Independent Governance Committee

Vanguard Asset Management
Annual Report for 2024

Contents

Summary of key points

Remit

The Independent Governance Committee's (IGC's) remit is to assess whether pension clients in drawdown at Vanguard are getting value for money (VFM) after selecting one of four 'investment pathways'. During 2024, the number of investment pathway clients increased slightly to 324 out of 7,400 drawdown clients. Vanguard's overall UK investor base is over 700,000.

Conclusion and rationale

We agree with the UK financial regulators that VFM is primarily determined by investment performance net of charges, the level of charges and the variety and quality of support services offered.

The Financial Conduct Authority (FCA) requires us to examine whether better VFM is offered by any other investment pathways provider. We can report that in our judgement Vanguard offers good value for money and that we have **not** been able to identify another provider who offers better value.

Key findings in 2024

1. All Target Retirement Funds (TRFs) showed positive performance over 2024 and beat inflation + 3 percentage points. Over the last five years, all the TRFs for 2025 and beyond beat inflation.
2. From our investigations into investors' behaviour on withdrawals, we have noticed significant inconsistencies between what they said they intended to do when they first chose their pathway and what they actually did. Withdrawals seemed frequent and commonplace, even for those investors who originally intended not to touch their fund for five years. This represents a major behavioural change during 2024, although we reported last year that this pattern was becoming noticeable.

More detail on these and other issues can be found in our main report and the appendices.

I hope you find the report interesting and we welcome feedback on it via the help section on the website: https://www.vanguardinvestor.co.uk/need-help

Lawrence Churchill

Lawrence Churchill CBE
IGC Chair

Main report

2.1 Introduction

This is the IGC annual report covering 2024. While we have taken the opportunity to comment on some of the issues that have arisen so far in 2025, we have presented data to the year end in the belief that this will make comparisons with other IGC reports easier.

There were no changes to the composition of the IGC during the year. Further details on the backgrounds of individual IGC members can be found in Appendix 1.

2.2 Scope of IGC in relation to Vanguard products and services

IGCs are a regulatory construct whose primary role is to express an independent view on whether customers are receiving VFM; they were initially focused on workplace pensions (which Vanguard does not offer) but had their scope extended to include investment pathways, which Vanguard has offered its personal pension clients since autumn 2020. Therefore, the product scope of the IGC at Vanguard is narrow.

The issues which the regulator expects IGCs to comment on are continually evolving and have been extended in recent years, driven predominantly by issues within the workplace pensions market. IGCs are required to:

- Take into account all three key elements of VFM: costs and charges, investment performance and services provided including member communications.
- Assess and report on VFM through comparisons with other options on the market.
- Consider whether an alternative would offer better VFM.
- Assess whether VFM is being achieved.
- Explain how VFM has been assessed and keep relevant evidence for at least six years

As a result, the Vanguard IGC is required to comment on an extensive range of topics for a limited number of investors who have chosen investment pathways. It is reasonable, therefore, to examine certain general issues (e.g. an investor's understanding of risk) by referring to Vanguard's wider business.

2.3 Vanguard investor characteristics (and our beliefs about them)

All pension clients entering income drawdown without taking financial advice must be offered four choices – or investment pathways – among their options. Once they indicate that they want to invest in one of these investment pathway funds, they are asked what they plan to do in the next five years with the money in their pension account.

Specifically, they are asked to choose which of the following options best aligns with their retirement goal:

- **Option 1:** I have no plans to touch my money in the next 5 years.
- **Option 2:** I plan to use my money to set up a guaranteed income (annuity) within the next 5 years.
- **Option 3:** I plan to start taking my money as a long-term income within the next 5 years.
- **Option 4:** I plan to take out all my money within the next 5 years.

The investor is then offered an investment solution that is designed to help them meet their chosen goal. The IGC is satisfied that the investment solutions provided by Vanguard are appropriate.

At the end of December 2024, there were 324 Vanguard clients using investment pathways (compared with 296 in December 2023). This represented just over 4% of all Vanguard Personal Pension investors in drawdown (compared to 7% at the end of 2023). The IGC is satisfied that the investment pathways are given equal prominence with other drawdown solutions.

Investment pathways chosen by clients

PATHWAY	NO. OF CUSTOMERS	AVERAGE FUND VALUE (£'000S)
1	109	118
2	0	nil
3	169	118
4	46	49

Source: Vanguard, as at 31 December 2024.

Vanguard's drawdown book increased by over 60% in 2024 whereas the number of investors selecting pathways increased by just 9%.

The IGC agrees that the following beliefs held by Vanguard are reasonable:

- Vanguard investors are confident enough to choose their own investments through the digital platform.
- More frequent interaction also suggests a higher degree of engagement, with 65% of Vanguard's total investor base logging into their accounts each month.

We, therefore, believe that there is a greater chance of Vanguard investors accessing and understanding the financial planning literature produced by Vanguard. This literature has been reviewed by independent IGC members and felt to be very relevant and of high quality (Disclosure: some of the literature was authored by Ankul Daga, one of the IGC members).

Over 5,000 investors access Vanguard's retirement articles in an average month, with around 7,000 accessing them around the UK's tax year-end period.

