Pension Protection Fund

20 years

Annual Report and Accounts 2024/25

20 years of protecting people's futures

HC 1194

Pension Protection Fund
Annual Report and Accounts 2024–25

For the period 1 April 2024 to 31 March 2025

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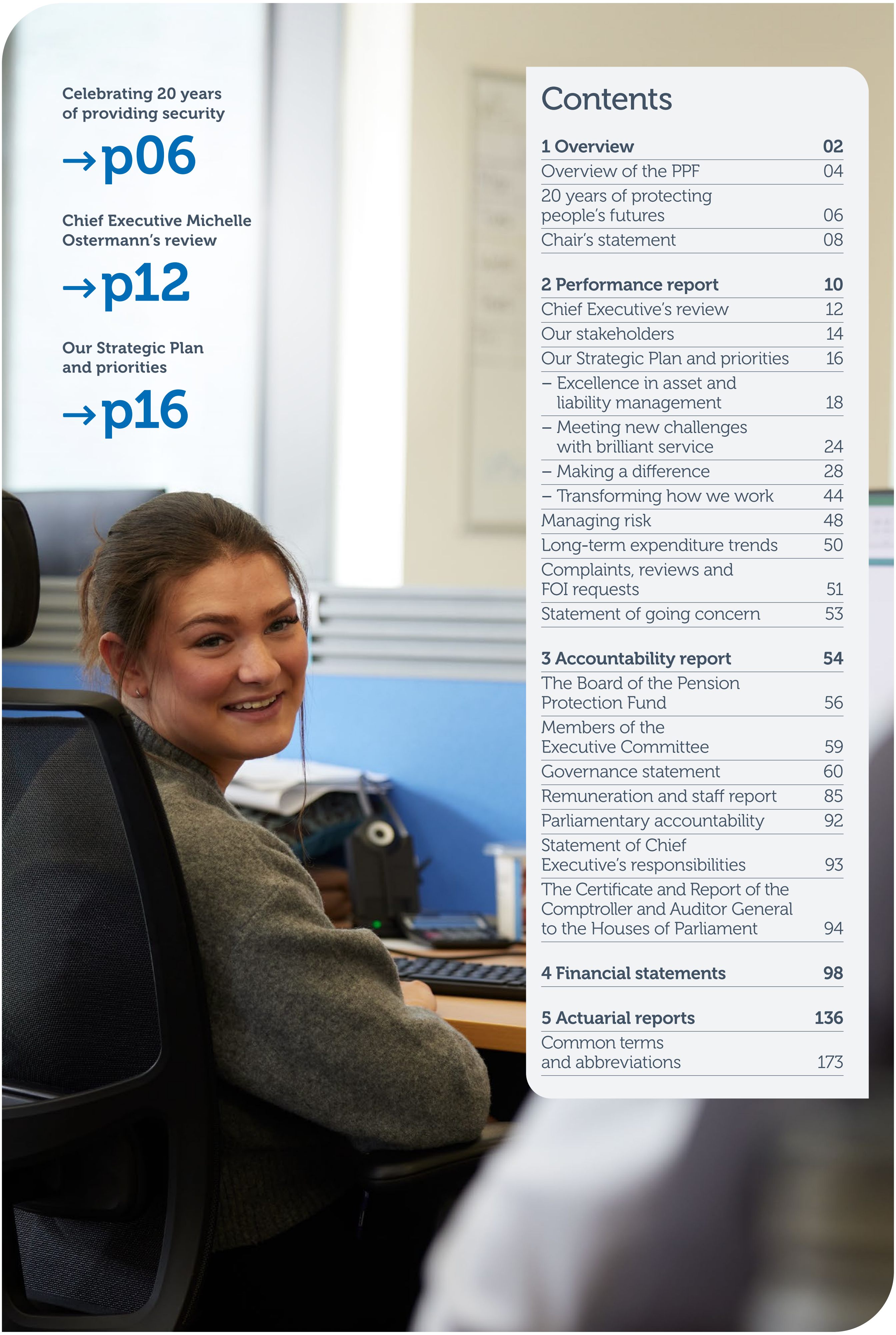


Celebrating 20 years of providing security
→p06

Chief Executive Michelle Ostermann's review
→p12

Our Strategic Plan and priorities
→p16

Contents

Overview

Members of schemes we protect at 31 March 2024

8.8m

PPF assets under management at 31 March 2025

£31.2bn

Members in PPF assessment at 31 March 2025

34,601

PPF members at 31 March 2025

289,469

Of which:

200,504 in payment

88,965 deferred

FAS members at 31 March 2025

137,901

Of which:

88,052 in payment

49,849 deferred

Overview of the PPF

Who we are

We are a public corporation, set up by the Pensions Act 2004, and run by an independent Board. We report to Parliament through the Secretary of State for Work and Pensions. We are responsible for the Pension Protection Fund (PPF) and we run the Financial Assistance Scheme (FAS) on behalf of the government. We also manage the Fraud Compensation Fund (FCF).

What we do and why it matters

Pension Protection Fund (PPF)

Our purpose is to protect people's futures, providing security in retirement for our members and millions of people throughout the UK who belong to defined benefit (DB) pension schemes. We compensate members for their pensions after the employer funding their pension becomes insolvent. We do this by paying our members, investing for the long term and charging eligible DB schemes a levy.

Financial Assistance Scheme (FAS)

We provide financial assistance to people who were members of certain DB pension schemes which are ineligible for compensation from the PPF – in particular, those schemes that began winding up between January 1997 and April 2005. FAS is funded by HM Treasury.

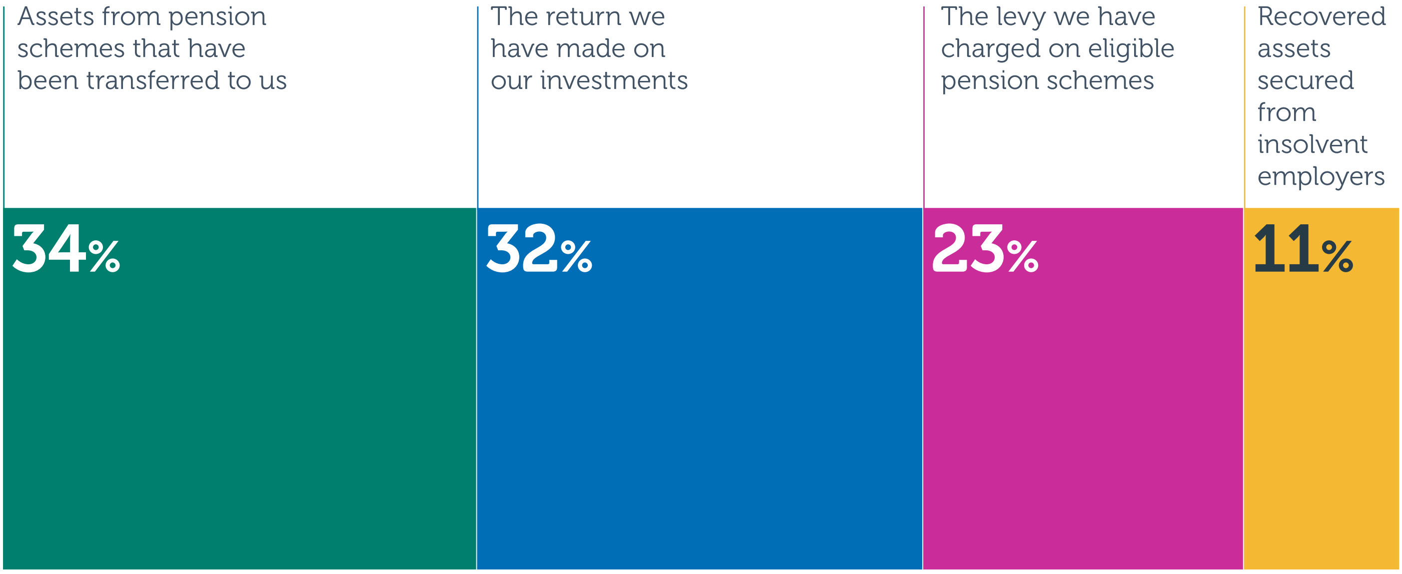
Fraud Compensation Fund (FCF)

Funded through a levy on eligible occupational DB and defined contribution (DC) pension schemes, the FCF funds compensation for members of eligible work-based pension schemes where the employer is insolvent and whose schemes have lost out financially as a result of dishonesty.

How our funding has built up

Since we were formed, we've raised the money we need to pay PPF benefits to current and future PPF members, and for the cost of running the PPF in four ways:

- **We receive the assets from pension schemes that transfer to us**.
- **We make a return on our investments**, following an investment strategy under the guidance and stewardship of the Board.
- **We charge a compulsory levy**, much like an insurance premium, from the eligible pension schemes we protect. This helps to make sure their members are protected if the sponsoring employer becomes insolvent.
- **We recover the assets that we can from insolvent employers**.



Our people

Our people form six directorates, each led by a member of the Executive Committee. We make sure all PPF employees understand our strategic priorities so that we can be successful in achieving our goals.

Our ICARE values

Our values guide our behaviours and are a key part of our commitment to our members, our levy payers and to each other.

Integrity
Doing the right thing

Respect
Valuing every voice

Collaboration
Working as one

Excellence
Being our best

Accountability
Owning our actions and their outcomes

Number of employees at 31 March 2025

468

> The values we demonstrate through our behaviours are at the heart of the culture at the PPF. Focusing on aligning with our ICARE values enables our people to deliver excellent service and be the best version of themselves.

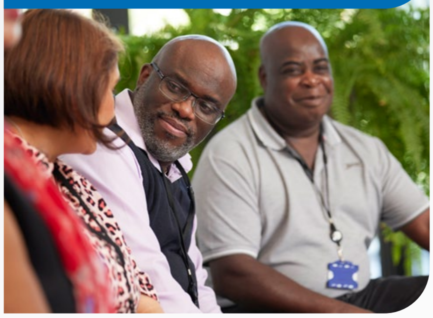
Dennis Adjapong
Contact centre team leader

Our stakeholders

Our members

Levy payers

Our people



UK Government

Our partners

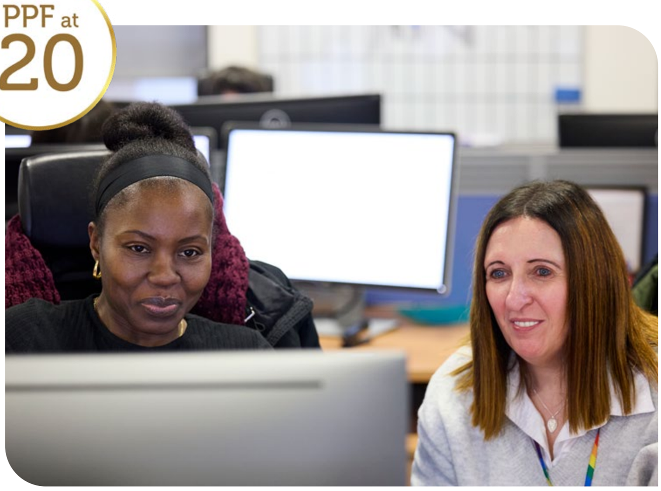
Pensions industry

20 years of protecting people's futures

Since our inception in 2005, we have provided security for our members, supported schemes and corporate sponsors, and become a trusted partner for government, all while safely navigating through economic downturns and a global pandemic. We've developed specialist capabilities to transfer pension schemes efficiently, and have consolidated over 2,000 pension schemes into the PPF and FAS. We are proud to have established a solid reputation for strong investment performance and outstanding customer service.

Today, the PPF stands alongside some of the largest pension funds in the UK. We have £31.2 billion assets under management and more than 400,000 members across PPF and FAS. We are committed to operating in a sustainable way through investing responsibly, giving back to our local community and minimising our environmental impact. Delivering excellent service for our members and levy payers remains our priority.

PPF at 20



Our achievements

2005 Within the first month of opening, we received our first major claim

2006 We completed assessment of the first scheme and made the first payments to members

2008 We grew our assets to over £1bn

2009 We took on management of FAS

2010 We launched our long-term funding strategy

2011 We established our first panel of specialist firms to help transfer schemes more efficiently

2014 We started to bring our Member Services functions in-house

- **2015** — We commenced insourcing our investments
- **2017** — We had paid out over £1bn in FAS compensation
- **2018** — We were awarded ServiceMark accreditation for the first time for our customer service
- **2019** — We launched a transformation of our IT services
- **2020** — Carillion Rail was the 1,000th scheme to transfer into the PPF
- **2021** — Annual PPF benefits paid surpassed £1bn
- **2024** — We achieved ServiceMark with distinction
- **2025** — We set our lowest ever levy

Chair's statement

Opportunity, impact and collaboration

> We hear time and again how important the security we provide is to all those we protect and support.

In April this year we celebrated the PPF's 20th anniversary. As with any milestone birthday, it presented a moment of reflection for many of us at the PPF, as we considered what's been achieved, and, just as importantly, what our next challenges and opportunities are.

The PPF is an incredibly special organisation, with a strong sense of purpose. It has evolved into a proven, well-funded, mature institution and, while we have been here for 20 years, we have a long road left to travel. We are the ultimate backstop for £1 trillion in liabilities, stretching into the next century. This year's increase in the reserves we've built up further underpins our strength and ability to continue protecting people's futures.

