



ZEDRA

DO MORE. ACHIEVE MORE.

Chair's annual report

Aon Bigblue Touch

- | Year ended 31 December 2021
- | The ZEDRA Governance Advisory Arrangement (GAA)

September
2022



Executive summary

This report on Bigblue Touch, the workplace personal pension plans provided by Aon UK Ltd ('the Firm'), has been prepared by the Chair of the ZEDRA Governance Advisory Arrangement ('the GAA') and sets out our assessment of the value delivered to policyholders and our view of the adequacy and quality of the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship.

Further background on the activity of the GAA and details of the credentials of the GAA can be found in Appendices C and D respectively. The GAA works under Terms of Reference, agreed with Aon, the latest version of which is dated 18 March 2020 and are publicly available (see Appendix D for details).

This report also covers Bigblue Touch 4life which is an individual personal pension contract designed for use by policyholders during [decumulation](#). Bigblue Touch 4life is not required by the FCA to be overseen by a GAA or similar independent governance committee but Aon have chosen to ask us to include it in this report. This is our 7th annual report, which covers the accumulation and the decumulation phase workplace pension products. There is a separate Chair's Annual Report which covers the Investment Pathways products.

As Chair of the GAA, I am pleased to deliver this value assessment of the Bigblue Touch Group Pension plan, including Bigblue Touch 4life decumulation scheme. The GAA has conducted a rigorous assessment of the Value for Money delivered to policyholders over the period 1 January 2021 to 31 December 2021. The GAA has developed a Framework to assess Value for Money which balances the quality of services and investment performance provided to policyholders against what they pay for those services and investment performance. Further details are set out on page 6.

A COLOUR CODED SUMMARY OF THE GAA ASSESSMENT

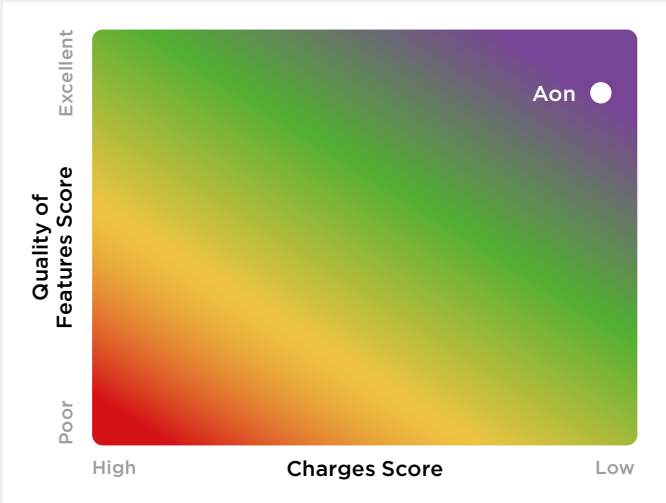
	Weighting toward VfM assessment*	Aon Bigblue Touch	Aon Bigblue Touch 4life
1. Product strategy design and investment objectives	7%	●	●
2. Investment performance and risk	20%	●	●
3. Communication	13%	●	●
4. Firm governance	5%	●	●
5. Financial security	7%	●	●
6. Administration and operations	13%	●	●
7. Engagement and innovation	3%	●	●
8. Cost and charge levels	33%	●	●
Overall value for money assessment	100%	●	●

* May not add to 100% due to rounding

<p>Quality and investment features</p> <p>● Excellent ● Good ● Satisfactory ● Poor</p>	<p>Cost and charge levels</p> <p>● Low ● Moderately Low ● Moderately High ● High</p>
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The Overall Value for Money rating is determined on a rating scale based on the product of the overall scores for the individual Features and the weightings shown in the above table. The Investment and Quality Features combined representing two-thirds of the overall score and the Cost and Charge Level representing one-third of the overall score. It is visually represented by the heatmap below.

VALUE FOR MONEY SCORING



The overall conclusion is that Aon Bigblue Touch and Aon Bigblue Touch 4life provide **excellent value for money. There are no specific areas identified where the GAA has challenged Aon to make improvements.**

The GAA is pleased with the work completed to get the policyholder feedback over 2021, and we would like to see evidence of this operating in the future, alongside evidence of how feedback is influencing product innovation.

The GAA observed a drop in service levels during 2021, and so will want to see continued evidence of Aon's monitoring of this situation, and action being taken where appropriate.

We also concluded that the Firm's policies in relation to Environmental, Social and Governance (ESG) risks, non-financial considerations and stewardship were well implemented and documented.

Where we have used technical pensions terms or jargon, these are explained in the glossary in Appendix E.

The FCA has introduced new requirements this year. One of these new changes require us to undertake a comparison with other similar options available in the market. If an alternative scheme(s) would offer better value, we must inform the pension provider. I can confirm that we have not considered it necessary to make this notification to Aon this year. Our view on each Feature we are required to make a comparison on is included in the relevant section of the report. Details of how we selected the comparator group, and a consolidated view of our comparator findings is set out in Appendix B.

The GAA has not raised any concerns with Aon UK Ltd during the year.

I hope you find this value assessment interesting, informative and constructive.

Clare James

Chair of the ZEDRA Governance Advisory Arrangement

September 2022



If you are a policyholder or pathway investor and have any questions, require any further information, or wish to make any representation to the GAA you should contact:

GAA Representation, Bigblue Touch GPP, Aon Employee Benefits
Briatcliff House, Farnborough, Hants GU14 7TE

bbt.admin@aon.co.uk

www.aon.co.uk/employee-benefits

Alternatively, you can contact the GAA directly at **ZGL.gaacontact@zedra.com**



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Overview of the value assessment

The GAA has assessed the Value for Money delivered by Bigblue Touch and Bigblue Touch 4life to its workplace personal pension policyholders by looking at costs versus investment and service benefits. More detail about how we have done this is set out below.