From the mandatory interviews conducted with all pension investors in drawdown:

- Unprompted awareness of environmental, social and governance (ESG) issues was low, so the IGC infers that there is no evidence to show that ESG is a major concern for investment pathway customers.
- We are confident that access to the government-backed service Pension Wise (which forms part of our drawdown process) was either taken up or deliberately declined.
- It is reasonable to infer that Vanguard does not hold all the pension assets of its investors, so it is difficult for the IGC to comment sensibly on whether any observed behaviour is in line with the investors' financial interests (for example, when it comes to sustainable withdrawal rates).

Investors choosing pathway 4 (I intend to take all my money within 5 years) receive letters from Vanguard every 6 months, with a reminder to check if their choice remains appropriate. The average duration of these fund holdings is 22 months, which seems reasonable.

2.4 How we evaluate VFM

The IGC agrees with the FCA and The Pensions Regulator (TPR) that the three key elements of VFM are:

- Investment performance measured over a period of years and after investor-borne charges have been deducted.
- Costs and charges, which have the advantage of certainty and are easier for investors to understand and compare, even if potentially dwarfed by investment performance.
- The array of services offered and the quality of delivery of those services. The Department for Work and Pensions (DWP)/FCA VFM Framework, for example, emphasises the importance of communication materials that enable investors to make good decisions.

We were pleased to see that the FCA/DWP reversed their decision to report investment growth *including* charges. Investment growth will be reported after charges have been deducted, in line with what the customer experiences. We therefore continue to report growth after investor-borne charges in Exhibit 1 below.

The FCA has asked for comparisons with other providers to be included in the VFM appraisal. We believe that this can be done at a high level as there will be differences in data that make like-for-like comparisons difficult. Any industry or trade surveys may use different data or weigh data elements differently.

While our comparisons have been done with care and diligence, they have not been independently audited and may contain errors, miscalculations or misinterpretations, particularly where data has been sourced externally.

2.5 Investment performance

Because of the small number of clients from the annuity (option 2) and cash investment pathways (option 4), we concentrate our analysis on the growth funds in which 86% of the investment pathway clients analysed were invested.

The performance of the Target Retirement Funds (TRFs) is set out in Exhibit 1 below. As of 31 December 2024, all the funds shown had delivered growth over the previous five years of between 21% and 37% before inflation (the rate of increase in prices for goods and services).

We also compare their performance against a growth standard consisting of consumer price inflation (CPI) + 3 percentage points. The market downturn experienced in 2022 had a significant impact on the growth of all the TRFs. This impact can be seen clearly over the 3 year performance window.

However, all of the funds for 2025 and beyond have grown by more than inflation (CPI), and therefore improved their purchasing power, over 5 years.

Exhibit 1: TRF performance as at 31 December 2024

FUND	NO OF INVESTORS	1 YEAR	3 YEARS	5 YEARS	TOTAL ANNUAL CHARGES*
TRF 2020	**40**	7.03%	5.57%	21.40%	0.46%
TRF 2025	**159**	8.87%	7.31%	26.07%	0.45%
TRF 2030	**56**	10.04%	9.09%	29.67%	0.44%
TRF 2035	**13**	10.90%	11.08%	33.41%	0.43%
TRF 2040	**6**	11.78%	13.08%	37.16%	0.43%
Value of CPI for the period		2.5%	17.8%	24.9%	N/A
Value of CPI+2% (CPI) for the period		4.5%	25.0%	37.9%	N/A
Value of CPI+3% (CPI) for the period		5.6%	28.7%	44.8%	N/A

Source: Vanguard, as at 31 December 2024.

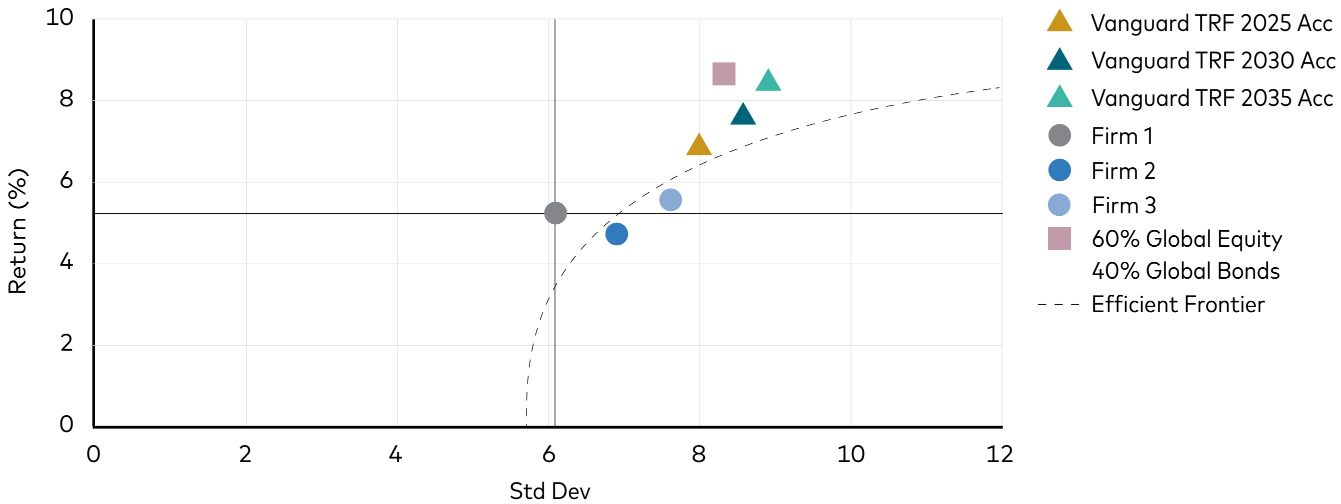
Notes: Fund performance is measured from one net asset value (NAV) point to another and is shown after expenses, with gross income reinvested. Past performance is not a reliable indicator of future results. CPI sourced from ONS and as at 31 December 2024, cumulative over time period for 3- and 5-year returns. *For a breakdown of total annual charges see 2.6 Costs and charges.