Before I joined the PPF, I remember reading in the annual report that the PPF aspired to feel to members like a partner of choice, rather than an impersonal institution imposed on them at a time of huge uncertainty. I'm proud to say those aspirations have become our reality. We hear time and again how important the security we provide is to all those we protect and support.

Pensions and pension adequacy for all is as much of a focus today as it was back in 2004 when the Pensions Act led to the creation of the PPF. 2025 has seen the introduction of a new Pensions Bill, with a second phase Pensions Review to follow, heralding further reform and important focus. The government has pensions at the heart of its agenda, and we look forward to working closely with our colleagues at DWP, HM Treasury and across the wider pensions sector to play our part in shaping and improving the pensions landscape.

As I reflect on where we are now, I see collaboration, impact, and further opportunity.

I am pleased to be collaborating closely with the government and the Minister for Pensions. We have met with the Minister a number of times to discuss the very pressing issues of levy and indexation, and will, through this work, continue to ensure that government decisions reflect the best interests of members and levy payers.

We acutely recognise members' sense of urgency when it comes to seeing changes to the legislation governing the amount we pay, and, particularly, the lack of indexation on benefits accrued before 1997.

We also recognise that this is a complex issue and will continue to work constructively to help the government progress towards reaching a decision.

Earlier this year, we confirmed our levy approach for 2025/26. Back then, informed by the government's signal that it was considering making the changes we need, we acted to reduce our 2025/26 levy estimate to its lowest ever level – £45m – including new provision in our levy rules to enable the Board to calculate a zero conventional levy if appropriate legislative changes were brought forward, and sufficiently progressed, in the course of 2025/26.

We welcomed provisions in the Pensions Bill which would widen the criteria for us to make lump sum payments to terminally ill members, and allow us to participate in Pensions Dashboards. The Bill has now been introduced and we'll monitor its progress closely as it passes through its parliamentary stages, while supporting policymakers and stakeholders through the process. We will also continue to work with the government and industry stakeholders to explore the potential role of a PPF-administered 'Government Consolidator' for the DB market.

I am positive about the valuable contribution our investments make towards the UK economy. A report published in April by Frontier Economics showed we have over £15bn invested in the UK, particularly in manufacturing, construction and infrastructure. Our investments have made an impact across the UK from projects as diverse as Scottish reforestation to the Thames Tideway 'super sewer;' and from social housing in Wales to sustainable warehouses in Lancashire.

The opportunities we see were front of mind when we developed our strategy for the next three years. We will continue to focus on delivering strong investment performance and excellent customer service.

Above: Local primary school children visiting the PPF with financial education charity RedSTART.

We also want to make an even greater contribution to the UK pensions debate. We bring a unique perspective and experience which enables us both to share best practice and continue to learn from the vibrant financial services community.

We have recently come to the end of our D&I Strategy for 2020–25 and published our DEI Strategy 2025–28. I have seen excellent progress in building a workforce that represents the differences in our community and values every voice. At our 20th anniversary celebrations, I was proud to host a segment called 'We Built the PPF' in which colleagues shared their powerful, and often moving, reflections on 20 years of the PPF, ranging from those who were here on the day we opened our doors in 2005, to a new recruit who has joined us permanently through the 10,000 Black Interns programme.

DEI and Community Impact are important elements of our Sustainability Strategy, on which we continue to make good progress. It's encouraging to see how dedicated people at the PPF are to making a difference in the community through volunteering. Many colleagues have enjoyed volunteering at RedSTART's financial education workshops in primary schools, helping young people understand earning, saving and budgeting through play. As a passionate advocate of financial education, I was delighted to have the opportunity to volunteer alongside colleagues to host some local Year 6 pupils at our offices. I believe that creating the foundations of financial understanding in the early years is critical to enabling people to manage their finances with confidence as adults, and am encouraged by the government's work to introduce financial education into the primary school curriculum.

Having welcomed two new non-executive directors to our Board – Simon Gadd and Sonia Gogna – I would like to express my thanks to Emmy Labovitch and Nailesh Rambhai. Their tenures as non-executive directors come to an end after six years, and I particularly appreciate the insight and independent challenge they have brought to the PPF Board.

I am also grateful for the many contributions of our former Board and Executive Committee members David Taylor, Katherine Easter, and Simon Liste. Their leadership and dedication have made a lasting impact on the PPF.

Finally, I'd like to extend my gratitude to the Board, our Executive Committee and the wider PPF team for their continued efforts and dedication in the service of our members and stakeholders.

Kate Jones
Chair

Performance report

An unwavering commitment to our members

"Our expertise and capability have delivered value for two decades, and it will continue to do so well into the future."

During my first year at the PPF as Chief Executive we celebrated the PPF's 20th anniversary and all that has been achieved in that time. We were honoured that industry and government stakeholders, members and former PPF leaders joined us in celebrating. Every interaction reinforced for me how well regarded the PPF is, and I'd like to pay homage to my predecessors for building this trust. We effectively began life as a start-up, building the organisation from scratch with no blueprint to follow. Many thought we would fail, and it hasn't been a smooth journey, but we have delivered on our mission. There is a well-deserved sense of pride running through this organisation. The PPF is truly a policy success story.

The PPF exists to serve its members and stakeholders, and it is the commitment of our people that underpins the trust placed in us. We are trusted to do the right thing. When others place their trust in you, it brings great responsibility, and I've seen that sense of responsibility in the work of our teams who care so passionately about those we're here to serve.

2024/25 has been another successful year across the organisation. We continued to deliver outstanding customer service for our members and levy payers, and achieved ServiceMark with Distinction for the first time, joining just 27 other UK companies that hold this prestigious accolade from the Institute of Customer Service.

Our award-winning investment team received industry recognition, taking home the Fixed Income Award at the IPE Awards 2024 and the Limited Partner category at the BVCA Excellence in ESG Awards.

We set our lowest ever levy at £45 million for the year 2025/26 and I am pleased that the government has brought forward measures that would give us greater flexibility to further reduce it. The Fraud Compensation Fund (FCF), which we also administer on behalf of the government, continues to help schemes, and their members, who have lost money through fraud, with a record number of payments and assessments this year.

We completed 45 FCF schemes, more than double the number of cases completed in any prior year, which has benefitted more than 2,300 people.

Looking back at the last three years, we've proudly achieved all the goals of our 2022–2025 strategy, Strong foundations, safer futures. During those three years, we've continued to achieve high levels of customer satisfaction from members and levy payers and have driven continuous improvements to the services we provide them, including our bereavement process and support for vulnerable members. We completed implementation of *Hampshire* uplifts and removed the PPF compensation cap for eligible members. We reviewed our funding strategy, and published a sustainability strategy, setting out our climate change response and Net Zero target for our operations.

We have fundamentally changed the way we manage overfunded schemes, including the launch of the PPF+ panel in 2022. This enables more efficient transactions, improved outcomes for members and allows us to access better advisor rates. To develop our process we collaborated with the industry, and we know from first-hand engagement with insurers and panel firms that we share a desire to work towards better outcomes for members. It has been encouraging to learn from firms about the wider advantages of the PPF panel concept. I was pleased to hear from one firm that this work provides excellent exposure for early careers staff to the most challenging aspects of pensions administration, and has enabled them to set up an apprenticeship scheme in Northern Ireland.

Having successfully delivered the last strategy, we are now setting our sights firmly on the future.

We remain focused on our existing mission and delivering for our existing members and levy payers and the 8.8 million members of DB schemes we protect. Having reached a point of operational and financial maturity, we believe we can deliver even more. Our new three-year strategy, Delivering security, supporting growth, focuses on four key outcomes:

- delivering strong investment performance to ensure financial security for those we protect;
- maintaining excellent service;
- partnering with government and the pensions industry to help improve outcomes for our members, employers and the UK pension system;
- inspiring our people to achieve these ambitions.

I firmly believe that our work under this strategy will ignite meaningful change, paving the way for lasting security, growth and opportunity for decades to come.

I would like to thank PPF colleagues and the Executive Committee for their warm welcome and support during my first year as Chief Executive. Throughout the year, I have had the privilege of meeting many colleagues, members and stakeholders across the pensions and investment community. These conversations have reaffirmed my belief that the PPF is uniquely placed to support the sector and help deliver positive change beyond what we do today. Our expertise and capability have delivered value for two decades, and it will continue to do so well into the future. I am excited about the opportunities ahead and confident in our ability to be of even greater benefit to the UK's pension landscape.

Michelle Ostermann
Chief Executive

Our stakeholders

Creating value
for our stakeholders in 2024/25

98% of members told us they are **satisfied or very satisfied with our service**

"Broadstone is proud to have been a member of the PPF's Specialist Administration and Actuarial Services Panel since its inception. We really value the opportunity to help the PPF and scheme trustees in providing better outcomes and greater certainty to members."

Sarah Elwine
Actuarial Director, Broadstone

PPF at 20

"I have two schemes in the PPF. I was Head of Retail at Allders Croydon when the company went into administration in 2005 – the same year that the PPF was set up. I find you always get through to people who know what they are talking about at the PPF. I volunteer for Citizens Advice so I deal with banks and utility companies on behalf of other people, and the PPF really stands out from the rest as a very good customer experience."

Karl
PPF member

87% of our people believe **we are an inclusive organisation that actively encourages inclusion**

508 days of volunteering were carried out by our people

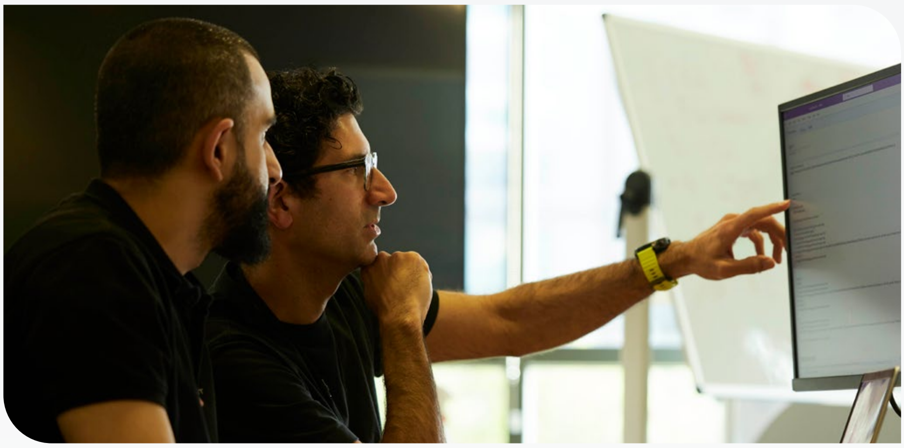
£1.2bn PPF benefits paid to our members

40 industry experts from our panel firms **collaborated** at our superforum

"We are enormously proud of the work we do with the PPF through the Specialist Administration and Actuarial panel. The PPF thoughtfully combines tremendous social purpose at the core of its mission with a desire to continuously improve not only its own practice, but that of the industry as a whole."

Tom Pook
Chief Commercial Officer and Head of Trustee Services, Spence & Partners

We were awarded
ServiceMark with Distinction
from the Institute of Customer Service



22 employees completed our bespoke **talent development** and **management development programmes**

Our people supported
50+ charities and educational institutions

We are recognised as a Disability Confident Leader
for our success in recruiting and retaining people with disabilities

"Taking part in the management development programme has given me the tools and understanding to better support my team. It has been really valuable for my development."

Carly Witherow
Fraud Compensation Fund Team Manager

10 D&I community groups for our people to
connect, support each other and share ideas

200,504
PPF members
in payment

Our Strategic Plan and priorities

Strong foundations, safer futures

Our purpose is to protect people's futures, providing security for the millions of people who belong to defined benefit (DB) pension schemes.

We published our Strategic Plan 2022–25 in April 2022, outlining our plans to drive forward our ambitions and solidify our status as a role model for best practice in the industry we operate in.

The strategic priorities we set were designed to ensure we met significant challenges within our operating environment, including cyber security and business continuity risks, necessary changes to the compensation we pay, and changing expectations of digital services and sustainability commitments.

This report covers the third and final year of the 2022–25 Strategic Plan period. We have continued to be a trusted asset manager, maintained brilliant service for our members and levy payers, kept our commitment to operating in a sustainable way, and taken steps to ensure the PPF is an exciting and attractive place to work for all employees.

Our strategic priorities

Excellence in asset and liability management

Our focus areas for 2024/25:
We set out to deliver investment performance consistent with targets set by the Board and the long-term investment objectives within our strategic risk budget. We said we would consult on our levy proposals for 2025/26 and continue to work with DWP to change the legislation governing the levy.

→ See page 18 for more information.

Meeting new challenges with brilliant service

Our focus areas for 2024/25:
We set goals to ensure high levels of member satisfaction for both our members and levy payers, and improve the service and efficiency in our Member Services operation. We said we would promote the use of the new online bereavement customer journey to members and complete 45 FCF cases.

→ See page 24 for more information.

Making a difference

Our focus areas for 2024/25:
We committed to increasing representation of all under-represented groups at the PPF. We set a target to ensure 85 per cent of our people agree that we are a diverse employer that supports inclusion. We said we would maintain our number of volunteering hours, recognising the importance of giving back to our local community.