Regulatory changes

The Framework used for this year's assessment has been updated to reflect changes to the Conduct of Business Sourcebook ([COBS](#)) in effect from the 2021 assessment year. This has included an explicit assessment of [net investment performance](#), and the assessment of any charges the policyholders might need to pay in operating their policy which are in addition to any annual management charges and transaction costs. Our framework already included assessment of communications and processing of [core financial transactions](#). These changes have been reflected in the assessments reported on in sections 2. Investment Performance and Risk, 3. Communication, 6. Administration and Operations and 8 Cost and Charge Levels.

In addition, the regulatory changes introduced a requirement to undertake comparisons of the Firm's product offering against a suitable comparator group of providers products across net investment performance, communications, processing of core financial transactions, and costs & charges. We have included comments on these comparisons in each relevant section of the report. Details of how the comparator group was selected and a consolidated view of the comparison outcomes are included in Appendix B.

Our approach

The GAA believes that value for money is subjective and will mean different things to different people over time, depending on what they consider important at that time.

What is clear is that it is always a balance of cost versus investment and service benefits. Our fundamental approach has therefore been to compare all the costs paid by policyholders against the investment performance and quality of services provided to policyholders.

The key steps for the GAA in carrying out the Value for Money assessment are:

- | Issuing a comprehensive data request to the Firm, requesting information and evidence across a wide range of quality features, including net investment performance, as well as full information on all costs and charges, including [transaction costs](#).
- | Attending a number of formal meetings with representatives of the Firm to interrogate the data provided and to enable the GAA to question or challenge on any areas of concern. All such meetings have been documented by formal minutes and a log is also maintained containing details of any challenges raised, whether informally or through formal escalation.
- | Once the Firm has provided all information and evidence requested, the GAA has met to discuss and agree provisional Value for Money scoring using the Framework developed by the GAA.
- | The provisional Value for Money score, including a full breakdown, has then been shared and discussed with the Firm.

The Framework developed by the GAA to assess overall Value for Money for policyholders involves rating the Firm against eight different Features covering Quality of Service, Investment Performance and Strategy, and the Costs and Charges borne by the Policyholders. This assessment is undertaken of the Firm's product(s) relative to the GAAs view of good practice.

The Quality of Service Features and Investment Features have been determined based directly on the FCA requirements for assessing ongoing Value for Money set out in COBS 19.5.5, in particular services relating to communications with policyholders and processing of core financial transactions. The Quality of Service features considered has been expanded to include other aspects the GAA considers important based on the GAA's experience of conducting Value for Money assessments over the past several years, such as the Firm's governance structure, the financial security for policyholders, the Firm's approach to engagement and innovation, and a wider overview of the administration quality and processes.

Within each of the Quality of Service Features and in the assessment of Investment Features are several sub-features. These sub-features are each scored using a numerical scoring system of 0 to 4, where 4 is 'excellent', 3 is 'good', 2 is 'satisfactory', 1 is 'poor' and 0 is 'non-compliant or insufficient information has been provided'. Scoring is aided by means of score descriptors, developed for each sub-feature, ensuring the GAA adopts a consistent approach to scoring across clients. Each set of score descriptors outline what the GAA would expect to see in order to achieve each numerical score. The scores for each sub-feature are then aggregated to the Feature level based on the GAAs view of the relative value of the sub-feature to the policyholders.

The GAA then went on to consider the value represented by the Cost and Charge Levels which policyholders have to bear. The assessment of Cost and Charge Levels is primarily driven by the level of ongoing charges for investment management, administration, and platform fees. The GAA also considers the transaction costs and how they are controlled, and any additional

costs the policyholders pay in the investment and management of their policies. The Cost and Charge Levels are rated on a numerical scale of 1 to 4 where 4 is 'low' charges, 3 is 'moderately low' charges, 2 is 'moderately high' charges and 1 is 'high' charges. This assessment takes into account information available to the GAA on general levels of costs and charges for pension providers in the marketplace.

The scores for each Feature are then combined using the weightings set out in the table in the Executive Summary to determine an Overall Value for Money rating. The weightings used are based on the GAAs views of the relative importance to the policyholders of each Feature. The weightings are tilted towards the Features and sub-features which have been identified in the regulations relevant to forming this assessment of value. Where possible, the GAA has taken into account the likely needs and expectations of this group of policyholders, based on the information made available by the Firm.

In the sections on the following pages, we have described the Firm's approach to delivering each of the Features, and the rating the GAA has awarded, together with any areas for improvement we have identified.

In addition, there is a section setting out the GAA's views on the adequacy and quality of the Firm's policies on [ESG](#) financial considerations, non-financial considerations, and stewardship. Whilst this is a largely qualitative assessment the GAA has considered the Firm's policies in comparison to others the GAA has knowledge of.

An assessment has also been made of the net investment performance, quality of communication and processing of core financial transactions, and costs and charges relative to a suitable comparator group of product providers. Comments on the outcome of these assessments is included in the sections for the relevant Features. We have also considered whether an alternative scheme would offer better Value for Money so that we can inform the Firm if we believe this to be the case. Details of the comparisons, including how the comparator providers and products were determined is set out in Appendix B.



1. Product strategy design and investment objectives

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We expect to see an investment strategy for the default that is designed and managed taking the needs and interests of policyholders into account, evidenced by appropriately defined risk ratings, and consideration of the investment time horizon and age profile of the membership.

We want to see that all investment options have clear statements of aims and objectives – in particular that as well as qualitative objectives, there are quantitative objectives in place, that investment performance outcomes can objectively be measured against. Ideally, we would like to see evidence that these objectives link back to the needs of policyholders.

We are also looking for evidence of a robust ongoing review process for all investment options, including the default, and evidence that the Firm has taken steps to implement changes to investment options, where appropriate, to ensure alignment with policyholders' interests.

Whilst policies on [ESG](#) financial considerations and non-financial matters are considered separately on page 25, we expect to see evidence of how these matters are taken into account in the design of the investment strategy and in investment decision making.