In Exhibit 2, we compare the performance of Vanguard's Target Retirement Funds 2025, 2030 and 2035 against competitor multi-asset balanced funds (see Appendix 4 for the names of the different providers, of which a subset is shown in Exhibit 2).

We find that Vanguard's investment pathways, as represented by Vanguard's TRFs, have performed in line with our expectations. In the long term (10+ years), higher risk should be compensated with higher returns. Additionally, if diversified portfolios take excess risk, they achieve lower returns, which is often illustrated by the 'efficient frontier', which shows the highest expected return for a given level of risk. As shown by the performance of a portfolio containing 60% global shares and 40% global bonds[1], over the last 5 years we have seen global orientated portfolios perform better than those with a UK home bias.

As Exhibit 2 shows, our TRFs have been performing in line with expectations, staying close to the efficient frontier. Over the 53-month period under review, most competitors were below the hypothetical efficient frontier. The simple design of Vanguard TRFs aims to provide pension investors with the opportunity to access shares and bonds at low cost, in a transparent and simple single-fund solution. Importantly, we believe the TRF design is still suitable to deliver retirement outcomes for the average customer in pathways 1 and 3.

Exhibit 2:



Source: Morningstar Direct, as at March 2025.

Note: Time period is 1 April 2020 until 31 March 2025. Returns are before platform/account fees have been deducted. All TRF returns are for 'accumulation' share classes (where income is reinvested rather than paid out). Past performance is not a reliable indicator of future results.

[1] Bonds are a type of loan issued by governments or companies, which typically pay a fixed amount of interest and return the capital at the end of the term.

Investors choosing pathway 1 or 3 are allocated to a TRF fund by an algorithm based on their age and pathway choice. The funds reduce the investor's exposure to shares as they approach the age at which they want to draw down from the fund. The IGC last looked at this algorithm in 2020 and concluded it met the needs of customers; we will conduct a periodic review again in 2025.

2.6 Costs and charges

The charges for the TRF funds are shown in Exhibit 3 and include investment charges, transaction costs and platform/account fees. The total charges fall within a 0.43%-0.46% range. Any differences are the result of higher allocations to bonds, which result in higher transaction costs.

Vanguard clients invested in the investment pathways pay two main costs: fund management costs and an account fee.

Fund management costs:

- Ongoing costs: this includes the ongoing charges figure (OCF), which is paid to Vanguard for managing the fund and associated costs. These fees are deducted from the price of the fund.

- Transaction costs: these are the charges incurred within the fund for buying and selling the underlying investments. They include dealing costs and taxes. These charges are not paid to Vanguard but are deducted from the fund's price and reflected in the performance of the fund.

Account fee:

- This is set at 0.15% per annum and is calculated based on the total value of account holdings, excluding cash, but capped at a maximum £375. The account holdings include the value of any investments held outside the investment pathways.

Also shown in Exhibit 3 are the fund costs associated with investment pathways option 2, where the aim is to provide a fund suitable for a client aiming to purchase an annuity, and option 4, where the aim is to preserve the value of capital because a client has indicated their intention to withdraw all their money within five years.

As part of its VFM assessment, the IGC is required to compare the Vanguard offering with a small number of alternative options available on the market. As Vanguard is marketed directly to consumers rather than being available through an employer, the IGC has chosen providers who participate in the MoneyHelper Pathway Comparison Tool[2] and the largest providers of personal pensions, including self-invested personal pensions or SIPPs (see Appendix 4). We have not included schemes available through employers such as master trusts, but will keep this under review for future reports.

The comparators we have chosen had a variety of different charging structures during 2024, as detailed in Appendix 5.

There have been no changes to the Vanguard charging levels during 2024. Changes to the charging levels for the comparators since our last report have been minor and include:

- One firm restructured its charges by introducing a flat platform fee of 0.45% per year and reduced its fund management costs. This resulted in an overall reduction in charges for clients with account holdings worth less than £25,000 and a slight increase in charges for clients with portfolios worth more than £25,000.

- One firm reduced the fund management costs for pathway 3 by 0.10%.

- One firm restructured its charges by replacing a fixed platform fee with a percentage-based platform fee of 0.25%, which was capped at £198 per year, and also reduced its fund management costs. Dealing charges were increased from £1.50 to £9.50 per fund deal.

The overall impact of these changes has reduced the average charges of the comparators by 0.02% to 0.03% for those clients with higher account holdings.

The tables in Appendix 6 show the costs and charges of Vanguard and the comparators for a variety of portfolio sizes. The following broad conclusions can be drawn:

- Vanguard is generally the lowest-cost provider across all investment pathways for portfolios worth less than £100,000 and always the lowest-cost provider where the comparators do not charge additional trading fees.

- Above £250,000, Vanguard's total costs are normally within 0.05% to 0.12% of the lowest-cost provider, where the comparator charges additional trading fees. Where comparators do not charge additional trading fees, Vanguard is either the lowest-cost provider or generally within 0.02% to 0.05% of it.