→ See page 28 for more information.

Transforming how we work

Our focus areas for 2024/25:
We said we would focus on moving technical services to serverless, low-code and codeless services where appropriate to lower our carbon footprint. We set goals to increase the organisation's use of the data platform and data visualisation services, and to review our office space.

→ See page 44 for more information.

Excellence in asset and liability management

Planned activities and milestones for 2024/25

- We will continue to deliver investment performance consistent with targets set by the Board and our long-term investment objectives within our strategic risk budget.
- We will continue to work with DWP on changes to the legislation governing the levy. By the end of October 2024, we will consult on our proposals for distributing a levy of £100m in advance of legislative change.

A robust position

At 31 March 2025, PPF reserves were £14 billion (2024: £13 billion). Our funding framework separates the funding requirements for current members from those of future claims. We hold reserves for future claims from the universe of defined benefit pension funds that we protect, and in case our members live longer than we have anticipated (known as longevity risk). We do not hold reserves for any market risks associated with our investment portfolio.

Our investment framework splits our assets into two portfolios to align with the separate funding requirements:

1. **The matching portfolio** holds assets that behave in a similar way as our liabilities when interest rates and inflation change, enabling us to manage the risk of changes in interest rates and inflation. This approach is known as a Liability Driven Investment (LDI) strategy.

2. **The growth portfolio** protects our longevity and claims reserves and conservatively builds up additional reserves.

"I used Retire Online on the FAS website, and it was easy to use. I like being able to log in to the website to keep track of things. I've had to call up a few times and all my interactions with staff have been very good. I've got through quickly, and staff have always been really helpful and answered all my questions."

Andrew
FAS member

Our Strategic Plan and priorities – continued

Excellence in asset and liability management

Our assets under management decreased from £32 billion in March 2024 to £31 billion at 31 March 2025. The value of our actuarial liabilities also decreased, from £19 billion in March 2024 to £17 billion at 31 March 2025.

Our growth portfolio performed positively over the year, with a return on growth assets of 6.0 per cent adding about £1 billion to reserves. Increased interest rates over the year meant that both our matching portfolio, which is 100 per cent hedged for interest rates and inflation, and actuarial liabilities reduced by a similar amount. Both assets and actuarial liabilities were further reduced by about £1 billion in PPF compensation paid to members during the year.

The positive performance of the growth portfolio partially offset the decreases in our assets under management and led to an increase in our reserves.

Claims on the PPF in the year were low in frequency, although the size has been larger than in recent years. The total value of PPF claims on the Fund was £63 million (2024: £15 million; 2023: £14 million), nearly half of which was from one scheme.

Funding of the schemes we protect

An increase in interest rates over the year has caused the assets and liabilities of the schemes we protect to reduce, although the aggregate funding position at 31 March 2025 was very similar to the position a year earlier.

Our PPF 7800 Index tracks the assets and liabilities of the schemes we protect, with the liability assessment aiming to estimate the cost of securing PPF levels of compensation with an insurer. We estimate that the proportion of schemes now in deficit has increased slightly from around 26 per cent at 31 March 2024 to around 28 per cent at 31 March 2025, with the combined deficit of those schemes in deficit changing from £21 billion to £30 billion[1].

We have made positive progress against our Funding Strategy. Our reserves of £14 billion are held to cover future risks to the PPF, including longevity and claims risks. While our reported reserves are around half of the total current deficit of the schemes we protect, the deficit of those schemes is sensitive to interest rates and inflation while those schemes remain only partially hedged for interest rate and/or inflation risk. The schemes who are in deficit today may differ substantially from the schemes expected to be in deficit in the future. Falling rates and/or rising inflation expectations could therefore result in changes in the deficit of schemes in deficit. The future outlook will hinge on how schemes choose to balance their exposure between LDI strategies and return-seeking strategies and the evolving nature of the risk from schemes still open to new members or future accrual.

1 Based on data from the Purple Book 2024, which incorporated a revised methodology. The previous 31 March 2023 figure was £3 billion. These estimates are more uncertain following the rapid and significant rise in long-dated interest rates, which has made estimating scheme funding positions more challenging due to stale data.

Case study

Technology for efficient engineering

Our investment in leading software developer Graitec has generated a strong return since our co-investment in 2020. Graitec is a specialist in building information modelling (BIM), used by clients in the engineering and construction industries for more precise planning, leading to reduced production time and resource requirements. The refurbishment of the clock tower of Westminster's Big Ben was made possible through the use of BIM technology.

The company is also working with our external private equity manager Seven2 to deliver on sustainability KPIs that include carbon reductions, Science Based Targets Initiative (SBTi) certification, and human capital management as it expands its global business.

PPF reserves

£13.2bn
2024

£14.1bn
2025

PPF levy collected

£104m
2025

£173m
2024

PPF assets under management

£31.2bn
2025

£32.1bn
2024

Return on growth assets

6.0%
2025

7.2%
2024

Actuarial liabilities

£17.0bn
2025

£18.8bn
2024

PPF benefits paid

£1.2bn
2025

£1.2bn
2024

Matching portfolio performance

This portfolio holds assets that behave in a similar way as our liabilities when interest rates and inflation change. The portfolio is currently 100 per cent hedged for interest rates and inflation.

Growth portfolio performance

The focus of this portfolio is to grow our reserves prudently over time, with the financial objective of outperforming the modelled return on a five-year rolling basis.

The growth portfolio has once again outperformed our five-year rolling target. Over the last five years it has delivered an annualised return of 7.9 per cent, versus an annualised target of 4.7 per cent. Over the same time period, the Investment team delivered an annualised 2.4 per cent per annum outperformance over the Strategic Asset Allocation (SAA) benchmark. All asset classes delivered positive performance, and the main asset class performers were Private equity, Public equity and Absolute return.

We're pleased that the growth portfolio delivered an annual return of 6.0 per cent this year. The asset classes that delivered the highest contributions to the return were Alternative credit and Absolute return. Every asset class had a positive contribution to the growth portfolio return in the financial year.

Our Strategic Asset Allocation

Through the year we ran a risk tolerance very similar to previous years across both our portfolios. The main deviations throughout the year have been consistent to the previous year, namely:

- Underweights in Global real estate and Global corporate credit;
- Overweights in Private credit, Short duration credit.

We performed a detailed review of our SAA in the financial year and are currently transitioning the portfolio to be aligned with the new SAA. At a high level we have reduced our exposure to Listed equities, Emerging market debt and Timberland, increasing our exposure to Infrastructure equity and Short duration investment grade credit.

Managing risk in our portfolio

Managing risk sits at the heart of our investment strategy. Managing volatility in our reserves protects our members and levy payers. LDI helps us to manage the risks we don't want to take and lets us focus measured risk-taking where it generates best returns. We have a robust risk framework, and we monitor our asset allocation and risk levels in real time. This allows us to adjust our exposures to ensure that risks are maintained within the strategic risk budget at all times.

We used our governance framework to manage market volatility in the year, taking active decisions to evolve asset class weights and/or make changes in portfolio construction in certain asset classes, especially when we could see medium-term opportunities to maximise returns. We expect to see continued volatility in the market in the year ahead due to economic and geopolitical uncertainties.

Industry recognition for our investment team

- We won the Fixed Income Award at the IPE Awards 2024
- Courtenay Durbridge was shortlisted for Investment Manager of the Year at the Professional Pensions Women in Pensions Awards 2024
- Zoe Innerarity was shortlisted for Young Achiever of the Year at the Professional Pensions Women in Pensions Awards 2024

→ See page 33 for recent award successes for our Environmental, Social and Governance (ESG) investment team.

Our lowest ever levy

Current legislation places a 25 per cent limit on the extent to which the levy we charge can be increased year-on-year. While this protects levy payers from sharp increases in the levy, it also restricts how low we can allow the levy to fall without damaging our ability to increase it again, should we face a potential funding challenge.

In September 2024 we opened a consultation with a proposal to maintain the PPF levy at £100 million for the year 2025/26. We explained that until legislation is changed to give us greater flexibility in setting the levy, it is important for us to preserve our ability to re-establish a material levy in the future. Respondents to the consultation on our proposal raised concerns that a levy of £100 million did not strike the right balance between limiting the impacts on schemes now and preserving an ability to charge a levy in the future.

The likelihood of the PPF encountering significant funding problems in the future (such that a substantive levy is required) is low and is expected to continue to reduce over time. We also recognise that if funding problems did arise, these could be resolved over a multi-year period, with our investment returns likely to be the most significant contributor in returning us to a position of financial strength. We concluded that, in light of this and with an opportunity for new legislation about to arise, it is reasonable for us to take more risk and reduce the speed with which we could establish a material levy in the future, in order to reduce costs on schemes and employers now.

In response to the consultation responses and taking into account the conclusion above, in January 2025 we announced that we will reduce the levy by more than half to £45 million for 2025/26. This will be our lowest ever levy and almost all schemes (99.7 per cent) are expected to see a reduction in the levy.

Our levy rules for 2025/26 include a provision that enables our Board to calculate a zero conventional levy, if appropriate legislative changes that would give us greater flexibility in setting the levy are sufficiently progressed over the course of 2025/26.

We were pleased that the government's Pensions Schemes Bill, presented to Parliament in June 2025, contained provisions intended to give us greater flexibility to reduce the conventional PPF levy. We will work constructively to support policymakers and stakeholders as these measures are considered further.

> "Throughout the process of setting the PPF levy for 2025/26, Railpen were pleased with the level, openness and constructive nature of engagement with the PPF.
>
> From the annual consultation through to the announcement of a reduction in the levy for 2025/26, we engaged with the PPF, who at all levels were keen to listen to our views and better understand our recommendations.
>
> Ultimately this led to a welcome outcome for the industry and our members, and we look forward to continuing this engagement in future, particularly with a view to further reductions in the levy in line with the PPF's risk."

Phil Wood
Head of External Relations, Railpen

Meeting new challenges with brilliant service

Planned activities and milestones for 2024/25

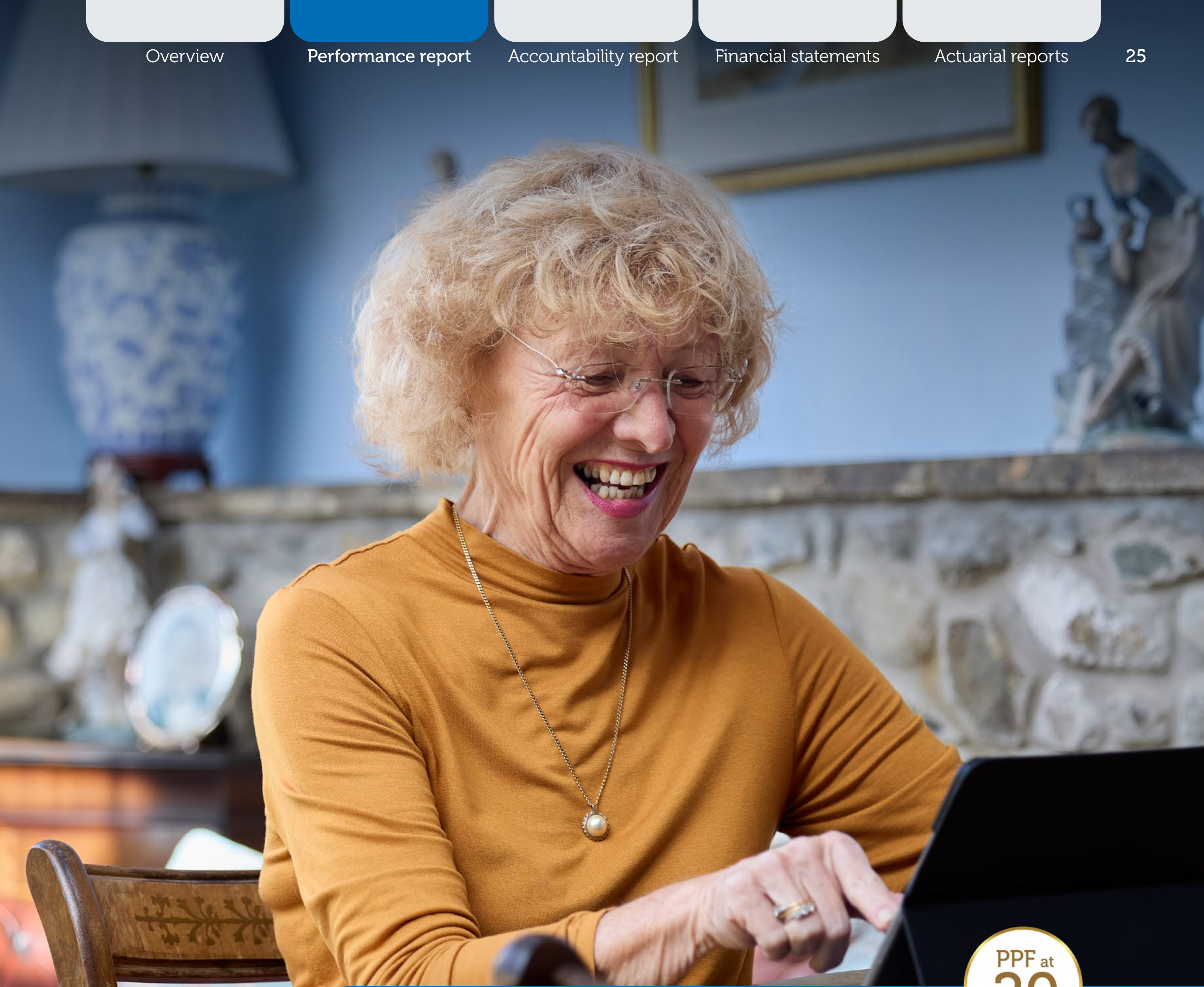
- We will ensure PPF and FAS member satisfaction levels are 90 per cent or above. We will improve the service and efficiency in our Member Services operation by:
  - at least 75 per cent of member services transactions being completed online, including 60 per cent of retirements;
  - promoting the use of the new online bereavement customer journey.
- We will ensure levy payer satisfaction levels are at 90 per cent or above.
- We will complete 45 FCF cases by 31 March 2025.