The Firm's approach

Bigblue Touch has a default investment strategy which has been designed by Aon Investment Limited (AIL) based on requirements given by Aon UK Limited, supported by modelling of policyholder outcomes.

The default strategy consists of a series of target dated funds, designed to help manage investment risks at each stage of the policyholder's lifetime and aimed at a retirement fund suitable for policyholders entering income drawdown at retirement. The underlying funds are predominantly passively managed, to reduce costs for policyholders. An alternative default fund is available, incorporating more active strategies, with higher charges.

Other default funds are available in versions which are designed for members that target cash or annuity purchase, rather than flexible access. The target dated funds are constructed in 3-year bands, for policyholders to choose between based on their expected retirement date.

In January 2021 a target date Investment approach was introduced to the default strategy. This introduced inflation-linked target returns that reflected the requirement return for each member cohort to deliver adequate outcomes for retirement.

The flexible access strategy for Bigblue Touch 4life also adopts the target dated fund approach, with changes to the underlying mix of funds continuing for a further two years after the policyholder enters decumulation.

For policyholders wishing to design their own strategies, a range of self-select funds is also made available, covering all the major asset classes and markets as well as a Shariah-compliant fund and an ethical global equity fund.

It should be noted that there are some funds offered on the self-select basis which are not within Aon's governed fund range. The governed fund range represents the majority (recorded as 2.1% at the end of Q4 2021) of funds invested in, and the GAA has only assessed governed funds as part of the Value for Money assessment.

Policyholders may also access the building block funds of the default strategy, to create their own variations of the target dated investment approach.

The Firm's strengths

There is a strong process for designing the investment strategy, leveraging the investment consulting skills of the Aon Group.

All funds have a risk rating displayed clearly on their factsheets. The default strategy employs target dated vintages which are tailored to members' dates of joining and intended retirement horizon.

All investment options have relevant aims/objectives which are communicated on the fund factsheets.

Passively managed funds receive regular reviews of their benchmarks' appropriateness, as evidenced in minutes provided to the GAA. Actively managed funds have quantifiable objectives in place which are also reviewed regularly.

Aon's UK DC Joint Investment Group has ultimate responsibility for the governed DC funds in Bigblue Touch. The Group meets on a monthly basis and has oversight of strategic benchmarks, performance objectives and asset class ranges.

Formal monitoring of investment performance of the default and self-select fund range against objectives is undertaken quarterly. The strategic asset allocation of the default and the wider fund range is reviewed formally on an annual basis. Aon's DC Investment Committee oversees the strategy glide path design in the default implemented through the target date funds.

The GAA has seen a copy of the Terms of Reference and copies of meeting minutes which provide evidence of regular reviews taking place as described above, with changes being implemented where appropriate to ensure alignment with the interests of policyholders. The GAA found clear evidence within the relevant committee meeting minutes and other documentation shared by Aon and discussed with the GAA the process for implementing several changes over the year, including the introduction of the Target Driven Investment approach, and was supplied with clear evidence of a review of benchmarks. The DC Joint investment Group also considered performance against long-term inflation linked return objectives on a quarterly basis to ensure each fund remains on track relative to a number of conditions (e.g. expected member outcomes, changes to Aon's long-term assumptions) with a view to understanding whether adjustments to the underlying asset allocation strategies are required.

This is supplemented by a triennial review, which considers the continued appropriateness of the overarching strategy including the long-term inflation linked return objectives and target benefit at retirement. The last such formal review was carried out in Q4 2020.

The GAA saw clear evidence within the relevant committee meeting minutes and other documentation shared by Aon and discussed with the GAA of how Aon's policy on ESG financial considerations and non-financial matters are incorporated in the investment strategy and in investment decision making. This was demonstrated with the inclusion of the Aon Managed Global Impact fund within the default fund.

Improvements since last year

In last year's report, the GAA stated an expectation of continued progress on the integration of ESG financial considerations within the default and self-select options within Bigblue Touch. Aon have launched the Aon Managed Global Impact Fund which aims to outperform its benchmark and generate a positive impact on the environment and society. ESG considerations are now integral to Aon's approach to investing.

Areas for improvement

The GAA did not identify any specific areas for improvement.



2. Investment performance and risk

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We would expect to see a robust governance framework under which investment performance is monitored on a regular basis. Performance should be measured against investment objectives, including against a measurable and stated benchmark. Performance should be net of fees and in addition to the stated benchmark comparison risk adjusted returns should also be considered.

Where there are any concerns over investment performance, we expect to see evidence of appropriate action being taken, which may include engagement with investment managers and/or implementing changes to fund options. We also expect to see evidence that the strategies are effective and take into account the policyholders' attitudes to risk.

The Firm's approach

Aon has a comprehensive governance framework in place for regularly monitoring fund performance.

Aon's UK DC Joint Investment Group has ultimate responsibility for the governed DC funds in Bigblue Touch. The Group meets on a quarterly basis and has oversight of strategic benchmarks, performance objectives and asset class ranges. Formal monitoring of investment performance of the default and self-select fund range against objectives is undertaken quarterly. Any concerns

are discussed with portfolio managers to understand the reason behind any deviation in performance, what action is being taken and what additional action may be necessary. The UK DC Joint Investment Group also reviews the asset allocation and manager structure of each option to ensure it is consistent with the agreed benchmark and any constraints.

The governance function of Aon's UK DC Joint Investment Group is supported by Aon's Delegated Portfolio Committee, Manager Research and Operational Due Diligence and Monitoring teams. Manager Research teams meet with each 'Buy rated' manager on a quarterly basis to review performance and positioning, raising concerns as appropriate.

This is supplemented with a deep dive on site review on an annual basis to reaffirm the manager rating in place. Aon's manager research team also maintain an [ESG](#) rating for each fund.