- Vanguard costs and charges are well below average – normally between 0.10% and 0.20% lower than the market average.

- None of the comparators offer lower costs than Vanguard across all portfolio sizes.

[2] https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/drawdown-investment-pathways

Exhibit 3: A breakdown of charges and transaction costs

	ONGOING FUND COSTS	ACCOUNT FEES	TRANSACTION COSTS	TOTAL COSTS
Target Retirement Fund 2020	0.24%	0.15%	0.07%	0.46%
Target Retirement Fund 2025	0.24%	0.15%	0.06%	0.45%
Target Retirement Fund 2030	0.24%	0.15%	0.05%	0.44%
Target Retirement Fund 2035	0.24%	0.15%	0.04%	0.43%
Target Retirement Fund 2040	0.24%	0.15%	0.04%	0.43%
Target Retirement Fund 2045	0.24%	0.15%	0.03%	0.42%
UK Short-Term Investment Grade Bond Fund	0.12%	0.15%	0.01%	0.28%
Sterling Short-Term Money Market Fund	0.12%	0.15%	0.14%	0.41%

Source: Vanguard, as at 31 December 2024. Transaction costs as at 30 September 2024.

- For the average amount invested in investment pathways option 1 (approximately £118,000), Vanguard is the lowest-cost provider that does not charge additional trading fees and within 0.05% of the lowest-cost provider that does.
- For the average amount invested in investment pathways option 3 (approximately £118,000), Vanguard is the lowest-cost provider that does not charge additional trading fees and within 0.05% of the lowest-cost provider that does.
- For the average amount invested in investment pathways option 4 (approximately £49,000), Vanguard is the lowest-cost provider that does not charge additional trading fees and within 0.02% of the lowest-cost provider that does.

The comparator analysis produced by actuarial firm Hymans Robertson (referred to in Section 2.9 below) shows Vanguard continues to be one of the lowest-cost firms.

2.7 Services

The services offered for investment pathway investors are:

- An online description of the available options.
- The provision of a retirement pack.
- Two mandatory meetings with a Vanguard retirement consultant (covering retirement plans, risk appetite, etc), with a hand-off to Pension Wise.
- A range of educational articles dealing with discrete aspects of retirement (including cognitive decline and power of attorney).
- Retirement income calculators.
- Vulnerable investor protocols, including protection against scams.
- Pension payment services.
- Clear and high-quality communications.
- Stewardship of the underlying portfolio companies of the pathway funds.

Assessing the suitability and quality of services

The IGC can confirm that there have been no complaints in 2024 in respect of the investment pathways, and we draw confidence from the fact that not a single pathway investor has raised a complaint in the past 5 years.

This year, the IGC determined to get a closer understanding of the mandatory meetings that take place with Vanguard's retirement consultants as well as Vanguard's ongoing quality assurance and monitoring programme of the retirement consultant team that handles calls across Vanguard's retail pension provision (i.e. all customers taking pension benefits).

As part of their quality assurance activities, Vanguard aims to monitor at least 5% of calls with clients that are receiving retirement benefits. Given the small population of pathways customers, it is not practicable for Vanguard nor the IGC to undertake statistically meaningful sampling of calls in respect of pathways investors. In addition, our remit is not to hinder Vanguard's current sampling work, nor do Vanguard's job for them.

We listened to a small sample of calls considered to be more complex cases to help us:

- Refresh our knowledge of the retirement consultant team's approach to supporting customers.
- Build our understanding of the interactions for our customers through the questions that customers pose and the quality (technical accuracy and tone) of the retirement consultants' responses.
- Better understand some of the issues faced by potential pathways customers in their retirement planning journey.
- Gain insight into the customers' experience and whether we feel confident in Vanguard's assurances as well as helping to challenge, albeit at anecdotal high level, our own assumptions about the pathways customer cohort.

From the calls we listened to, combined with the fact that there have been no complaints from pathway customers and the management information provided to us, we have confidence that customers benefit from their interactions with retirement consultants and that these calls provide a crucial line of support to customers navigating their pension freedoms.

During 2025, we will continue to listen to a small number of calls with any further sampling dependent on our initial qualitative findings. We will continue to receive reporting from Vanguard on its quality assurance work across its drawdown customers' experiences.

Early in 2024, the IGC held a deep dive into customer insight research which Vanguard had conducted, and which was supplemented by focus group research (conducted by Boring Money). While this work has been focused on the wider Vanguard UK Personal Investor client base, it is useful to understand where pathway customers potentially sit in terms of their financial knowledge, broader retirement planning, risk awareness and attitude to financial advice and how these insights align with Vanguard's assumptions on the types of investors using pathways. Much of the research supports assumptions the IGC has made and referred to in our previous annual reports – for example, the belief that Vanguard pathway investors often have additional pension assets outside of Vanguard and that they are confident enough to choose their own investments through the digital platform.

In addition to the above initiatives, Vanguard continues to survey approximately 50,000 of its Personal Investor customers each month, as well as monitor service levels across its platform. Regarding Vanguard's investment stewardship and engagement, it has published its region-specific proxy-voting policies and publishes an annual report on its investment stewardship activities, which can be accessed here. There are no significant insights or developments to report for 2024 beyond those reported in 2023.