World-class levels of service

Providing outstanding customer service for our members remains our priority. This year we maintained our 98 per cent PPF and FAS member satisfaction level for another year running. We continued to improve the efficiency of our Member Services operation in 2024/25, enabling 90.5 per cent of member services transactions and 67.6 per cent of retirements to be completed on our member website.

We participate in CEM Benchmarking's industry-leading report where we're compared to a peer group of 10 similar-sized DB schemes. When we received our report for 2023/24 in September 2024, we were pleased that our service score had increased by two points over the year to 79 out of 100, against a peer average of 68 out of 100. The ease of dealing with us on the phone, accuracy of payments, speed and clarity of written responses, and website functionalities are what set us apart. Our first-contact resolution rate via telephone for 2023/24 was 83 per cent, which is considered to be world-class by the Service Quality Measurement Group.

We were delighted that several of our Scheme and Member Services colleagues received industry recognition for their work in the year, making it through to the shortlists for various categories at the Professional Pensions Rising Star and Women in Pensions Awards 2024.



PPF at 20

"I had read about the PPF in the news at the time it was set up. When Monarch Airlines went bust, we didn't exactly know what was going to happen with the pensions. It was a total relief when the schemes came into the PPF. It has provided security for me and the other pensioners.

Some of the people from my era at Monarch have a Facebook group. For those people coming up to retirement, I explain they need to go on the PPF website and use the Benefit Modeller, or phone the contact centre.

I attend the Member Forum meetings organised by the PPF, and I find them very informative. It's an opportunity to put forward your point of view and ask questions, and it's always been very open and transparent. I'd recommend that any members join."

Julie
PPF member

Making things easier for beneficiaries

Providing reassurance to our members is paramount. We recognise that one way we can do this is through ensuring our beneficiary nomination and bereavement process is straightforward and seamless. We redesigned the process with the aim to reduce the burden on members' beneficiaries after their loved one's death.

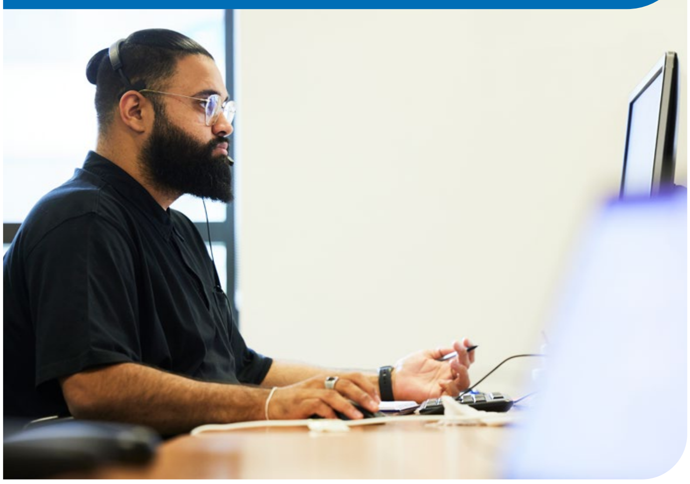
New tools were added to our member website in August 2024. Members can now nominate their beneficiary and upload supporting evidence on our member website. We then ask members annually to validate that their nomination remains correct. This will ensure beneficiaries start receiving payments much more quickly than previously. We have also added online beneficiary forecasts, a simplified online claim process for beneficiaries and secure messaging, which removes the need to send us personal documents in the post or via email.

Case study

ServiceMark with Distinction – a new milestone

In 2024, we not only retained our accreditation to the Institute of Customer Service's ServiceMark for another three years, we also achieved ServiceMark with Distinction for the first time, joining just 27 other UK companies that hold this accolade.

As part of the process, we asked members to complete a customer satisfaction survey. We scored 86 out of 100, against an insurance sector average of 77.9 and a UK all-sector average of 76. We also asked our employees to complete an engagement survey, in which we scored 87, well above the average score of 78 for all sectors in the UK.



> At a recent PPF Member Forum meeting, staff told us about the new bereavement system on the member website. I logged in, checked the details of my beneficiary and uploaded a picture of my marriage certificate. It was easy.

Karl
PPF member

Since making the enhancements to the nomination process on the member website, we have sent emails to around 38,000 PPF and FAS members to inform them of the changes. We have promoted the new features to members at a controlled pace so that we can manage demands on the pensions administration teams who review the supporting evidence provided.

We have introduced an automatic payment suspension when we receive a bereavement notification, to help to reduce the number and value of overpayments, making things easier for the member's family when dealing with the estate. The automation that we have added to the bereavement process has reduced the time taken to process bereavements and start paying beneficiaries.

Indexation of PPF and FAS compensation

We regularly hear concerns from individual members and member groups regarding the lack of provision for indexation on compensation for pre-97 service. We have previously shared, and we continue to share, these concerns with government, and both our Chief Executive and our Chair have discussed this important subject with the Minister for Pensions.

Any changes to compensation levels for our members would require changes to the legislation that was set in 2004. In March 2024, the Work and Pensions Committee recommended that new legislation should be drafted to provide indexation on compensation for pre-97 benefits. In the government's response to the report, published in April 2025, the Minister for Pensions said the government would consider our compensation framework, particularly pre-97 indexation.

We welcome the active engagement with colleagues in government and will continue to work constructively with them to progress these issues with urgency, reflecting feedback from our members.

Case study

Recognition for our ongoing support to members

Our Vulnerable Members Working Group was highly commended for Team of the Year at both the Professional Pensions Rising Star Awards 2024 and the Pensions Management Institute Pinnacle Awards 2024.

The team is predominantly made up of Member Services employees, supported by colleagues from our Communications, Legal and Technology teams. Their focus is to manage the journey for members from the time their former scheme transfers to the PPF, through challenging life events.

Some of the initiatives the group has delivered include:

- Organising mental health and deaf-awareness training for member-facing staff.
- Partnering with SignLive so members can contact us through a British Sign Language interpreter.
- Adding references to support for mental health issues to our welcome, retirement, divorce, and power of attorney letters.
- Creating a dedicated page on our website for members needing extra support.
- Launching a Befriending Service so that members identified as lonely can have a friendly chat with a volunteer in our organisation on a regular basis.

While the Board has no discretion to apply increases to pre-97 benefits under current legislation, the Board does have some discretion to change the rate of indexation of PPF compensation for benefits accrued on and after 6 April 1997 (post-97 compensation). The Pensions Act 2004 sets the rate of indexation of post-97 compensation as the lower of 2.5 per cent or the annual increase in prices as specified by the Secretary of State. The Board takes members' needs very seriously and keeps the decision whether to increase the rate of indexation for post-97 compensation under review. The Board does not have the power to alter the rate of indexation of post-97 benefits payable to FAS members.

The PPF is in a robust financial position and the position of the DB schemes we protect has also improved since compensation levels were set in 2004. However, it's important to consider both the financial and wider impacts of any major changes to PPF compensation.

Fraud Compensation Fund claims

We completed 45 FCF schemes during the 2024/25 financial year, more than double the number of cases completed in any prior year, which has benefitted more than 2,300 people. One of the cases completed was the 5G Futures Pension Scheme case, a complex case that has taken several years to review. At £22.5 million, this was the biggest-ever claim on the FCF. We have paid compensation to the trustees of the scheme to enable them to secure benefits for the scheme members.

Excellent service for schemes

Our levy payer satisfaction rate at the end of March 2025 was 98 per cent. We continue to engage with a forum of small and medium-sized employers to help us to understand the issues facing our levy payers. We also have an Industry Steering Group, which enables us to gather feedback from larger employers.

In 2024/25, we added more self-service functions to the score portal to help improve the experience for levy payers, including downloadable invoices.

Outcomes for overfunded schemes

When a scheme enters assessment, our focus is always to protect members and achieve the best available outcome for the scheme. In recent years, we've seen a trend of schemes entering PPF assessment with enough assets to potentially buy higher benefits for members than we would pay, which means they may be able to secure a buyout outside of the PPF.

Our PPF+ Advisory panel, introduced in 2022, provides transaction advice to overfunded schemes in PPF assessment, and supports them in exploring options beyond the PPF. In 2024/25, we implemented a 'triage process' to give an early indication on whether a scheme could potentially buy out, and what barriers it might face to get there. The increased numbers of overfunded schemes entering PPF assessment means we are working more closely than ever with organisations that provide end-game solutions to DB schemes, including insurers and commercial consolidators.

Consumer Duty

Although the PPF is exempt from regulation by the Financial Conduct Authority (FCA), the Board has chosen to seek to align with best practice for an FCA-regulated asset manager. During 2024/25 the Board considered to what extent the PPF wants to adopt elements of the FCA's Consumer Duty, which requires firms to act to deliver good outcomes for customers. The Board agreed to adopt an approach to consider the Consumer Duty as part of the PPF's strategy, governance, leadership and people policies. The Board will review the approach and the outcomes delivered annually.

Making a difference

Planned activities and milestones for 2024/25

- We will measure and report on the progress and outcomes since the launch of our sustainability strategy, across the four key goals.
- We will outline our path to alignment for transition using the guidance from the HM Treasury Transition Plan Taskforce (TPT) for Asset Owners.
- Year-on-year, we'll achieve an increase in our representation across all underrepresented groups, showing the industries we recruit from that change in this area is achievable and building a pipeline of talent for the future:
  - Through our staff survey, 85 per cent of our people will agree that we are a diverse employer that supports inclusion.
- We will publish the reductions achieved to our organisation's environmental footprint over the strategic plan period by 31 March 2025.
- 90 per cent of Group 1 and High Sustainability Impact Suppliers will have returned our Supplier Sustainability Report and responded to our Supplier Code of Conduct by the end of 2024/25.
- We will maintain our number of volunteering hours – recognising the importance of how we shape the industry and give back to our local community.

Protecting our members' futures

We're committed to operating in a responsible and transparent manner. By working in a sustainable way, we can protect our assets and our members' futures, as well as the pensions industry and the world around us.

Our ambition is to catalyse the growth of a sustainable pensions industry. As a public corporation, we have a role to play in helping the government to achieve its goal of net zero greenhouse gas emissions by 2050.

Our Sustainability strategy acknowledges climate and sustainability risks and opportunities. We aim to mitigate these risks, enhance long-term business value and proactively address evolving regulatory requirements. We have established a clear line of leadership and accountability for developing, delivering and evaluating our Sustainability strategy, starting at Board level.

Our sustainability working groups ensure that we embed sustainability across decision-making processes. Our strategy unifies our efforts around four goals. We used the Sustainability Accounting Standards Board Materiality Map for Asset Management/Insurance and The Five Capitals framework for sustainability to develop our goals. The five capitals are Natural, Human, Social, Manufactured and Financial Capital.

PPF at 20

"

I was Director of Contracts for the furniture retailer Courts plc for 10 years. After Courts went bankrupt suddenly, a colleague mentioned that the pension scheme was protected by the PPF.

I'm very appreciative of the PPF for rescuing the pension scheme because it's a significant amount of money to me. When I first retired, all I had was the State pension and the PPF payments were a big help.

Whenever I have needed to contact the PPF, they have always been very efficient.

"

Matthew
PPF member

Our sustainability goals

Ensuring effective stakeholder engagement with integrity and respect

Community impact
We want to use our skills and experience to make a genuine impact. We encourage all employees to use five volunteering leave days annually to lend their skills to various charities, with a focus on supporting underrepresented groups and the environment.

Employee and stakeholder engagement
We recognise the importance of excellent communication with our employees, and we promote a 'speak up' culture for our people to raise concerns and give feedback. We work hard to build strong relationships with our members and levy payers so we can better understand the issues that matter to them.

Championing collaboration and leading by example

Diversity and inclusion
We have set ourselves ambitious representation targets, and we report on our progress against them annually. Through our apprenticeship schemes we provide career opportunities for local people and open up careers in the asset management industry to underrepresented groups.

Business ethics
Understanding and managing our opportunities, challenges and risks is critical to protecting our members and achieving our objectives. We're committed to conducting business in the best interests of our beneficiaries, and have comprehensive controls to prevent conflicts of interest from affecting them.

Demonstrating excellence in responsible investment

Looking after our assets
We believe that by acting as a responsible asset-owner, we can protect and enhance the value of our investments. The three priorities of our Responsible Investment (RI) strategy are climate change, stewardship and transparency. We embed material ESG considerations right across our investments and we expect the same from our external managers, from selection through to monitoring and reporting.