The Firm's strengths

Aon have demonstrated there is a robust governance framework in place and have provided clear evidence of the monitoring undertaken during the year. Evidence of ongoing monitoring has been provided in the relevant committee minutes. Evidence of specific examples where charges have been implemented over the year and evidence was provided in the form of meeting minutes, supplemented by discussions between Aon and the

GAA at the formal site visit. Such changes included the introduction of the Aon Managed Global Impact fund. The GAA was also supplied with clear evidence in the form of relevant committee minutes and performance reports. Aon were also able to evidence through committee meeting minutes and discussions with the GAA, the process by which the decision was reached to close the Managed Active UK Equity Fund effective from Q1 2021.

Net investment performance

The net investment performance of the most significant funds available to policy holders and, where available, the performance of the benchmarks against which those funds are measured by the Asset Manager are set out in the following table.

Fund Name	Net Investment Performance	Benchmark
Aon Managed Initial Growth Phase Fund	19.2%	19.9%
Aon Managed Core Initial Growth Phase Fund	22.1%	22.9%
Aon Managed Diversified Asset	4.4%	0.1%
Aon Managed Core Diversified Asset Fund	8.8%	9.3%
Aon Managed Bond Phase Fund	-0.4%	-1.5%
Aon Managed Core Bond Phase Fund	-3.2%	-3.1%
Aon Managed Long term Inflation Linked Fund	4.0%	4.2%
Aon Managed Short term Inflation Linked Fund	5.0%	5.2%
Aon Managed Pre-Retirement Bond Fund	-5.3%	-4.9%
Aon Managed Liquidity Fund	-0.2%	-0.1%
Aon Managed Global Equity Fund	18.5%	19.6%
Aon Managed Active Global Equity Fund	16.4%	22.9%
Aon Managed Global Impact Fund	20.6%	22.9%
Aegon Blackrock UK Equity Index Fund	18.1%	18.3%
Aegon Blackrock World Equity Index Fund	22.6%	22.4%
Aegon Blackrock Emerging Markets Equity Index	-2.5%	-2.3%
Aon Managed Property and infrastructure fund	26.1%	22.7%
on Managed Diversified Multi Asset Fund	4.3%	0.1%
Aon Managed Diversified Multi Strategy bond Fund	-0.8%	0.1%
Aon Managed Passive corporate bond fund	-3.3%	-3.1%
Aegon HSBC Islamic Global Equity Index Fund	26.7%	27.4%
Aegon LGIM Ethical Global Equity Index fund	24.2%	24.8%

Comparator results

We have assessed how the net investment performance provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of both the nature of the provider and the performance of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance for the Firm's policyholders over 2021 was average relative to the comparator group in relation to default funds.

Areas for improvement

The GAA did not identify any specific areas for improvement.



3. Communication

Value score: Excellent Good Satisfactory Poor

What are we looking for?

As a minimum we expect communications to be fit for purpose, clear and engaging and to be tailored to take into account policyholders' characteristics, needs and objectives.

We would expect to see a comprehensive suite of communications including annual benefit statements, pre-retirement wake-up letters and retirement option packs.

Information on administration charges and transaction costs should be made available to policyholders on a publicly available website annually, including illustrations of the compounding effect of the administration charges and transaction costs on an annual basis.

In a high quality communication service offering we would expect a substantial online offering, with a range of online support materials such as online calculators to enable personalised calculations with various selectable options. We would expect telephone support to be available, with good evidence of telephone scripts, call monitoring and staff training.

Additionally, we would expect policyholders to be able to switch investment options online and to have support available to help them make appropriate decisions. In particular, we would expect there to be appropriate risk warnings built into the process.

We would expect the provider to be able to offer a range of different retirement options for policyholders, as well as clear signposting to policyholders on where they can obtain guidance and advice on their retirement options.

The Firm's approach

Aon has built on the core communication offering from its infrastructure partner Aegon, with clear evidence of tailoring standard communications to take into account policyholders' needs and objectives. Aon has an ongoing review programme for all communications, including monthly calls to discuss any changes which are then verified by the Aon Product Call system.

Communications with policyholders are predominantly via secure electronic communication and via the online platform. However, in addition, policyholders can communicate with Aon by telephone. The online portal provides access to a wide range of educational material and interactive tools, in a variety of formats including video and downloadable written guides, all collated in one place for policyholders' ease of access. Support with retirement options is provided via the online platform including materials such as webinars.

Members are signposted to Pension Wise and can choose to pay a fee for financial advice accessed through Aon, which is restricted to Bigblue Touch products only.

The Firm's strengths

The GAA has been provided with a range of sample communications to review. Communications are clear, engaging and free of jargon, whilst also not being over simplified.

The GAA has also seen evidence of regular ongoing review of communication material, with all updates flowing through a robust approval process. Bespoke 'nudges' and other tailored age-related communications and videos have been developed for policyholders.

Members of the GAA have been given a demonstration of the online facility available policyholders. The online facilities are extensive, pulling together education pieces, fund documentation and modelling tools in one location. Policyholders have access to full online functionality to switch their investment options.

Aon provides policyholders with access to a wide range of options at retirement, although policyholders need to transfer their funds to an external **annuity** provider should they wish to purchase an **annuity** at retirement. The online platform provides helpful retirement support, including webinars and signposting to policyholders on how to obtain further guidance and advice. Aon provide restricted retirement advice to policyholders on Bigblue Touch products.

Improvements since last year

In last year's report the GAA noted proactive direct policyholder feedback had not been sought. Aon have now established focus groups to assist with obtaining feedback on the products. 15 small focus groups have been set up to review different areas and this project is intended to continue in the future.

Comparator results

We have assessed how the communication materials provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2021 were above average relative to the comparator group.

Areas for improvement

GAA observations

Whilst the GAA is pleased with the work done to get the policyholder feedback, we want to see evidence of this operating into the future, along with evidence of how the feedback is influencing product innovation.



4. Firm governance

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We would expect to see a comprehensive governance structure in place for appointing and monitoring service providers, with evidence of regular reviews being undertaken and active changes being made as required.