2.8 Topical issues in 2024

There are two areas commanding the IGC's continuing interest.

2.8.1 Withdrawal rates

A key decision investors face is the rate at which they will withdraw money from their defined contribution pension. This is a very complex decision and research has found that many consumers feel confused and overwhelmed by such withdrawal decisions.

Significant risks for consumers include paying too much tax or withdrawing too much money too quickly, so they are left reliant on just the state pension (e.g. because they underestimate their life expectancy). High withdrawal rates during periods of poor investment performance can be a particular danger.

We have previously reported that the IGC believes (supported by interviews with pathway investors) that most hold retirement funds outside of Vanguard, so we could not comment sensibly on whether observed withdrawal rates suggested any financial detriment.

We have previously reported that:

- Investors with pot sizes of less than £50,000 exhibited withdrawal rates which could quickly exhaust the fund. The majority of those with pot sizes of more than £100,000 were withdrawing funds at a rate consistent with Vanguard's 'dynamic spending' approach (where investors take a fixed percentage of their pension each year but adjust that amount depending on how the markets perform).

- Of those with pot sizes of less than £50,000, 75% had only moved part of their total pension funds into drawdown and had additional funds invested elsewhere.

- When following up some apparent outliers, we found that investors were optimising their tax position, and when asked whether their funds were meant to provide an income for life, they responded "no".

However, there has been a significant shift in withdrawal patterns during 2024, with withdrawals becoming more commonplace. Average withdrawal rates are in the 30%-40% range and withdrawals are being taken after around two years.

This is a significant behavioural shift and we can only speculate as to the drivers of it at this stage – for example, they could be in response to tightening cost of living pressures or they could be a change of approach to financial planning in response to tax proposals. The IGC will try to gain a deeper understanding during 2025.

The FCA is currently consulting on proposals for "Targeted Support", which could allow firms to provide greater support to customers not accessing full financial advice. The proposals have not yet been finalised, but this could allow firms to provide more specific suggestions of sustainable withdrawal rates to customers. The development of pensions dashboards could also allow consumers to share details of the full value of all their pensions savings with firms, which would enable easier identification of consumers withdrawing at unsustainable rates. The IGC encourages Vanguard to monitor these developments and consider how they could help to give clearer warnings and suggestions of sustainable withdrawal rates.

2.8.2 Vulnerable investors

A vulnerable investor is defined as: "Someone who, due to their personal circumstances, is especially vulnerable to detriment, particularly where a firm is not acting with appropriate levels of care." In line with FCA guidance, Vanguard had divided vulnerability into four categories:

Health: where the ability to carry out day-to-day activities is reduced through health conditions or illness.

Life events: where someone may have been impacted by something upsetting in their lives, such as a bereavement, job loss or relationship breakdown.

Resilience: whether someone has a low ability to withstand financial or emotional shocks.

Capability: where someone has a low knowledge of financial matters or low confidence in managing money (financial capability), or a low capability in other relevant areas such as literacy or digital skills.

To achieve good outcomes for vulnerable investors, FCA guidance[3] says firms should:

- Understand the needs of their target markets/ investor base.
- Ensure their staff have the right skills and capabilities to recognise and respond to the needs of vulnerable investors.
- Respond to investor needs throughout product design, flexible investor service provision and communications.
- Monitor and assess whether they are meeting and responding to the needs of investors deemed vulnerable and make improvements where this is not happening.

Vanguard staff are encouraged to look out for indicators of vulnerability and, where appropriate, record it so that investors can be provided with appropriate support. The Vanguard Vulnerable Client Group meets monthly to discuss case studies identified, stress-test the policy and identify improvements. 8% of pathway clients are flagged as vulnerable (numbering 26 in total). This is an increase from 4% in 2023.

The IGC had no material concerns about the Vanguard approach to vulnerable investors but suggested that the vulnerability framework could be updated to include greater reference to those potentially vulnerable to pension scams and new categories of vulnerability, such as people who had inherited drawdown accounts.

During the year, the IGC received reports from the Vanguard Vulnerable Client Group and from an external expert, Dr Chris Fitch, who shared leading-edge thinking on the topic.

With the introduction of the new FCA guidance, the IGC encouraged Vanguard to conduct additional work to be at the forefront of understanding how vulnerability could be identified and managed on a digital platform and take learnings from the consumer credit sector once the digital journeys are brought back in house. This could include ensuring that the right data is gathered and that the design of the journeys anticipates and tries to prevent harm to vulnerable customers. There are particular challenges in ensuring that customers feel able to self-declare vulnerability.

While we welcome the increase in the proportion of pathway clients identified as vulnerable, we continue to encourage Vanguard to go further to ensure that all vulnerable clients are identified. This could involve benchmarking the Vanguard client base and trying to determine what level of vulnerability we might expect.

In line with the framework presented by Dr Chris Fitch, the IGC highlighted that it was important for Vanguard to continue to consider the following questions:

Vulnerable to what? Identifying what harm, detriment, disadvantage, difficulty or exclusion a pathway client is vulnerable to and ensure that customer-facing staff work to establish the most relevant information to provide help.

Supported how? Once the vulnerable customer had been identified, what form of support could they be provided with? Where could this support be delivered from within Vanguard and where could it be provided by others?

Finally, the IGC highlighted that going forward it was important that sufficient attention continued to be given to measuring and monitoring outcomes for vulnerable investors, to ensure they experienced outcomes at least as good as non-vulnerable investors.