Being accountable for minimising our own environmental impacts

Operations
We support the government's Greening Government Commitments and look to reduce greenhouse gas emissions from our building management, supply chain, technology and travel activities. We aim to reach net zero for our operations by 2035 or sooner.

Procurement and supply chain
We consider sustainability in all our procurement strategies and assess suppliers' commitments to net zero, carbon reduction plans and D&I reporting in many tenders. We ask our suppliers to communicate our Supplier Code of Conduct to their employees and third parties.

Ensuring effective stakeholder engagement with integrity and respect

Community impact

This year, 508 volunteering days were carried out by our people. Employees across the organisation used their volunteering leave to lend their skills and support to more than 50 local charities and community organisations, including RedSTART, which delivers financial education to primary school children, and Lives Not Knives, which works to prevent knife crime and school exclusions.

Employee engagement

We are proud to have high levels of employee engagement. Our most recent employee survey had a response rate of 91 per cent. In the survey responses, 87 per cent of our people agreed that we are a diverse employer that supports inclusion.

We have kept employees informed of sustainability updates within the business through regular webinars, workshops, blogs and interviews. Our digital Sustainability community hub serves as a collaborative knowledge-sharing platform for employees. In February, we enhanced our managers' understanding of our sustainability strategy and its implementation through engaging activities and discussions, equipping them to motivate their teams to adopt sustainable practices.

Keeping our stakeholders informed

We work hard to build and maintain strong relationships with external stakeholders, including our members, levy payers, parliamentarians, regulators, trade bodies and industry groups. Through two-way communication with these groups, we understand the issues that matter to them and our effectiveness in fulfilling our role.

During the year, we met with our Member Forum, which includes PPF and FAS members, to discuss topics such as our new online process for nominating beneficiaries and indexation. We also met with small and medium-sized levy payers at our SME Forum.

Championing collaboration and leading by example

Building a diverse and inclusive culture

We value difference and individuality among our people, and we strongly believe that fostering diversity and being inclusive is the right thing to do. In addition to making the PPF a better place to work for our employees, being more inclusive also makes us better at delivering great service to our members. We have 10 employee-led network groups that provide a safe space for employees to share their perspectives.

Ethnic minority representation at senior manager level increased over the year from 17 per cent in March 2024 to 21 per cent in March 2025. Overall ethnic minority representation fell slightly over the year, however, from 32 per cent in March 2024 to 28 per cent in March 2025.

Recognising that people from different ethnic minority groups have distinct experiences, we set a specific target for black representation at the PPF. We reached our target of nine per cent representation of black employees across the organisation in 2023 and that figure has remained stable up to the end of March 2025. Black representation at senior manager level increased over the year, from one per cent in March 2024 to three per cent in March 2025.

This year, we continued to support the 10,000 Interns Foundation, which champions underrepresented talent. In July, we welcomed three interns across our Technology and Change Services and Strategy and Legal Affairs directorates.

Supporting inclusive hiring

In May 2024 we began trialling the use of CV redaction technology for applications. This approach was requested by our Race Action Group (RAG) to ensure that when a CV is reviewed, personal identifiers such as the candidate's name, date of birth, nationality and gender are concealed. This supports our work in ensuring we're promoting a fair and equitable hiring process that focuses on a candidate's competencies, experience and overall fit for the role.

Our Strategic Plan and priorities – continued
Making a difference

Female representation in senior manager roles has improved over the year, from 45 per cent in March 2024 to 53 per cent in March 2025. We're developing our future female leaders through mentoring, coaching and internal development programmes. We ensure that we are an employer of choice for women by supporting flexible working wherever feasible. We are also focused on creating a menopause-friendly organisation.

Our D&I Sponsorship Group developed our Diversity, Equity & Inclusion strategy for 2025–28 during the year, which we published in June 2025. This strategy identified two new focus areas, social mobility and LGBTQ+, to add to our existing focus areas of gender, ethnicity and disability.

We want to continue to attract and retain talented people. We continually review our reward strategy and benefits package to make sure we can do this. We're comfortable that the total remuneration we pay is competitive for the roles, responsibilities and location.

Sharing valuable insights

As set out in our Sustainability strategy, our ultimate ambition is to catalyse the growth of a sustainable pensions industry. We want to support the system to make a difference in a range of ways. Since the launch of the strategy and throughout the year 2024/25, we have proactively engaged with our asset managers, suppliers, and various organisations to learn and share approaches to reducing operational and supply chain emissions.

We continued to be an active member of DWP's arm's-length body (ALB) sustainability delivery working group, which acts as a knowledge sharing forum. Our Commercial Services team presented our supplier sustainability initiatives at the LSE Regulators' Commercial Forum, attended by approximately 30 other organisations. By fostering these connections, we aim to champion collaboration, deepen our understanding of sustainability, and facilitate cross-organisational learning.

Demonstrating excellence in responsible investment

Active stewardship and transparency

We use investor stewardship as a tool to enhance long-term value. In February, we retained our status as a signatory to the Financial Reporting Council's UK Stewardship Code for a fourth consecutive year. Our Responsible Investment report 2023/24 covers our stewardship activities during the reporting period 1 April 2023 to 31 March 2024.

With a large portion of our investments managed externally, we primarily focus our direct engagement efforts on the oversight of our managers' practices and progress. During the year, we utilised quarterly performance meetings and associated reporting, annual reviews, the diversity and inclusion annual questionnaire and a transition pulse survey as our primary tools for oversight. We also continued to encourage our Private Market managers to adopt the eFront® (part of BlackRock) ESG Data Service project. All Private Market managers responded to our annual ESG reporting survey this year.

Climate transition plan readiness

The HM Treasury Transition Plan Taskforce (TPT) for Asset Owners provides the gold standard for private sector climate transition plans, including specific guidance for asset owners. Throughout the year, we took various actions to outline a potential path to alignment for transition, following guidance from the TPT.

We conducted a survey across our Private Markets managers to understand their transition readiness. 66 per cent of those surveyed have developed a firm-level Transition Plan, and 52 per cent verified this extends to our specific mandates. Adoption is strongest across the Infrastructure and Real estate managers.

We conducted a thorough assessment of the PPF's readiness for a TPT-aligned transition plan, demonstrating our strong position across many areas. While a significant amount of the TPT framework is already in place within the PPF, we plan to continue building and strengthening our capabilities within certain sub-elements.

Recognition for our ESG team

- Winner of BVCA Excellence in ESG Award in the Limited Partner (LP) category.
- Shortlisted in the Best Climate Change Policy category in the Pensions for Purpose Pension Fund Awards 2024.
- Shortlisted for the Stewardship Disclosure Award and the Overall Paris-Alignment Award at the Asset Owners Awards 2024.

For example, we aim to obtain a detailed understanding of the materiality of our full Scope 3 emissions across the organisation and to leverage opportunities to collaboratively engage, support, and influence our asset managers in transitioning towards a low-carbon economy. This will ensure our readiness for any future mandatory requirements.

Climate and sustainability disclosures

We have set ourselves high standards on climate change and responsible investment. We seek to contribute to the global transition to net zero through our portfolio and engagement activities.

As a long-standing supporter of the Task Force on Climate-related Financial Disclosures (TCFD), we commit to reporting on our climate-related governance, strategy, risk management, and metrics and targets across the business. Our dedicated TCFD Climate change report shares an in-depth view of this information for our investments.

The content included here focuses on our progress and outcomes for the 2024/25 financial year. We will publish our Sustainability Report later this year, which will showcase what we have achieved since July 2023 when we launched our Sustainability strategy, including detail on our reductions since our baseline year of 2019/20.

TCFD summary and progress report 2024/25

We acknowledge that climate change has added complexity to pension fund investments over the past decade. As we better understand the relevant risks and opportunities related to sustainability and climate change, this enhances our grasp of return and risk dynamics. Our approach to managing climate change and sustainability risks is embedded in our operations through our risk management framework and strategy. This covers our systems of governance, our risk appetite, and our risk management process.

Governance

Board's oversight

The PPF has established strong climate governance to manage sustainability and climate-related risks and opportunities. The Board has oversight of our organisational Sustainability strategy in terms of considering and managing climate-related risks and opportunities across the business. The responsibility for overseeing each of our four sustainability goals sits with the Board or a specified Board Committee. We recognise that our investment portfolio has the greatest potential exposure to climate change factors, which is reflected through our sustainability goal: Demonstrating excellence in responsible investment (RI). Our Investment Committee is responsible for developing our RI and stewardship principles and policies. The Investment Committee regularly reviews our climate change and stewardship policies and is updated on climate-related risks at every meeting. Our Risk and Audit Committee (RAC) is responsible for oversight of the risks relating to sustainability at the broader organisational level and how these are being managed.

Management's role

The Executive Committee (ExCo) ensures the implementation of our Sustainability strategy and oversees the progress of our sustainability working groups. Sustainability is added to the Chief Operating Officer's Senior Managers and Certification Regime (SMCR) Statements of Responsibilities (SoR), as the Executive Sponsor of the strategy, who is responsible for overseeing the PPF's Sustainability strategy, including those strategies which fall under the sustainability umbrella such as Diversity and Inclusion.

Each sustainability working group is accountable for the implementation of the relevant sustainability goals. The groups meet on a regular basis and are chaired by a designated senior manager. These groups ensure that sustainability principles are embedded, and progress is communicated, across the PPF.

Our Risk and Strategy working group provides support in the implementation of the Sustainability strategy by ensuring that sustainability is kept in mind when considering operational risk and developing new strategic objectives and goals for the business. The group supports the Executive Sponsor of the Strategy by overseeing and verifying that operational risks related to sustainability are identified, recorded and managed within appetite, with material exposures managed appropriately.

Led by the CIO, the Investment team is responsible for ensuring adherence to the RI framework, stewardship principles and associated policies across all asset classes whether internally or externally managed. We reference material ESG and climate-related risks as a key risk within our Investment Risk Register. The ESG and Sustainability team, which is part of the Investment team, oversees implementation of the RI framework and climate change strategy of our investments by monitoring investments for climate-related risks and opportunities, engaging with internal and external portfolio managers and our stewardship services provider.

In October, we updated the Board on our progress in minimising our environmental impact, and in January we shared key progress and outcomes since launching our Sustainability strategy.

Risk management and strategy

Risk management

We consider climate change to be an emerging risk for the PPF, with the potential to impact the value of our investments and cause physical disruptions to our operations and supply chain, thereby affecting critical business services. We've taken important steps to address key climate-related risks facing our portfolio and operations and pursue a market-leading approach in this area.

Climate risk management in our investments

We believe our Climate change policy is fundamental to our long-term investment goals and are committed to improving our understanding of mitigating these risks and opportunities on behalf of our members. To assess climate-related risks in our investment portfolio, we use a variety of measurement and scenario analysis tools from our data providers. We continue to take a bottom-up perspective when assessing our portfolio for climate-related risks, as we believe these risks will play out in different ways depending on the asset class. We also focus on forward-looking alignment with global goals such as the Paris Agreement on Climate Change. Please refer to our TCFD-based Climate Change Report for more details on how we identify and manage climate-related risks and opportunities within our investments, and how we integrate these considerations across all organisational processes.

Climate risk management in our operations

Effective climate change risk management offers significant opportunities. By integrating climate-related risks into our risk management framework, we enhance our resilience and adaptability. This involves identifying and assessing risks, implementing mitigation strategies, and leveraging emerging technologies to measure and reduce our carbon footprint. Additionally, transparent disclosure of climate-related risks and opportunities, as recommended by the TCFD, improves trust among our stakeholders, levy payers, and members, ensuring the long-term stability and growth of our organisation.

In recent years, we have strengthened our operational climate and sustainability risk management, enhancing our focus on these areas as part of our Sustainability strategy. In line with the Greening Government Commitments (GGC), we developed our Climate Change Adaptation Strategy (CCAS). The CCAS is part of our broader risk management framework and operational resilience protocols. It was developed in 2023/24 and reviewed annually in 2024/25. One of the actions identified in last year's CCAS review has been completed: the creation of playbooks for adverse weather conditions. We now have a suite of playbooks for emergency responses, and our Business Continuity Plans include responses to extreme weather events, managed locally by team leaders.

On an annual basis, we perform a Climate Change Risk Assessment (CCRA) to evaluate operational risks from climate change factors, using established risk and control self-assessment protocols. The risks identified in the CCRA feed into the CCAS.

A Sustainability Risk Report was developed in 2024/25 to identify and provide an overview of the risks related to the PPF meeting its Sustainability strategy commitments. The report provides assurance that PPF risk management activities capture sustainability risks. Following its annual review of Board Risk appetite statements, the Risk and Strategy working group noted that the statement in relation to operations had been updated to reference the need to maintain sustainable and resilient operations. This change ensures that sustainability remains at the forefront of strategic and tactical decisions in respect of our operations.