The Firm's approach

Aon have put in place a governance framework for appointing and monitoring internal and external service providers, including external investment managers and the administration and online platform services provided by Aegon. In the case of the external administration and online platform services, Aon meet with Aegon on a monthly basis to review operational performance. There are quarterly meetings within Aon to review whether each scheme is meeting its expectations with service levels and complaint monitoring. In addition, there is a half-yearly relationship review meeting with senior stakeholders.

The Firm's strengths

The GAA have received evidence of supplier assessment management framework. This demonstrated Aon have a robust governance framework in place to appoint and monitor internal and external service providers.

Aon have maintained their approach of weekly monitoring of processing statistics and quarterly monitoring of root cause and complaint analysis. A nominated Aon representative conducted a review of Aegon during the year.

Improvements since last year

The processes in place continue to be robust.

Areas for improvement

The GAA did not identify any specific areas for improvement.



5. Financial security

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We look for information about the financial position of the Firm supported by evidence such as accounts as well as ratings from third party rating agencies, where available.

We also look for information about how the assets are protected, for example in the event of fraud or bankruptcy, at both Firm and manager level. This could relate to FCA or PRA protection, ringfencing or the structure of the underlying product.

We are looking for evidence of a clear process to warn policyholders about fraud and scams and for Firms to be actively monitoring for possible scamming activity.

The Firm's approach

Aon plc is a global professional services firm providing a broad range of services. The organisation has significant resources backing the business. There is independent assurance of internal controls for the administration work carried out by Aegon via an [Audit and Assurance Faculty \(AAF\) Report](#). Similarly, where available, AAF reports are obtained and reviewed for each asset a manager for the underlying funds.

Risk management, including security of IT systems, is the responsibility of the Aegon Operational Services Manager, who has regular calls with Aon Client Service Managers to discuss matters such as telephone calls, workflow, service levels attained, implementation of new employers and any breaches or complaints. Systems are protected to a high standard from cyber-attacks and are constantly monitored and undergo regular penetration testing. Measures are in place to ensure data is held within systems securely and that any transfer of data is encrypted and delivered via secure File Transfer Protocols (SFTP) to secure services and infrastructure communications between parties are encrypted at company level using Transport Layer Security (TLS) and password encryption. Electronic communications to members are encrypted electronically using TrendMicro software and are retrieved using an ongoing account retrieval system.

The Firm's strengths

The wider Aon group maintains an investment grade credit rating, currently BBB+ as rated by Fitch, and standard FSCS protections are available for policyholders in the event of a failure within Aon. Aon has provided evidence of a comprehensive Security Risk Management Framework in place overseeing IT security, cyber security and data protection, including regular penetration testing.

The GAA has previously had sight of Aon's master risk register, together with supporting evidence demonstrating how Aon monitored operational continuity and performance risk throughout COVID-19, including awareness of increased cyber risk.

Areas for improvement

The GAA did not identify any specific areas for improvement.



6. Administration and operations

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We expect Firms to have robust administration processes in place with appropriate service standard agreements and regular monitoring and reporting around adherence to those service standards. In particular, we are seeking evidence that **core financial transactions** are processed promptly and accurately, such as processing contributions, transfers processing and death benefit payments.

We look for evidence of regular internal and external assurance audits on controls and administration processes. In particular, we are looking for a robust risk control framework around the security of IT systems, data protection and cyber-security. We would expect to see evidence that cyber-security is considered as a key risk by the Firm's relevant risk governance committee and that appropriate monitoring, staff training and penetration testing is put in place.

We expect Firms to have a comprehensive business continuity plan and evidence of its effectiveness through appropriate testing or in maintaining continuity of business during the COVID-19 pandemic.

We would expect to see a low level of substantive complaints and demonstration of a clear process for resolving complaints.

The Firm's approach

Aon outsources the administration to Aegon, who work to an agreed set of Service Standards. The service level standards are monitored weekly providing progress towards the monthly service target, including whether the core financial transactions and call centre standards are adhered to.

The agreed response times are up to five working days. During 2021 these timescales are achieved 97.5% of the time against a failure point of 95% set by the Firm.

The Firm's strengths

Through the provision of performance data against agreed service level standards, Aon were able to evidence that where administration service levels have slightly dropped during the year due to the ongoing Covid-19 pandemic, the provisions have been put in place to monitor and correct these.

Aon and Aegon have comprehensive business continuity plans in place and business continuity was maintained throughout the year as evidenced by performance data measured against service level standards.

Aon was able to evidence a very low level of incidence of complaints and were able to demonstrate the process for resolving those complaints with appropriate redress being provided for the small number of complaints that were upheld.

Comparator results

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compare to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2021 were above average relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.

GAA observations

Given the drop in service levels during 2021 the GAA will look for continued evidence of Aon's monitoring, and action being taken where appropriate or additional provisions being added where necessary.



7. Engagement and innovation

Value score: Excellent Good Satisfactory Poor

What are we looking for?

We expect to see evidence that the product is reviewed at least annually, with new products or services being launched on a regular basis, that have been developed taking into account policyholders' characteristics, needs and objectives, including direct feedback from policyholders.

We are looking for evidence of regular, proactive engagement with policyholders to obtain feedback and for this feedback to be taken into account when reviewing the product offering.

The Firm's approach

The Joint Steering Committee (Aon UK Ltd, Aon Solutions Ltd, Aon Investments Ltd and Aegon) oversees the product as a whole. This Committee reviews the product against the objective of achieving optimum value for the charges; reviews whether services are performed to market-leading service levels and reviews the transparency of the pricing strategy. This Committee also sets the strategy for the product to the pricing services. The product review process is ongoing. Monthly operational reviews of the produce and policies feed into quarterly propositional reviews when a formal decision is made as to which product changes will be taken forward. There are various delegated work streams that focus particular attention on proposition product development. There is a development roadmap that sets out the intended timetable for work and this roadmap is communicated and agreed within the combined quarterly relationship review.