[3] https://www.fca.org.uk/publication/finalised-guidance/fg21-1.pdf

2.9 Other industry surveys and market comparisons

The IGC is required to select a small number of industry comparators and use reasonable endeavours to compare them. For 2024, we have referenced publicly available comparisons from Hymans Robertson on investment-pathway fund solutions, annual 'Best Buy' comparisons by Which?, and internal analysis of comparable services and fund performance (using data from Morningstar).

The Hymans analysis compares eight retail (including Vanguard) and five workplace propositions. Hymans does not draw any conclusions from the survey but does highlight some interesting patterns in the results. The IGC notes that:

- For investment pathways option 1 and 3, the platform charges were on average 0.30% compared with Vanguard's 0.15%.
- The average investment fees were around 0.32% compared with Vanguard's 0.24%.
- The mandatory interviews with a pensions specialist is a differentiated characteristic of Vanguard's onboarding process.
- Fund performance was well positioned against other firms with good returns for a moderate level of risk.

As such, the Hymans survey confirms Vanguard as a low-cost provider.

In addition, consumer champion Which? has named Vanguard a Which? Recommended Provider for SIPPs for the last five years, as well as a Which? Recommended Provider for investment platforms for the last five. See Appendix 4 for the list of firms analysed.

3 Conclusion

Based on the data and analysis in this report, the IGC concludes that Vanguard is offering good VFM to its investment pathway investors. We have not discovered any other provider offering better value.

In drawing this conclusion, the IGC acknowledges that longer-term fund performance, after customer-borne charges have been deducted, continues to deliver above-inflation returns. Vanguard's costs and charges are also lower than most competitors' and we believe that the quality of Vanguard's services are at least on a par with alternative providers.

Appendix 1

IGC membership

Lawrence Churchill CBE

Independent Chairman

Lawrence has worked in pensions for over 50 years to try to make the system work well for consumers as well as providers. He was CEO of three insurance groups and, as a non-executive, he was the inaugural chair of both the Pension Protection Fund and National Employment Savings Trust, chair of the Financial Services Compensation Scheme, a member of Actuarial Standards Board and chairman of the Pensions Policy Institute. He currently chairs Clara Pensions, a consolidator of defined benefit pension schemes, and the International Longevity Centre (UK). He is the independent chair of the Joint Negotiating Committee for the Universities Superannuation Scheme.

Anna Eagles

Director, Law Debenture

Anna is an experienced professional trustee at Law Debenture and represents Law Debenture on several boards and committees, including the Aviva Master Trust board. She is an accredited member of the Association of Professional Pension Trustees. As well as being a trustee, Anna sits on the governance bodies for contract-based pension arrangements (under the FCA's regulatory structure).

Anna is also a qualified actuary, with over 20 years of consulting experience in pensions and employee benefits. She is passionate about helping to improve people's retirements and savings outcomes through better governance, value for money, information and education.

Dominic Lindley

Independent Member

Dominic is an independent consultant specialising in pensions, financial services and consumer protection. He has worked for the Financial Services Consumer Panel, Which? and New City Agenda, delivering improvements for consumers, including a cap on pension charges and stronger protection against payment scams.

Dominic has written several reports on how consumers can be helped and supported to make better decisions when accessing their pensions. He is a member of the advisory group appointed by the government-sponsored Money and Pensions Service (MaPS) to advise on the development of pension dashboards – online tools that will enable consumers to find and view their pensions information.

Ankul Daga

Senior Manager & Investment Strategist, Vanguard

Ankul's responsibilities include research on goals-based investment strategies, building enterprise research models and meeting clients to provide a Vanguard perspective on long-term investment implications. He covers a broad range of topics, including portfolio construction, multi-asset investing, retirement strategies, passive and active investing and adviser best practices.

He has over 15 years of investment experience across trading, advisory and research functions. He joined Vanguard from Coutts, where he was asset allocation director. Prior to that, he held investment roles with Merrill Lynch and Barclays. He earned an MSc in Financial Mathematics from Warwick Business School and is pursuing an MBA at the Wharton School of the University of Pennsylvania. He is also a CFA® Charterholder and contributes to the Investment Association's DC Committee.

Victoria O'Keefe

Senior Manager, Distribution, Vanguard

Victoria has worked in the investment management industry for over 30 years. She is currently a senior manager within Vanguard's UK and European distribution department where her role is primarily focused on managing change initiatives. During the twelve years she has been at Vanguard, she has managed the European client service team and participated in several service and sales enablement projects.

Prior to joining Vanguard, Victoria spent 13 years at Schroders Investment Management within their UK institutional client business. She also worked for Coutts & Co as an investment officer. Victoria holds the Chartered Institute of Bankers Certificate in Offshore Trust & Company Administration, the Investment Advice Certificate and the Investment Management Certificate.

Appendix 2

Workplan for 2025

1. Continue to monitor the investment performance and the costs and charges of Vanguard's investment pathway funds.
2. Continue to develop information on comparator providers.
3. Develop more information and insight on Vanguard's pathway customers and their views, in particular:
   - Their understanding of their withdrawal rates in relation to their broader financial plans.
   - Their vulnerability.
   - Their access to relevant Vanguard communications.
   - Their overall customer satisfaction.
4. Adapt proportionately to the requirements emanating from the DWP/FCA VFM Framework, and contribute to the development of best practice among IGCs.
5. Continue a programme of call monitoring of client onboarding calls.
6. Receive conclusions from Vanguard's review of asset allocation and of the algorithm which allocates investors to TRFs.