The PPF risk universe outlines all the types of risk to which the PPF may be exposed, including external climate change and business continuity/operational resilience risks owned by the Chief Governance, Risk and Legal Officer (CGRLO). Our risk preference acknowledges that we are subject to external climate change risk and must accept the risk. We have little appetite for interruption of our operations resulting from any risk factor, including changing and challenging climate conditions. To manage this risk within our risk appetite, we monitor risk exposure, plan for challenging events and respond appropriately. Emerging and external risk reports to ExCo and RAC include consideration of climate change factors. Quarterly risk profile reports to ExCo include all operational risks, including any which may have climate change factors as a contributory cause, and CGRLO reports to RAC highlight all material risk exposures, including any which may have climate change factors as a contributory cause.

Metrics and targets

This focuses on our investments' financed emissions. Our operational emissions are shown on page 41.

Public equity

In our Public equity[1] portfolio, year-on-year, the total financed emissions decreased moderately by seven per cent and the Weighted Average Carbon Intensity (WACI) decreased by nine per cent. The normalised financed emissions, which is a preferred metric to use when comparing year-on-year portfolio emissions, decreased by 23 per cent.

One of the actively managed equity portfolios, which contributed around two thirds of the asset class's emissions last year, reduced both its financed emissions and normalised financed emissions by more than 60 per cent. The portfolio has reduced exposure to higher emitting names (including four out of five of last year's top carbon emissions contributors), which had a significant impact on reducing both financed emissions and normalised financed emissions.

For those holdings held across both 2023 and 2024 in the Public equity portfolio, we saw their financed emissions decrease compared to last year. However, this is predominantly due to changes in the allocation factor, Enterprise Value Including Cash (EVIC), although the result was also marginally due to lower carbon emissions. More than two thirds of the existing positions have a higher EVIC than last year, which results in lower financed emissions. Financed emissions (and normalised financed emissions) are also driven by the asset allocation changes throughout the year.

The Public equity portfolio saw the introduction of two new absolute return portfolios and one internal equity portfolio during the year. The two new absolute return portfolios contributed significantly to the portfolio's financed emissions and normalised financed emissions, while the new internal equity portfolio currently has a low contribution to financed emissions and normalised financed emissions.

When compared to the equity benchmark, the equity portfolios, both passive and active, have approximately the same or lower WACI than the benchmark, while the equity positions of the absolute return portfolios have higher WACI.

PPF carbon footprint Public equity Scope 1 & 2 metrics	2024	2023	2020 (baseline year)	Changes from 2024 to 2023 (%)	Changes from baseline 2020 to 2024 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO_2e)	168,806	181,172	797,637	-7%	-79%
Financed carbon emissions (tCO_2e/$m invested)	49	64	122	-23%	-60%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO_2e/$m revenues)	87	96	243	-9%	-64%
Equity benchmark weighted average carbon intensity (tCO_2e/$m revenues)	73	74	300	-1%	-76%
Market value of the fund's equities covered by carbon data ($m)	$3,470	$2,820	$6,528		
Proportion of the fund's equities for which data is available (%)	97%	98%	97%		

Source: Certain information ©2024 MSCI ESG Research LLC. Reproduced by permission. PPF portfolio holdings as of 31/12/2024.

1 For our aggregate Public equity holdings, we continue to include the equities from our Public equity and Absolute return portfolios (long positions only).

We have undertaken deeper analysis to understand what is driving the WACI decrease. Keeping the holdings and weights constant since 2020, the WACI would have declined by 24 per cent. This demonstrates that our holdings have made significant decarbonisation progress since the baseline year.

For Public equity, three of the top five contributors to financed emissions are in our Climate Watchlist and are under engagement either by an external manager, through an external initiative or our stewardship provider. The remaining two are considered to not be feasible for engagement due to the nature of the portfolio strategy/external manager invested with.

Corporate credit

The Corporate credit[1] portfolio saw a year-on-year decrease in total financed emissions of 12 per cent. This is primarily driven by the reduction of exposure to corporate credit holdings within one of the Emerging markets portfolios. This portfolio has traditionally held several high emitting companies, but the manager's reduction in overall exposure to these companies has resulted in a lower contribution to financed emissions.

Normalised financed emissions also decreased by 16 per cent. Our internally managed credit portfolios maintained low normalised financed emissions (due to our large exposure to financials, which have low carbon emissions for Scope 1 and 2). The vast majority of external portfolios, representing 80 per cent of market value, decreased their normalised financed emissions with the exception of two Emerging market portfolios and one Global credit portfolio.

The WACI for the aggregated Corporate credit portfolio decreased by more than 40 per cent and remains lower than the benchmark. This reduction is driven by the majority of portfolios improving carbon intensity performance year-on-year.

The top five contributors to overall financed emissions within the Corporate credit portfolios are included in our new Climate Watchlist. This will ensure that these top contributors are engaged on their climate strategy in the coming year.

PPF carbon footprint Corporate credit Scope 1 & 2 metrics	2024	2023	2020 (baseline year)	Changes from 2024 to 2023 (%)	Changes from baseline 2020 to 2024 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO_2e)	244,628	277,238	361,360	-12%	-32%
Financed carbon emissions (tCO_2e/$m invested)	31	37	58	-16%	-47%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO_2e/$m revenues)	71	122	328	-42%	-78%
Credit benchmark weighted average carbon intensity (tCO_2e/$m revenues)*	193	200	257	-4%	-25%
Market value of the fund's Corporate credit covered by carbon data ($m)	$8,004	$7,533	$6,214		
Proportion of the fund's Corporate credit for which data is available (%)	98%	97%	90%		

Source: Certain information ©2024 MSCI ESG Research LLC. Reproduced by permission. PPF portfolio holdings as at 31/12/2024.

1 For our aggregate liquid credit holdings, we continue to include the corporate bonds from our Strategic cash, Investment grade credit (including Sterling short duration credit), Emerging market debt and Absolute return portfolios (long positions only). The credit benchmark is Bloomberg Barclays Global Credit Index 100% GBP Hedged.

* Equity benchmark changed from FTSE All-World Minimum Variance Index to FTSE Custom All-World Climate Minimum Variance 100% GBP Hedged Index on 1 August 2021.

Our Strategic Plan and priorities – continued
Making a difference

UK credit
In UK credit[1], we saw a year-on-year decrease of nearly a third in total financed emissions. This is mainly driven by coverage enhancements in our data provider's service. Our provider has recently introduced proxies for EVIC for various subsidiaries that we had to map to the parent previously, which means that financed emissions are now available for the subsidiaries. As a result, normalised financed emissions and the WACI decreased by 22 per cent and eight per cent respectively. When our data provider makes proxied EVIC available for previous years, we will be able to do a direct year-on-year comparison (without proxying to parents).

Additionally, the top contributor on a WACI-basis this year has decreased its emissions by six per cent, while also increasing its revenues by a third. Our exposure to the asset has been stable since last year.

All top five financed emissions contributors are included in our updated Climate Watchlist. Four of them have been allocated to an engager and one of them is considered to be already aligned according to the Paris Aligned Investment Initiative (PAII)'s Net Zero Investment Framework by our data provider.

Targets relating to our Climate Watchlist
This year, we have concluded our original Climate Watchlist. In place of it, we are introducing an updated Climate Watchlist, to reflect our changes in asset allocation throughout the past two years. The new Climate Watchlist will still represent at least 70 per cent of the material financed emissions for our liquids holdings.

As in prior years, we participated in the CDP's annual Non-Disclosure Campaign to encourage greater corporate disclosure on emissions. The campaign was successful in getting 85 per cent of our existing Climate Watchlist names to disclose, with two names disclosing for the first time this year. We have noticed a moderate detraction since last year, when 90 per cent of the Watchlist disclosed to CDP. We anticipate a decline in climate disclosure in the coming year, largely due to shifting perceptions of climate issues.

PPF carbon footprint UK Credit Scope 1 & 2 metrics	2024	2023	2020 (baseline year)	Changes from 2024 to 2023 (%)	Changes from baseline 2020 to 2024 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO_2e)	75,725	106,522	102,249	-29%	-26%
Financed carbon emissions (tCO_2e/\$m invested)	36	46	51	-22%	-29%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO_2e/\$m revenues)	121	131	156	-8%	-22%
Market value of the fund's UK Credit covered by carbon data (\$m)	$2,087	$2,328	$2,012		
Proportion of the fund's UK Credit for which data is available (%)	95%	96%	67%		

Source: Certain information ©2024 MSCI ESG Research LLC. Reproduced by permission. PPF portfolio holdings as at 31/12/2024.

1 For our UK Credit holdings, we continue to include the corporate bonds from our public Hybrid Assets (HAIL) portfolios.

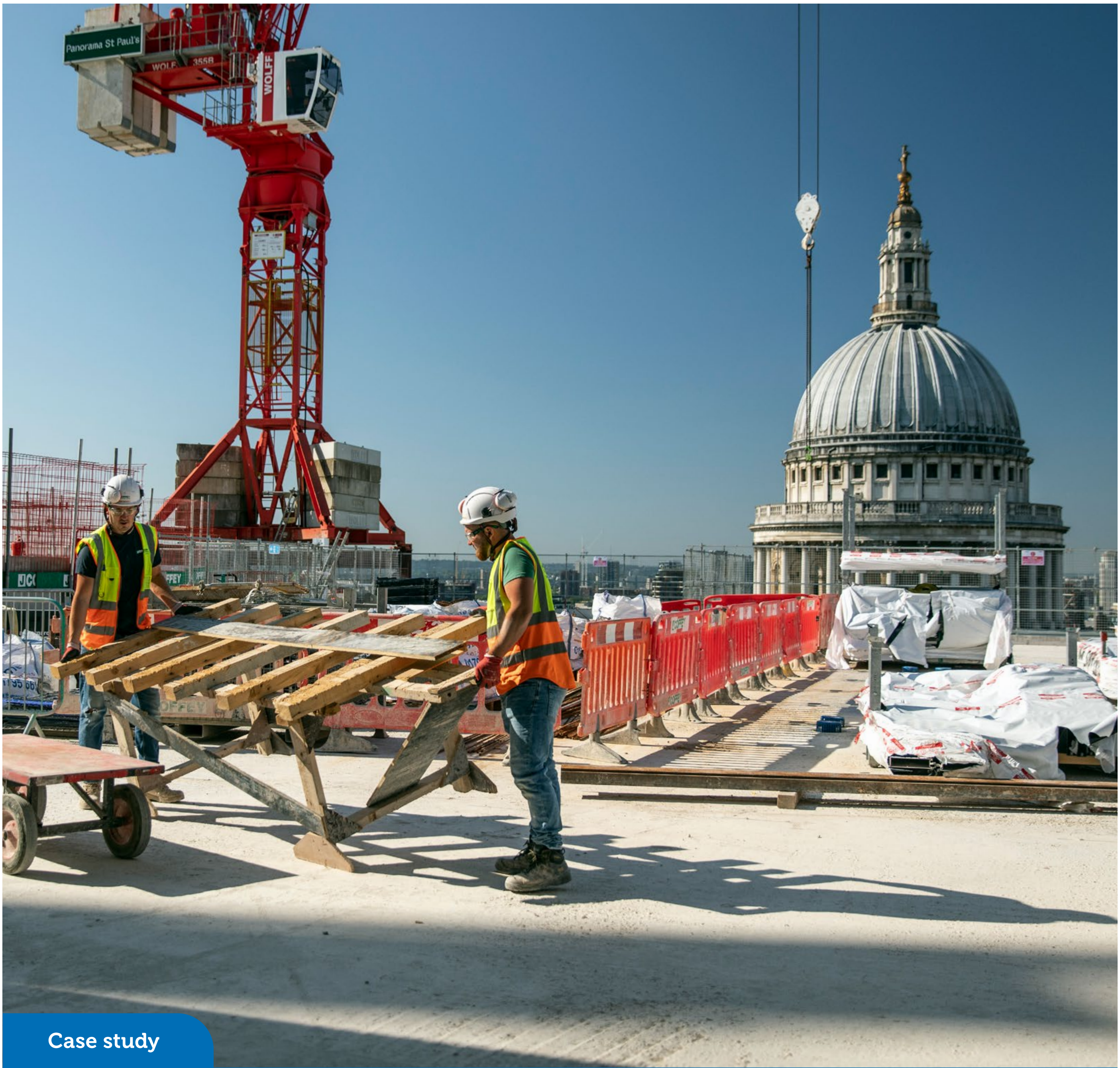
Metric definition:

1. Financed carbon emissions (tCO_2e/\$m invested)
Measures the Scope 1 + Scope 2 tonnes of CO_2 equivalent emissions, for which an investor is responsible, per US\$ million invested, by their total overall financing. Emissions are apportioned across all outstanding shares and bonds (% enterprise value including cash).

2. Total financed carbon emissions (tCO_2e)
Measures the Scope 1 + Scope 2 tonnes of CO_2 equivalent emissions for which an investor is responsible by their total overall financing. Emissions are apportioned across all outstanding shares and bonds (% enterprise value including cash).

3. Weighted average carbon intensity (tCO_2e/\$m revenues)
Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' carbon intensity (Scope 1 + Scope 2 tonnes of CO_2 equivalent emissions per million \$ of revenues).

4. Enterprise value including cash (EVIC)
Market capitalisation at fiscal year-end date + preferred stock + minority interest + total debt + cash and cash equivalent.



Case study

An exciting urban development

The Panorama St Paul's development, one of our real estate investments managed by our external manager, Orion, has transformed a 1980s office block into a multi-purpose development of office space, roof gardens, restaurants and wellness facilities.