The Firm's strengths

Aon has a robust product review process which includes a detailed roadmap for all work related to improving the offering to policyholders. Aon were able to demonstrate a number of changes to the product over the year, including but not limited to, the integration of the Global Impact Fund to the Retirement Pathways Funds and the upgrade of the annuity placement service. Aon were also able to evidence comprehensive review of all communication materials.

Aon uses information from policyholder complaints and focus groups to attempt to identify the root cause of policy holder dissatisfaction and then looks to address this where appropriate through product development.

Improvements since last year

Aon incorporated the Global Impact Fund into Retirement Pathway Funds and evolved the glidepath design to reflect evidence during the year.

In last year's report the GAA noted proactive direct policyholder feedback had not been sought. Aon have now set up focus groups to assist with obtaining feedback on products. 15 small focus groups have been set up to review different areas and these are intended to continue into the future.

Areas for improvement

The GAA did not identify any specific areas for improvement.

GAA observations

The GAA welcomes the development of the focus groups to obtain feedback and will seek evidence of how this influences product innovation going forward.



8. Cost and charge levels

Value score: Low Moderately Low Moderately High High

What are we looking for?

The GAA has considered the overall level of charges borne by policyholders over the year. This included assessing:

- | The fund annual management charges, administration charges and transaction costs being borne by policyholders.
- | Any other charges being paid by policyholders to manage and administer their workplace pensions.
- | The process for collecting and monitoring overall member charges, including [transaction costs](#)
- | How the Firm monitors charges.
- | Whether the overall level of charges is reasonable, bearing in mind the nature of the investment, level of performance, and degree of risk management.
- | The distribution of charges across policyholders.

Whilst we have considered the average total costs and charges payable by policyholders we have noted where there may be notable outliers such as high charges for small pots.

Required disclosures relating to costs and charges payable by the Firm's policyholders can be found in Appendix A.

The Firm's approach

Each scheme within Bigblue Touch will have its level of charges determined individually, based on the size of the membership, level of turnover, ongoing contributions, and the assets under management. The range of expected charges by the employer has been notified to us as between 25 to 55 bps, with an average around 35bps, together with an explanation of the principles of the pricing model.

Risk of high charges for legacy products

As this is a relatively new and evolving product, designed to be compliant with the charge cap for auto enrolment, there is no legacy of older policies with higher charges.

Details of the transaction charges can be found at https://bbt.tbs.aon.com/bigbluetouch/media/default/Governance%20Advisory%20Arrangement/Aon_GAA_Illustrative_Example_4_funds_High_Charge.pdf

The Firm's strengths

The charges are made up of administrative charges, and transaction charges. There are no other costs or charges borne by the policyholders.

Aon pro-actively engage with the underlying asset managers to negotiate preferential fees, transaction costs for funds are reviewed on a quarterly basis, which ensures any trends (either upwards or downwards), or material changes are identified and flagged for further discussion. The Firm's approach to the asset manager selections means they operate clean commercial terms, whereby all fee savings are passed directly onto members.

The GAA was provided with comprehensive details of policyholder charges including transaction costs calculated on the DC workplace methodology.

The GAA was provided with evidence of a robust governance framework for reviewing costs and charges, including transaction costs and how that process could escalate into a decision to suspend a fund. Bigblue Touch is contractually bound to review each scheme charge on the 3 year anniversary to ensure it remains competitive.

The GAA observed a range of charges across all schemes and across all self-select investment options with the average charge applied being 0.34%. The GAA rating reflects the charges applied for the Aon Managed Core Retirement Pathways default target dated funds, and we believe that the Firm offers appropriate charges to policyholders. The GAA considers the charges to be low.

Comparator results

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge levels paid by the Firm's policyholders over 2021 were at the lower end of the range relative to the comparator group.

Areas for improvement

The GAA did not identify any specific areas for improvement.



ESG financial considerations, non-financial matters and stewardship

What are we looking for?

Where the Firm has an investment strategy or makes investment decisions which could have a material impact on policyholders' investment returns, the GAA will assess the adequacy and quality of the Firm's policy in relation to [ESG](#) financial considerations, non-financial matters, how these are taken into account in the Firm's investment strategy or investment decision making. We will also form a view on the adequacy and quality of the Firm's policy in relation to stewardship.

We expect that the Firm's policy in relation these considerations to:

- a) Sufficiently characterise the relevant risks or opportunities;
- b) Seeks to appropriately mitigate those risks and take advantage of those opportunities;
- c) Be appropriate in the context of the expected duration of the investment; and
- d) Be appropriate in the context of the main characteristics of the actual or expected relevant policyholders.

We also expect that the firm's processes have been designed to properly take into account the risks or opportunities presented.

Whilst this formal requirement falls outside the overall Value for Money assessment, the GAA's Value for Money framework does take into account,

where relevant, when scoring the area of Product Strategy Design and Investment Objectives on page 8, how the Firm has integrated ESG financial considerations and non-financial matters in the Firm's investment strategy and investment decision making.

The Firm's approach

Aon have provided details of how ESG is imbedded throughout their processes. Aon believe that ESG is fundamental to delivering returns to policyholders and were able to evidence how ESG is integrated within investment decisions making at both the manager and asset class level across both the default and wider self-selection fund range.

Aon has provided details of its global policy to the GAA, which explains how it takes into account non-financial matters. Aon's approach is to not take into account any personal ethical or moral judgements in the design of the default fund, but instead to cater for a range of such non-financial matters within the self-select fund range.

Aon has provided the GAA with details of its policy on stewardship, including examples of how it monitors ongoing engagement and voting activity of managers and seeks engagement with managers.

A review of funds was undertaken during 2021, implementing a 1 (poor) - 3 (very good) scale in respect of ESG. Any funds which were rated 1 were removed from the funds available.

