-Manager Constellation Portfolio (ARC)
Growth	1.23%	2.94%	2.94%
Platform charge	0.29%	0.29%	0.29%
AMC*	0.04%	0.07%	0.75%
AAE*	0.02%	0.01%	0.83%
TC	0.10%	0.00%	0.42%

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

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

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

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

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

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

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

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

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

Years	Aegon Workplace Default (ARC)		North American (ARC)		Aegon ASI Multi-Manager Constellation Portfolio (ARC)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1590	1590	1610	1600	1610	1590
3	4910	4880	5040	5010	5040	4870
5	8410	8320	8780	8700	8780	8280
10	18000	17600	19600	19200	19600	17400
15	28800	27900	32800	31900	32800	27500
20	41100	39300	48800	47000	48800	38700
25	54900	52000	68200	65000	68200	51000
30	70500	66100	91500	86300	91400	64500
35	88000	81600	119000	111000	119000	79300
40	107000	98600	152000	140000	152000	95600
45	129000	117000	192000	175000	192000	113000
49	148000	133000	228000	207000	228000	128000

About these illustrations

The current age is 16 and retirement age is 65.

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

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

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

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

Investment growth

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

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

If the growth rate we've used is:

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

Example illustrations for The Scottish Equitable Personal Pension Scheme and The Scottish Equitable Self-administered Personal Pension Scheme

Purpose of these example illustrations

These aren't personal illustrations, they're based on the assumptions detailed later on in this document. The purpose of these illustrations is to show how fund related costs and administration charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

	Product administration and fund related charges (%)		
	Universal Lifestyle Collection	North American	Aegon ASI Multi-Manager Constellation Portfolio
Growth	0.74%	2.94%	2.94%
Platform charge	0.72%	0.72%	0.72%
AMC	Included in Product charge	Included in Product charge	0.75%
AAE	0.02%	0.01%	0.83%
TC	0.08%	0.00%	0.40%

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

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

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

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

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

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

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

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

Years	Aegon Workplace Default (ARC)		North American (ARC)		Aegon ASI Multi-Manager Constellation Portfolio (ARC)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1586	1580	1606	1600	1603	1580
3	4880	4820	5046	4990	5046	4840
5	8308	8140	8783	8620	8784	8200
10	17490	16800	19521	18800	19600	17100
15	27800	26200	32800	31000	32760	26700
20	39150	36200	48870	45300	48800	37200
25	51780	47000	68230	62000	68200	48600
30	65740	58600	82600	81600	91500	60900
35	81000	71000	119200	104000	119400	74200
40	97900	84300	152100	130000	152700	88600
45	116500	98600	192300	161000	192100	104000
49	130500	109000	225700	186000	225000	116000

About these illustrations

The current age is 16 and retirement age is 65.

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

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

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

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

Investment growth

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

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

If the growth rate we've used is:

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

Example illustrations for The Scottish Equitable Stakeholder Scheme

Purpose of these example illustrations

These aren't personal illustrations, they're based on the assumptions detailed later on in this document. The purpose of these illustrations is to show how fund related costs and administration 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 (%)		
	Stakeholder Default	Aegon BlackRock World (ex-UK) Equity Tracker	60/40 Cautious Managed Collection
Growth	0.49%	2.94%	0.49%
Platform charge	0.720%	0.720%	0.720%
AMC	Included in Product charge	Included in Product charge	Included in Product charge
AAE	0.020%	0.011%	0.150%
TC	0.110%	0.035%	0.230%

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

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

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

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

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

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	Stakeholder Default		Aegon BlackRock World (ex-UK) Equity Tracker		60/40 Cautious Managed Collection	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	1587	1580	1606	1600	1589	1580
3	4862	4800	5039	4980	4861	4780
5	8262	8090	8782	8610	8265	8040
10	17304	16600	19560	18800	17314	16400
15	27320	25700	32800	30900	27290	25200
20	38260	35300	48860	45100	38310	34500
25	50250	45500	68250	61700	50300	44200
30	63440	56400	91600	81100	63400	54400
35	77860	68000	118900	103000	77800	65300
40	93500	80300	152200	129000	93500	76700
45	110600	93400	191800	159000	110600	88800
49	123600	103000	225600	184000	124200	98200

About these illustrations

The current age is 16 and retirement age is 65.

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

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

We've shown the scheme default Stakeholder Default investment option.

We've also shown the Aegon BlackRock World (ex-UK) Equity Tracker fund and the 60/40 Cautious Managed Collection fund to show funds with lower and higher charges for comparison.

Investment growth

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

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

If the growth rate we've used is:

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

Example illustrations for the TargetPlan Group Personal Pension

Purpose of these example illustrations

These aren't personal illustrations, they're based on the assumptions detailed later on in this document. The purpose of these illustrations is to show how fund related costs and administration charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

Fund transactional charges and costs total (%)

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

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

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

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

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

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

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

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

About these illustrations

The current age is 16 and retirement age is 65.

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

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

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

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

Investment growth

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

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

If the growth rate we've used is:

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

Example illustrations for the TargetPlan Group Stakeholder Pension

Purpose of these example illustrations

These aren't personal illustrations, they're based on the assumptions detailed later on in this document. The purpose of these illustrations is to show how fund related costs and administration charges can affect the overall value of the funds that we've chosen to illustrate on over a period of time.

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

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

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

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

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

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

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

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

About these illustrations

The current age is 16 and retirement age is 65.

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

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

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

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

Investment growth

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

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

If the growth rate we've used is:

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

Additional illustrations:

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