Appendix 3

Jargon buster

Annuity
Product providing guaranteed income that is purchased through a life insurance company.

Annuitise
To convert an investment into a product providing guaranteed income.

Drawdown
The process of taking income from your pension pot while it remains invested.

ESG
Environmental, social and (corporate) governance.

FCA
Financial Conduct Authority – the UK regulator for financial services.

IGC
Independent Governance Committee – independent professionals assigned to assess value for money on investment pathways.

Investment pathways
Pre-defined single-investment funds for specific retirement choices.

Non-advised
Term used where a client has not received financial advice on their investment transactions and decisions.

Pension Wise
Free government service explaining pension options to consumers. Website: www.pensionwise.gov.uk

SIPP
Self-invested personal pension – a type of pension that enables an individual to self-select their investments and generally offers them wider choice and flexibility.

Stewardship
Relates to the management and oversight of investment funds.

Target date fund/Target Retirement Fund
A type of investment fund that de-risks over time by altering its asset allocation based around a set date, normally a chosen retirement date.

Transaction costs
Underlying costs incurred when transacting in shares and bonds.

Vulnerable investor
An investor who may have a vulnerability through health, life events or as a victim of a scam.

Workplace pension schemes
Employer-sponsored pension schemes.

Appendix 4

Comparator details

The firms included in the cost & charges comparison are:

AJ Bell
Aviva
Fidelity
Hargreaves Lansdown
Halifax
Interactive Investor
L&G
Pension Bee
Royal London
Scottish Widows
Standard Life
Willis Owen

The firms included in the Which? 'Best Buy' analysis are:

Aegon
AJ Bell
Barclays Smart Investor
Fidelity
Halifax Share Dealing
Hargreaves Lansdown
Interactive Investor
Moneybox
Standard Life
Vanguard

Of these, Which? awarded Recommended Provider status to Vanguard, AJ Bell, Fidelity and Interactive Investor.

Appendix 5

Additional data on costs and charges

Like Vanguard, some investment pathway providers have fund management charges and separate account/platform fees. The account or platform fees can vary by the size of the investments held with the provider. The account or platform fees can also be tiered so that once a portfolio reaches a certain size, the fees are reduced on amounts above this size.

Two providers have all-in-one charges and both offer discounts on charges once the total amount invested gets to a certain size. Some of the comparators also have additional charges such as charges for trading funds or charges if the entire pension fund is withdrawn within 12 months. Therefore, the total charges incurred by investment pathway investors can depend on the investment pathways they choose, the total size of their investment portfolio at the start of the period, the degree of investment growth and their behaviour in terms of whether they make any trades or other transactions.

The charges for investing in the investment pathway funds on other digital platforms are set out in the table below.

	PATHWAY 1	PATHWAY 2	PATHWAY 3	PATHWAY 4	ACCOUNT / PLATFORM FEE	NOTES
Firm 1	0.22%	0.07%	0.24%	0.10%	£0 to £50k – £5.99 per month. £50k+ – £12.99 a month	£3.99 per trade
Firm 2	0.50%	0.70%	0.85%	0.50%	None	Fee is halved on the amounts invested over £100,000
Firm 3	0.10%	0.20%	0.10%	0.10%	£0 to £30k – 0.9%; £30k to £50k – 0.40%, £50k to £250k – 0.30%; £250k to £500k 0.25%; £500k to £1 million 0.20%; £1m+ – 0.10%	
Firm 4	0.15%	0.15%	0.15%	0.15%	£0 to £50k – 0.40%; Next £200k – 0.35%; Next £250k – 0.25%; Amounts above £500k – 0.00%	
Firm 5	0.31%	0.14%	0.31%	0.14%	0.25%	
Firm 6	0.25%	0.25%	0.40%	0.15%	Less than £25k – 0.35% if you have a regular savings plan or £90 if you don't; £25k to £250k – 0.35%; £250k to £1 million – 0.20%; £1 million+ 0.20% a year for the first £1 million	
Firm 7	0.14%	0.15%	0.30%	No explicit charges	£0 to £250k – 0.45%; £250k to £1 million – 0.25%; £1m - £2m – 0.10%; Value over £2million – No charge	
Firm 8	0.09%	0.09%	0.09%	0.10%	0.45%	
Firm 9	0.31%	0.31%	0.31%	0.31%	0.25% up to £250k; 0.1% between 250k and 500k; 0 above £500k	
Firm 10	0.14%	0.11%	0.14%	0.15%	£0 to £100k – 0.4%; £100k to £250k – 0.25%; £250k+ – 0.1%	
Firm 11	0.17%	0.11%	0.17%	0.20%	0.25% capped at £198 per year	£9.50 per trade
Firm 12	All pathways charged by total portfolio size				£0 - £44,900 – 0.90%; £44,900 - £89,900 – 0.5%; £189,900 - £269,000 – 0.45%; £269,000 - £899,000 – 0.40%; £899,000+ – 0.35%	

Appendix 6

Data tables comparing (most) costs

The tables below compare our estimate of most costs from the charging structures used by comparator firms. For firms that charge trading costs separately, we have not attempted to simulate the number of trades or associated transaction costs, which means the tables will contain underestimates of their real costs.