The Firm's strengths

Aon has made a commitment to be net zero operationally by 2030, and the main and alternative default funds to be net zero by 2050, with a 50% reduction by 2030.

Information on the carbon footprint of investment funds was collected late in 2021 with the intention this would be compared to that held in 2019. This would give an indication of the progress made and inform any next steps.

The GAA consider the policies to be adequate and of good quality.

Improvements since last year

Aon have increased ESG integration into their investment decision making process at all levels, and this has resulted in some of the positive ESG changes outlined above, including the removal of funds which do not meet minimum standards. The GAA considers Aon's approach to be robust, with a continuing commitment to responsible investing.

Areas for improvement

GAA observations

We have been informed that Aon have been working collaboratively on the UBS Global Equity Climate Transition Fund, and GAA hopes this work can be used to positively impact outcomes for policyholders in future years.



Appendix A: Cost and charge disclosures

The FCA has introduced requirements that the administration charges and transactions costs information, in relation to each relevant scheme must be published by 30 September, in respect of the previous calendar year: These disclosures must include the costs and charges for each default arrangement and each alternative fund option that a member is able to select. They should also include an illustration of the compounding effect of the administration charges and transaction costs, on a prescribed basis and for a representative range of fund options that a policyholder is able to select. Aon has provided the GAA with the following disclosures in respect of the period 1 January 2021 to 31 December 2021. In addition, these disclosures are provided on a publicly accessible website at www.bigbluetouch.com



Appendix B: Comparison report

Commencing with the 2021 year assessments the FCA introduced a requirement that a comparative assessment be made of certain sub-features of the Value for Money assessment. The GAA is required to compare the Firm's offering against a selected group other similar product options available in the market based on publicly available information. If an alternative scheme(s) would offer better value, we must inform the pension provider.

As this is the first year when these disclosures are required the availability of public information relating to the sub-features that need to be compared is limited prior to the publication of this year's reports. ZEDRA Governance Ltd's GAA operates for a number of Firms, all of whom have agreed that the GAA can make use of the data we have gathered on their offerings in order to improve the meaningfulness of the comparisons undertaken this year. This is done on an anonymised basis.

How the comparators were selected

The GAA has selected a group of 14 comparator products that we determined were similar products to those provided by the Firm. The selection was based on the following broad criteria:

- | Product / comparator group specific
- | Similar services, i.e. All GPP or SIPP etc
- | Similar membership cohort
- | Other

Based on these criteria we believe that the comparator products chosen will provide a reasonable comparison for the policyholders of the Bigblue Touch and Bigblue Touch 4 Life.

Comparison of net investment performance

We have assessed how the net investment performance provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of both the nature of the provider and the asset classes of the investments being offered relative to an appropriate benchmark.

This assessment identified that the one year net investment performance for the Firm's policyholders over 2021 was average relative to the comparator group in relation to default funds.

Comparison of communication provided to policyholders

We have assessed how the communication materials provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the communication materials provided to the Firm's policyholders over 2021 were above average relative to the comparator group.

Comparison of administration services

We have assessed how the quality and timeliness of the administration services, including the core financial transaction processing, provided to the Firm's policyholders compares to other sufficiently similar employer pension arrangements.

This assessment identified that the administration services provided to the Firm's policyholders over 2021 were **above average** relative to the comparator group.

Comparison of costs and charges

We have undertaken the comparison of cost and charge levels considering three categories of charges:

- | Annual management charge
- | Transaction costs
- | Other costs and charges

We have assessed the overall cost and charge levels payable by the Firm's policyholders in comparison to policyholders of other sufficiently similar employer pension arrangements. This takes account of the nature of the provider.

This assessment identified that the overall cost and charge level paid by the Firm's policyholders over 2021 were lower than the comparator group, i.e. overall cost and charge levels paid by the Firm's policyholders over 2021 were at the lower end of the range relative to the comparator group.



Appendix C: GAA activity and regulatory matters

This section describes the work that the GAA has done over the year and also covers the other matters which we are required to include in our annual report.

GAA engagement and actions this year

We prepared and issued a request for data on all the relevant workplace pension policies in late 2021.

Members of the GAA had a meeting with representatives of Aon to kick off the Value for Money assessment process for the 2021 calendar year and to discuss and agree timescales.

Members of the GAA had a meeting with representatives of Aon to discuss the information that had been provided in response to the data request. This was an opportunity for members of the GAA to meet key personnel with responsibility in the various different areas including investment strategy and how this has evolved, fund range including design of defaults, investment governance, approach to [ESG](#), non-financial matters and stewardship, administration and communications and risk management. In some cases given COVID 19 considerations, this meeting was virtual.

Members of the GAA had a meeting with representatives of Aon to discuss the GAA's provisional scoring of Value for Money of the in-scope Aon workplace pensions and the approach for meeting the cost and charges disclosure requirements in [COBS](#) 19.5.13.

As part of the Value for Money assessment process, Aon has provided the GAA with all the information that we requested, including evidence in the form of minutes and other documentation to support areas of discussion at the site visit.

The GAA held several meetings during the year to review and discuss the information we received and to develop and improve the way that we assess Value for Money and report on this.

Over the last year the GAA reviewed and evolved our Value for Money assessment framework to include a broader range of evaluation criteria, which is reflected in this report. Some of these changes were made in response to regulatory amendments relating to the Value for Money assessment criteria and what must be disclosed to workplace pension fund members.

The GAA documents all formal meetings with Aon and maintains a log which captures any concerns raised by the GAA with Aon, whether informally or as formal escalations. The key dates are:

Item	Date
Issue data request	22/12/21
Kick off meeting	06/01/22
Site visit	04/04/22
GAA panel review meeting	03/05/22
Discuss provisional scoring	20/06/22

Concerns raised with the Provider by the GAA and their response

The GAA has not raised any concerns with Aon during the year covered by this report.

The arrangements put in place for policyholders' representation

The GAA has not raised any concerns with Aon during the year covered by this report.