The project focused on carbon savings by repurposing 40,000 pieces of Portland stone from the original building and diverting 95 per cent of construction waste from landfill. The building's solar panels, 100 per cent electric design, and blue roofing for water management will deliver best-in-class environmental credentials.

This project sets a new benchmark for sustainable urban development, delivering benefits for wider society. The development will include one of Europe's largest digital art walls, which will be curated by the Barbican. Work has begun to create a new green piazza alongside the building, which will form the largest public square in the City of London.

Being accountable for minimising our own environmental impacts

We are taking steps as an organisation to achieve net zero for our own operations by 2035 or sooner. Scope 3 financed emissions from our investments are considered separately. We reported on the reductions achieved to our organisation's environmental footprint in our Climate Change Report 2024, comparing the year-end data for emissions, waste and water consumption from 2023/24 against our baseline year of 2019/20. As the PPF considers climate change to be an emerging risk, and not a principal risk, we continue to focus our metrics and targets reporting on disclosure of our emissions.

We have provided data based on the information available. In some situations, we've estimated our usage or spend based on a proxy, such as the proportion of floor space we occupy in our two shared-lease office buildings. Over the year 2024/25, we worked with the facilities managers of the two buildings we occupy to ensure that water, waste, and electricity data is available on a timely basis to support our reporting.

Energy consumption in our offices has increased since 2023/24 due to more floor space being used by other tenants in our office buildings. We have, however, achieved a 31 per cent reduction in our energy consumption since our baseline year. Our location-based emissions have also reduced by 44 per cent compared to our baseline. We continued to source electricity via 100 per cent renewable electricity tariffs for both our offices, meaning our operational Scope 1 and Scope 2 market-based greenhouse gas emissions are effectively zero. We added food waste bins in both buildings, and our food waste is sent to an anaerobic digestion plant to create green energy.

We have been reducing the paper we use in our corporate publications and communications for several years, and all of our corporate publications are now digital-only. As the retirement process and many transactions can be completed on our member website, we have reduced the amount of paperwork we send to members. We continue to encourage members to register online and give us their email address so we can send them a digital version of the annual PPF member newsletter instead of a paper copy.

We sent over half of member newsletters digitally in 2024/25. We don't currently have accurate data for all our Scope 3 paper use, such as letters sent on our behalf.

Business travel is an essential element of our business, particularly when carrying out due diligence of our investments and key suppliers. The number of international business flights taken in the year is higher than last year and our 2019/20 pre-pandemic baseline because our in-house portfolio managers were instructed to carry out more face-to-face meetings with fund managers. Employees strive to visit multiple locations within the same international trip to make these visits as efficient as possible.

During the year, we investigated how the implementation of a new travel booking platform could provide our people with better visibility of alternative, lower-carbon methods of travel to support effective decision-making when booking travel. Data collection from this would allow more granular reporting on travel emissions. We intend to begin using a travel booking platform during the year 2025/26.

Influencing our supply chain

Our aim is to meet our need for goods and services in a way that delivers long-term value whilst benefitting society and minimising impact on the environment. To achieve this, our approach to procurement is aligned with our Sustainability strategy, with sustainability considered throughout all our procurement and contracting activities. Our Sustainable Procurement Policy Statement sets out our approach.

We seek to influence our suppliers to adopt sustainable practices and disclosures, and explore opportunities to extend sustainability practices throughout their own supply chain. During the year, 90 per cent of Group 1 and High Sustainability Impact Suppliers returned our Supplier Sustainability Report and responded to our Supplier Code of Conduct, with all our Group 1 suppliers sending complete responses. Work has begun to design a new dashboard to assess alignment between the PPF and our key suppliers, identifying the strengths and risks in our supply chain.

Energy consumption – Scope 2

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24	2024/25
Total location-based emissions (gross tonnes of CO_2e)	**275.1**	261.9	228.7	181.2	130.2	153.6
Total gross tonnes of CO_2e by floor space (m^2)	**0.1**	0.1	0.1	–	–	–
Total gross tonnes of CO_2e by FTE	**0.6**	0.6	0.5	0.4	0.3	0.3
Total market-based emissions (gross tonnes of CO_2e)	**160.5**	–	–	–	–	–
Total energy consumption KWh	**1,076,231**	1,123,197	1,076,948	936,935	631,321	741,865
Total energy consumption by floor space (m^2) KWh	**258.3**	269.6	258.5	224.9	151.5	178.0
Total energy consumption by FTE KWh	**2,497.1**	2,546.9	2,414.7	2,105.5	1,440.2*	1,689.9
Total energy expenditure (£)	**301,626**	267,565	269,212	366,225	392,849	315,937

* Restated from 1,418.7 kWh.

Notes
1 The data has been prepared using DESNZ conversion factors.
2 Information is provided by building managers.
3 Estimates are used when information is not available.
4 All electricity used in our offices is on 100% renewable tariffs which have been in place in both offices since October 2019.
5 Efficiencies in our Croydon offices have resulted in a sustained reduction in communal electricity consumption since 2022/23.

Travel emissions – Scope 3

CO_2e emissions from business travel

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24	2024/25
Domestic by air (tonnes CO_2e)	2.2	–	0.7	0.8	2.6	2.2
Domestic by other means (tonnes CO_2e)	12.9	0.2	1.2	3.7	3.3	3.9
International by air (tonnes CO_2e)	45.2	–	0.4	48.7	59.5*	135.1*
International by other means (tonnes CO_2e)	–	–	–	–	–	0.5
Total CO_2e emissions from business travel (tonnes CO_2e)	60.3	0.2	2.3	53.2	65.4*	141.7*

* Excludes 34.3 tonnes of CO_2e emissions from travel paid for by third parties (2023/24: 21.1 tonnes).

Distance travelled by air

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24	2024/25
Total distance travelled by air (km)	233,667	–	10,024	241,839	231,009*	474,553*
Domestic (km)	16,635	–	5,571	6,208	16,067	13,448
International Business (km)	185,527	–	–	204,241	155,171	384,852*
International Economy (km)	31,505	–	4,453	31,390	59,771	76,253

* Excludes 100,091km of travel paid for by third parties (2023/24: 66,194km).

Our Strategic Plan and priorities – continued
Making a difference

Number of flights

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24	2024/25
Domestic	29	–	18	11	28	23
International	57	–	4	62	66*	116*

* Excludes 8 flights paid for by third parties (2023/24: 18 flights).

Expenditure on business travel

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24	2024/25
Total expenditure on business travel (£)	118,321	1,286	7,550	91,112	79,432*	132,130*

* Excludes £36,117 reimbursed by third parties (2023/24: £28,456).

Notes
1 The data has been prepared using DESNZ conversion factors.

2 Information is taken from expense claim reports and invoices.

3 Estimates are used when exact distance travelled is unknown.

Paper

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24	2024/25
Total volume purchased in reams	1,300	27	20	45	335	360
Total expenditure (£)	4,136	73	59	235	1,545	1,694

Notes
1 Data is taken from invoices.

2 Paper purchased in years 2020/21 – 2022/23 is low due to reduced office attendance in the pandemic years and then subsequent utilisation of existing stock.

Waste

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24	2024/25
Total waste (tonnes)	25.4	10.6	17.2	26.1	25.8	20.4
Total waste recycled (tonnes)	17.9	8.7	13.5	18.4	20.0	15.9
Total waste incinerated with energy recovery (tonnes)	7.5	1.8	2.8	3.9	5.4	4.3
Total ICT waste recycled, reused or recovered (tonnes)	–	0.1	0.9	3.6	0.4	0.2
Total waste sent to landfill (tonnes)	–	–	–	0.2	–	–
Total waste expenditure (£)	8,492	8,369	8,862	11,114	9,224	6,795

Notes
1 Data on non-confidential waste comes from building managers.

2 Data on confidential waste comes from the supplier and is estimated based on number of bins collected; since the start of this financial year the collection has been reduced from weekly to biweekly.

3 ICT waste refers to obsolete equipment.

4 Waste to landfill in 2022/23 relates to the closure of a data centre.

5 Estimates are used where data is not available.

Water

	2019/20 (baseline year)	2020/21	2021/22	2022/23	2023/24	2024/25
Total water consumption (m^3)	3,228.3	966.5	898.4	1,401.8	1,587.5	2,035.3
Total water consumption by FTE (m^3)	7.5	2.2	2.0	3.2	3.6	4.5
Total water expenditure (£)	9,648	3,506	3,540	5,484	7,239	10,142

Notes
1 Data comes from building managers.

2 Water consumption in 2024/25 was impacted by a leak in our Croydon office during the year.

3 Estimates are used where data is not available.

Transforming how we work

Planned activities and milestones for 2024/25

- We will deliver further against our sustainability commitment and move services within the technical estate to serverless, low-code and codeless services where appropriate. This will lower/optimise our emissions and carbon footprint. We will continue to leverage cloud technologies for business continuity, and stakeholder value, ensuring services are aligned to our sustainability aspirations and goals.
- We will continue to deliver the data platform and data visualisation services, and ways of working to the organisation, identifying ways to ensure that data storage is optimised, and how data is used.
- We will complete a review of our office space and home working in line with our sustainability strategy and shape of the organisation.
- We will continue to focus and develop our security profile and stature. An industry standard implementation of zero trust will be developed and implemented.
- We will work closely with government to develop the design of a public sector consolidator.

Moving to the cloud

Our call recording services were migrated to the cloud during the year 2024/25. The majority of services within our technical estate are now on the cloud. An ongoing assessment is underway to use a serverless model.

In the year, we delivered data solutions for our Member Services, Commercial Services, ESG Investment and Credit Risk teams. These solutions have made data processing tasks in these teams quicker and simpler, and have reduced the risk of errors. We will continue to deliver data solutions during 2025/26, including for Member Services, Credit Risk, Investment Risk and Operational Due Diligence.

Reviewing our office space

During the year, we completed a review of our office space in line with our sustainability strategy and the shape of the organisation. Following the review, we made some layout changes to our London office to create more space for staff at the end of 2024.

"

In the early days when I called the contact centre, I found people to be very accommodating, but not always very knowledgeable. I think that has improved a lot and the people you speak to are now both accommodating and knowledgeable.

I use the member website quite a lot. The fact that you can look back over previous correspondence is very good. The information you need is easy to find.

When my scheme entered the PPF assessment period in 2014, there was a compensation cap on the amount of pension you could take. I was heavily involved in the legal case to get the compensation cap removed. It took a long time, but we got there in the end.

The feeling about the PPF has improved but we've now got to move onto the next thing. I think indexation for members should be increased and legislation needs to be changed for indexation on pre-97 benefits.

"

Andy
PPF member

Ensuring organisational security

Maintaining confidence in our security profile is central to our strategic, operational and governance processes. Managing risk on a day-to-day basis forms a key part of our strategic and operational planning process.

During the year 2024/25 we engaged an external supplier to complete a full assessment of our cyber security risk governance and management practices against the NIST Cybersecurity Framework. We'll use the outcomes of the review to identify the areas we need to move forwards with to strengthen our security capability within the organisation.

We also received two independently verified certifications:

- Cyber Essentials Plus, a UK Government Standard that provides an independent technical audit of an organisation's IT systems. It demonstrates that an organisation has implemented key cyber controls.
- The ISO 27001 information security risk management framework.

A zero trust approach requires strict verification and authorisation for every access request, with no user, device, or application trusted by default. In the year 2024/25 we identified the areas of the business that required development in order to build the necessary foundations to enable a move to a zero trust framework. The areas identified for improvement and implementation were identity, device and network.

In the areas of identity and device, improvements we have made include user risk monitoring, multifactor authentication, privileged identity management and compliance monitoring against access enforcement policies. We began the roll-out of a network hardware refresh and the upgrade of the PPF network infrastructure during 2024/25. We anticipate that this will be completed during the first half of the financial year 2025/26.

These improvements will further reduce the cyber risks the organisation faces and help to mitigate and reduce the effects if the PPF was to suffer a breach. We will continue to investigate the cost of a full zero trust implementation in 2025/26 and keep the decision to move to a zero trust strategy under review.

Ways to utilise our capabilities

As the DWP's 2022 independent review of the PPF recognised, we've reached a point of operational maturity. We have acted on its recommendations to work with the government to explore opportunities to use our capabilities and skills for wider public benefit. Over the last two years we've explored a number of options, including the possibility of us running a public sector consolidator as a separate, additional function.

"Every contact I've had with the PPF has been easy and uncomplicated. Nothing is a problem. If they haven't got the answer in front of them they will go away and get it for you. It's not a drama."

Karl
PPF member

Managing risk

Understanding and managing opportunities

Understanding and managing our opportunities, challenges and risks is critical to protecting our members and achieving our objectives. Risk management is integral to the delivery of our Strategic Plan. Effective risk management not only helps us to mitigate risk, but also to make the most of opportunities.

Risk identification and evaluation is a key part of our strategic and operational planning process. Our plans are considered and evolve with our understanding of external developments, our internal risk profile and our risk appetite. The consideration of how we will leverage AI and emerging technologies is an example of where we considered both the opportunities and risks ahead of us. We regularly review the external landscape to identify new and emerging risks.

→ See page 69 for more information on the emerging risks we keep in focus.