PATHWAY 1

	£25,000	£50,000	£100,000	£200,000	£250,000	£500,000
Vanguard	0.39%	0.39%	0.39%	0.39%	0.39%	0.32%
Firm 1	0.51%	0.36%	0.38%	0.30%	0.28%	0.25%
Firm 2	0.50%	0.50%	0.50%	0.38%	0.35%	0.30%
Firm 3	1.00%	0.40%	0.40%	0.40%	0.35%	0.30%
Firm 4	0.55%	0.55%	0.53%	0.51%	0.51%	0.46%
Firm 5	0.56%	0.56%	0.56%	0.56%	0.56%	0.56%
Firm 6	0.60%	0.60%	0.60%	0.60%	0.45%	0.45%
Firm 7	0.59%	0.59%	0.59%	0.59%	0.59%	0.49%
Firm 8	0.54%	0.54%	0.54%	0.54%	0.54%	0.54%
Firm 9	0.56%	0.56%	0.56%	0.56%	0.56%	0.49%
Firm 10	0.54%	0.54%	0.54%	0.47%	0.45%	0.35%
Firm 11	0.42%	0.42%	0.37%	0.27%	0.25%	0.21%
Firm 12	0.90%	0.50%	0.45%	0.45%	0.45%	0.40%
Average excluding Vanguard	0.61%	0.51%	0.50%	0.47%	0.45%	0.40%

PATHWAY 2

	£25,000	£50,000	£100,000	£200,000	£250,000	£500,000
Vanguard	0.27%	0.27%	0.27%	0.27%	0.27%	0.20%
Firm 1	0.36%	0.21%	0.23%	0.15%	0.13%	0.10%
Firm 2	0.70%	0.70%	0.70%	0.53%	0.49%	0.42%
Firm 3	1.10%	0.50%	0.50%	0.50%	0.45%	0.40%
Firm 4	0.55%	0.55%	0.53%	0.51%	0.51%	0.46%
Firm 5	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%
Firm 6	0.60%	0.60%	0.60%	0.60%	0.45%	0.45%
Firm 7	0.60%	0.60%	0.60%	0.60%	0.60%	0.50%
Firm 8	0.54%	0.54%	0.54%	0.54%	0.54%	0.54%
Firm 9	0.56%	0.56%	0.56%	0.56%	0.56%	0.49%
Firm 10	0.51%	0.51%	0.51%	0.44%	0.42%	0.32%
Firm 11	0.36%	0.36%	0.31%	0.21%	0.19%	0.15%
Firm 12	0.90%	0.50%	0.45%	0.45%	0.45%	0.40%
Average excluding Vanguard	0.60%	0.50%	0.49%	0.46%	0.43%	0.38%

PATHWAY 3

	£25,000	£50,000	£100,000	£200,000	£250,000	£500,000
Vanguard	0.39%	0.39%	0.39%	0.39%	0.39%	0.32%
Firm 1	0.53%	0.38%	0.40%	0.32%	0.30%	0.27%
Firm 2	0.85%	0.85%	0.85%	0.64%	0.60%	0.51%
Firm 3	1.00%	0.40%	0.40%	0.40%	0.35%	0.30%
Firm 4	0.55%	0.55%	0.53%	0.51%	0.51%	0.46%
Firm 5	0.56%	0.56%	0.56%	0.56%	0.56%	0.56%
Firm 6	0.75%	0.75%	0.75%	0.75%	0.60%	0.60%
Firm 7	0.75%	0.75%	0.75%	0.75%	0.75%	0.65%
Firm 8	0.54%	0.54%	0.54%	0.54%	0.54%	0.54%
Firm 9	0.56%	0.56%	0.56%	0.56%	0.56%	0.49%
Firm 10	0.54%	0.54%	0.54%	0.47%	0.45%	0.35%
Firm 11	0.42%	0.42%	0.37%	0.27%	0.25%	0.21%
Firm 12	0.90%	0.50%	0.45%	0.45%	0.45%	0.40%
Average excluding Vanguard	0.66%	0.57%	0.56%	0.52%	0.49%	0.44%

PATHWAY 4

	£25,000	£50,000	£100,000	£200,000	£250,000	£500,000
Vanguard	0.27%	0.27%	0.27%	0.27%	0.27%	0.20%
Firm 1	0.39%	0.24%	0.26%	0.18%	0.16%	0.13%
Firm 2	0.50%	0.50%	0.50%	0.38%	0.35%	0.30%
Firm 3	1.00%	0.40%	0.40%	0.40%	0.35%	0.30%
Firm 4	0.55%	0.55%	0.53%	0.51%	0.51%	0.46%
Firm 5	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%
Firm 6	0.50%	0.50%	0.50%	0.50%	0.35%	0.35%
Firm 7	N/A	N/A	N/A	N/A	N/A	N/A
Firm 8	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%
Firm 9	0.56%	0.56%	0.56%	0.56%	0.56%	0.49%
Firm 10	0.55%	0.55%	0.55%	0.48%	0.46%	0.36%
Firm 11	0.45%	0.45%	0.40%	0.30%	0.28%	0.24%
Firm 12	0.90%	0.50%	0.45%	0.45%	0.45%	0.40%
Average excluding Vanguard	0.58%	0.47%	0.46%	0.43%	0.40%	0.36%

Vanguard®