The arrangements put in place for policyholders' representation

The following arrangements have been put in place to ensure that the views of policyholders can be directly represented to the GAA:

- | The role of the GAA and the opportunity for policyholders to make representations direct to the GAA has been and will continue to be communicated to policyholders via the online platform.
- | Aon will receive and filter all policyholder communications, to ensure that this channel is not being used for individual complaints and queries rather than more general representations which may be applicable to more than one policyholder or group of policyholders. Where Aon determine that a communication from a policyholder is a representation to the GAA, it will be passed on in full and without editing or comment for the GAA to consider.

In addition, the GAA has established a dedicated inbox at zgl.gaacontact@zedra.com so that policyholders can make representation to the GAA direct. Aon will include details of this contact e-mail address on the online platform.



Appendix D: ZEDRA GAA credentials

In February 2015 the Financial Conduct Authority (FCA) set out new rules for providers operating workplace personal pension plans (called relevant schemes) to take effect from 6 April 2015. From that date, providers had to have set up an Independent Governance Committee or appointed a Governance Advisory Arrangement whose principal functions would be to:

- | Act solely in the interests of the [relevant policyholders](#) of those pension plans, and to
- | Assess the “value for money” delivered by the pension plans to those relevant policyholders.

These requirements were then extended to Firms providing investment pathways in respect of pathway investors from 1 February 2021.

The FCA rules also require that the Chair of each Independent Governance Committee and Governance Advisory Arrangement produce an annual report setting out a number of prescribed matters.

The ZEDRA Governance Advisory Arrangement (‘the GAA’) was established on 6 April 2015 and has been appointed by a number of workplace personal pension providers and investment pathways providers. ZEDRA Governance Ltd is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments we act as an independent trustee on several hundred trust-based pension schemes and we sit on a number of IGCs. We have oversight or responsibility for in excess of £120bn of pension assets. More information on ZEDRA Governance Ltd can be found at www.zedra.com/pension-schemes

The members of the GAA are appointed by the Board of ZEDRA Governance Ltd. The Board is satisfied that individually and collectively the members of the GAA have sufficient expertise, experience, and independence to act in the interests of relevant policyholders or [pathway investors](#).

The Board of ZEDRA Governance Ltd has appointed ZEDRA Governance Ltd to the GAA, including as Chair. All of ZEDRA Governance Ltd’s Client Directors act as representatives of ZEDRA Governance Ltd on the GAA and Clare James currently represents ZEDRA Governance Ltd in the capacity of Chair. More information on each of ZEDRA Governance Ltd’s Client Directors, their experience and qualifications can be found at www.zedra.com/zedra-team

Dean Wetton, acting on behalf of Dean Wetton Advisory UK Ltd, is also appointed to the GAA. Dean Wetton and Dean Wetton Advisory UK Ltd are independent of ZEDRA. Information on Dean’s experience and qualifications can be found at www.deanwettonadvisory.com

The GAA has put in place a conflicts of interest register and maintains a conflicts of interest policy with the objective of ensuring that any potential conflicts of interest are managed effectively so they do not affect the ability of ZEDRA Governance Ltd or Dean Wetton Advisory Ltd to represent the interests of relevant policyholders or pathway investors.

The terms of reference agreed with the Firm can be found at www.bigbluetouch.com



Appendix E: Glossary

Audit and assurance faculty (AAF) report

A copy of a Service Provider's report prepared by its accountants in line with the Institute of Chartered Accountants in England and Wales (ICAEW) assurance reporting framework.

Active management

The investment of funds where the skill of the fund manager is used to select particular assets at particular times, with the aim of achieving higher than average growth for the assets in question

Annual management charge (AMC)

A deduction made by the pension provider or investment manager from invested assets, normally as a percentage of the assets. The AMC is generally how the pension provider or investment manager is paid for their services.

Annuity

A series of payments, which may be subject to increases, made at stated intervals, usually for life. If the annuity is "joint life", it will continue to a spouse (usually at a lower rate) after the death of the original person receiving the payments ('the annuitant').

COBS

The Code of Business Sourcebook prepared by the Financial Conduct Authority (FCA). In particular when we use COBS in this report we are referring to Chapter 19 of the COBS which sets out the provisions relevant to the Value for Money Assessment of workplace pensions.

Core financial transactions

The essential processes of putting money into a pension policy or taking it out, namely:

- | Investment of contributions.
- | Implementation of re-direction of future contributions to a different fund.
- | Investment switches for existing funds, including life-styling processes.
- | Settlement of benefits – whether arising from transfer out, death or retirement.

Decumulation

The process of converting pension savings to retirement income.

Environmental, social and governance (ESG)

These are the three main factors looked at when assessing the sustainability (including the impact of climate change) and ethical impact of a company or business. ESG factors are expected to influence the future financial performance of the company and therefore have an impact on the expected risk and return of the pension fund investment in that company.

Flexible access

This refers to accessing pension savings in the form of income and/or lump sums. Pension savings that are not being accessed immediately will generally remain invested.

Life-styling

An automated process of switching investment strategy as a policyholder approaches retirement, in a way that is designed to reduce the risk of a policyholder's retirement income falling.

Net investment performance

The investment performance of the fund after deducting all asset management charges, administration charges, taxes and fees for managing the fund including any transaction costs.

Pathway investor

A retail client investing in a Firm's pathway investment offering.

Pathway investment

A drawdown fund which is either a capped drawdown pension fund or a flexi-access drawdown pension fund.

Relevant policyholder

A member of a relevant scheme who is or has been a worker entitled to have contributions paid by or on behalf of his employer in respect of that relevant scheme.

Transaction costs

A combination of explicit and implicit costs included within the price at which a transaction (i.e. buying or selling an asset) takes place.

With profits

An insurance contract that participates in the profits of an insurance company. The insurance company aims to distribute part of its profits to with-profits policy holders in the form of bonuses.



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