Principal risks

Our principal risks are the most significant or key risks facing the organisation, including those that may threaten the PPF's operating model, future performance, solvency or liquidity, and reputation. These may be identified from our top-down strategic approach or may be identified through bottom-up risk assessment from risk and control self-assessments, and financial risk management metrics.

Each principal risk is owned by a member of our Executive Committee and is assessed in terms of residual risk exposure and position in terms of our risk appetite. The position is routinely reported to the Risk and Audit Committee. On a quarterly basis, the Risk and Audit Committee reviews the risk management and assurance of one or two selected principal risks.

As the PPF has matured to a position of significant financial strength, our funding risk has reduced. Our focus is on maintaining our financial resilience. We conduct sensitivity testing to determine the possible impact of numerous factors on our funding position.

We carefully monitor the exposures we have to insolvencies of companies whose members we protect. We produce regular forecasts and compare actual experience against the forecasts made 12 months earlier. Our short-term forecasting model is complementary to the regular reporting from the Long-Term Risk Model (LTRM).

The most concerning risk we face is the potential for a cyber attack on ourselves or our key suppliers.

→ See page 62 for more information on our principal risks.

Managing risk

Managing risk on a day-to-day basis is embedded in all that we do, whether it is considering financial risk, investment risk, credit risk or operational risk. Our risk framework extends enterprise-wide to ensure a consistency of approach, language, assessment, reporting and escalation. Accountability is paramount, and responsibility and oversight for each risk type outlined in our risk universe is assigned to a member of the Executive Committee, in line with the PPF's own Senior Managers and Certification Regime (SMCR).

An essential part of our framework is our risk appetite statements, which communicate the Board's attitude to risk, so managers understand the level of value, resource or money we want to put at risk in order to meet our objectives. The risk appetite statements ensure senior managers understand the amount of risk they can actively take or need to mitigate. For example, this year the Board made explicit its appetite for sustainable operations.

Operational resilience

We seek to ensure that our operations are resilient, both internally and within our supply chain. In practice this means combining the insights and outputs from operational risk, operational resilience and business continuity activities, so that we: understand the threats and risks that might cause operational strain or severe disruption; can ensure we have mitigants to prevent or minimise disruption; and are well prepared to respond and recover quickly should the worst happen.

We consider our Important Business Services, those which, if disrupted, could cause detriment to our members or the viability of the PPF, to be:

- Paying members
- Servicing members
- Managing investments

For each of these Important Business Services, we have mapped potential dependencies and sources of disruption to understand where there is reliance on systems, people, suppliers, facilities and processes. We have identified the relative impacts of disruption and the thresholds for maximum tolerable disruption period for each of the Important Business Services.

To test our assumptions, we use desktop exercises to play through potential scenarios, review and maintain a suite of playbooks, conduct simulation exercises and work through a business continuity testing schedule.

This year we have engaged a third-party provider to produce simulation exercises that stress the identified impact thresholds of each of our important business services using our emergency response team (ERT). The simulations take the form of a disaster scenario that is aligned with regulatory best practice and test our response plans, workarounds and Important Business Services mapping.

In addition, every year we undertake a Climate Change Risk Assessment and consider our Climate Change Adaptation Strategy, in line with the requirements of the government's Greening Government Commitments. Together, these outline our consideration of how the climate may impact the resilience of an organisation. Understanding and responding to external climate change factors is one aspect of our well-established risk management framework and operational resilience protocols.

Sustainability

The sustainability lens crosses many different types of risk, and we continue to identify risks in respect of responsible investments, diversity and inclusion, sustainable procurement, stakeholder management and formal reporting. Our risk appetite and understanding of risk exposure, in turn supports our ongoing strategic direction and decision-making.

The Compliance and Ethics team continues to review our Sustainability strategy to ensure it aligns with the expectations and guidance set out by the Financial Conduct Authority (FCA).

→ See page 28 for more information on our Sustainability strategy.

Risk culture

Creating and maintaining an appropriate risk culture is essential. We focus on three core aspects of risk culture, and these are measured and reported to the Chief Governance, Risk and Legal Officer and the Risk and Audit Committee:

- Acknowledgement and understanding of risks. Risks and emerging risks are identified, assessed and recorded in a timely manner.
- Transparency, openness and escalation. There is an openness to share risk information, report and escalate threats, concerns, new risks, vulnerabilities and/or control failures in a timely manner.
- Risk responsiveness. Risk remediation actions are appropriate and completed in a timely manner for material risk exposures and risk incidents.

Risk management good practice

We set ourselves high standards for risk management, and measure our effectiveness by benchmarking ourselves against industry good practice, including:

- HM Government Orange Book: Management of Risks – Principles and Concepts
- The Risk Coalition's 'Raising the Bar' and this year by including the most recent guidance 'Raising Your Game'
- ISO 31000 Risk Management Guidelines

For Operational Resilience and Business Continuity, we align with the FCA/PRA Operational Resilience Policy Standard, BCI Good Practice Guidelines and ISO 22301.

For Information Security, we are accredited with ISO 27001 Cyber Essentials Plus. We align with the National Cyber Security Centre guidelines (NCSC 10 steps), National Institute of Standards (NIST) and central government policy and standards.

Compliance and Ethics

The Compliance and Ethics team supports the Board and senior managers with their requirements to comply with relevant laws, regulations, internal procedures, and standards. Central to this is the Compliance and Ethics Programme, which includes reviewing our compliance with the key areas of legislation, regulations, and compliance standards applicable to the PPF.

Our compliance obligations include statutory compliance regulations which the PPF must adhere to, including, but not limited to, the Pensions Act 2004, financial crime (including bribery, fraud and money laundering), data protection, freedom of information and modern slavery.

The compliance standards the PPF has chosen to align with are those that align to an FCA-regulated asset manager and the accountabilities set out under the SMCR as they apply to the PPF.

The programme includes a core set of compliance monitoring activities supplemented by regular in-depth testing and reviews alongside new starter, online and bespoke compliance training. We completed 12 reviews as part of our compliance programme with no material or significant observations to report. At the end of the year, a review of the SMCR was conducted, and we are satisfied the regime in place remains appropriate. Our regime closely resembles regulatory expectations, with the key differences arising from our Senior Management Function holders not being directly approved by the FCA and we are not required to file reports with the FCA.

Assurance

Assurance is the confirmation that what should be happening is happening. We are committed to supporting the Three Lines of Defence Model. This year we have worked on developing an approach and a programme of assurance over the risk management of all operational risk types in our risk universe.

Our Oversight and Assurance Approach provides a comprehensive, coordinated and, where appropriate, combined programme of oversight and assurance across the PPF, that is proportionate to the risks faced, provides appropriate assurance available to decision-makers and reinforces a 'Trust and Verify' approach to risk management.

Long-term expenditure trends

Total expenditure for the PPF and the Administration Funds over the last five years is shown in the table below.

Investment expenses

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Investment expenses	250.0	330.4	223.5	174.2	219.2

Operating expenses

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
PPF	45.6	48.7	54.6*	54.2*	61.1*
PPF Administration Fund	12.4	13.3	14.9*	13.7*	14.6*
FAS Administration Fund	8.1	8.3	7.7	6.8	7.0
Total operating expenses	66.1	70.3	77.2*	74.7*	82.7

* Excludes recovery of prior years' VAT (see note 11).

Operating costs have not increased significantly compared to inflation over the last five years. The increase in 2024/25 has been driven by several factors.

- Ensuring that our Member Services team is fully resourced to continue to deliver excellent award-winning service outcomes for members.
- Increasing the capability in the Investment management team and its support areas to continue to deliver above benchmark performance (2.4 per cent in 2024/25).
- Securing the future of the technology estate by investment in cloud-based technologies and data infrastructure, delivering both new capabilities and replacing ageing on-premises technology.
- Enhancing the skill and capabilities of the risk and governance teams to respond to new and heightened risks, especially in information security and cyber threats.

This higher cost base has contributed to an increase in our annual cost per member to £65 (2023/24: £56).

Information on investment expenses can be found on page 124.

Complaints, reviews and FOI requests

As in any organisation, occasionally things go wrong. We pride ourselves on putting things right and learning from experience. During the year, we handled a number of complaints, appeals and requests for information.

General complaints

The total level of complaints for PPF and FAS remains low compared to the size of the membership (0.15 per cent). The total number of complaints is slightly higher than for 2023/24. The following tables provide an analysis of the complaints received and dealt with during the year ended 31 March 2025.

Complaints

	PPF 2024/25	FAS 2024/25	PPF 2023/24	FAS 2023/24
Complaints brought forward from previous year	21	2	31	6
Complaints received	462	160	445	121
of which:				
– resolved at stage one	412	146	390	118
– resolved at stage two	40	11	49	5
– resolved at stage three	12	4	14	2
– resolved at stage four	6	0	2	0
– were carried forward	13	1	21	2

Complaint categories*

	PPF 2024/25	FAS 2024/25	PPF 2023/24	FAS 2023/24
Process	99	31	98	29
Website	82	34	55	22
Member tracing	77	27	39	21
Entitlement	69	34	97	21
Legislation	64	22	109	17
Other	202	59	236	58

* Complaints can have multiple categories.

Guidance on how we handle complaints and appeals can be found on our website: www.ppf.co.uk/how-to-make-a-complaint.

Managing risk – continued

Freedom of Information (FOI) requests

	2024/25	2023/24
FOI requests received	54	53
of which:		
– we fully disclosed the information	30	20
– we partially disclosed the information	11	22
– we did not hold the information	2	1
– the request was withdrawn	2	0
– we declined to disclose the information	6	7
– carried forward	3	3

In line with the Freedom of Information Act 2000 and guidance published by the Information Commissioner's Office, we do not charge for disclosing information.

We did not receive any Environmental Information Requests (2023/24: none).

We declined to disclose information where statutory exemptions applied.

Reviewable matters

We run a statutory appeals process in respect of 'reviewable matters' listed in schedule 9 of the Pensions Act 2004.

Levy-related reviewable matters

	2024/25	2023/24
Review decisions issued	50	6
of which:		
– the scheme was found to be levied correctly	1	1
– we agreed with some or all of the scheme's appeal	49	5

Non-levy-related reviewable matters*

	2024/25	2023/24
Review decisions issued	27	35
Decisions made by the Reconsideration Committee	12	7

Maladministration complaints*

	2024/25	2023/24
Formal complaints of maladministration considered	15	19
of which:		
– maladministration was found to have occurred	4	4
– maladministration was found to have occurred in part	2	7
– no maladministration was found to have occurred	9	8
Two of these cases also involved a reviewable matter (2023/24: five).		
Maladministration decisions made by the Reconsideration Committee	1	6
of which:		
– maladministration was found to have occurred	1	0
– no maladministration was found to have occurred	0	6

* Complaints can be classed as both maladministration and reviewable matters.

Three further maladministration decisions were made by the Reconsideration Committee as part of formal reviews and in all cases maladministration was found to have occurred (2023/24: one).

Statement of going concern

In order to comply with the Government Financial Reporting Manual (FReM) when preparing this Annual Report and Accounts, we have to explain why we have adopted a going concern basis for the organisation.

An organisation deems itself a going concern if its management believes that the organisation will continue to operate and there is no intention, or need, to close down its functions. In the public sector, the FReM provides that anticipated continuation of service is presumed to provide sufficient evidence to adopt a going concern basis.

After reviewing the funds which we operate, cash flow forecasts and our powers to raise levies and control outgoings, we believe it appropriate to adopt a going concern basis for all the funds. For the PPF and the Administration Funds, this is because we believe these funds have enough resources to provide a continuation of services for the foreseeable future. For the FCF, a loan facility has been obtained from DWP which, together with levies collected, is expected to be sufficient to cover the potential claims known as at 31 March 2025.

Pension Protection Fund

For the PPF, we considered the following factors when forming this view:

- our cash flow forecasts, which indicate that cash and other asset inflows will significantly exceed outflows for the foreseeable future, supported by:
  - our levy-raising powers – see www.ppf.co.uk/what-risk-based-levy
  - our reserve powers on benefit levels

PPF and FAS Administration Funds

In considering the going concern status of the PPF and FAS Administration Funds, we took into account the status of the Board of the PPF as an independent statutory corporation, while also recognising that the Board of the PPF receives funding from its sponsor department, the DWP, in the form of grant-in-aid, to cover all of its expenditure on its functions as FAS scheme manager, and its expenditure on certain PPF administration functions.

We also considered the regulations under which the DWP finances its payments to the Board of the PPF on grant-in-aid for PPF administration functions by raising a PPF Administration Levy from eligible pension schemes.

Fraud Compensation Fund

In considering the going concern of the FCF, we recognise that the fund is vulnerable to large claims well in excess of the current funds available. The claims risk is most likely to materialise from historic claims relating to schemes that were themselves part of a fraud.

We are aware of possible claim payments totalling £327.4 million net of recoveries as at 31 March 2025. The liquid assets of the FCF totalled £83.1 million at that date. We are in the process of assessing the applications and anticipate making claims payments over a two-year period. The exact value of these actual and other possible claims remains to be determined. However, it appears likely that levy income will be insufficient to pay all these claims as they are settled. We have obtained a loan facility from the DWP which we expect will enable us to ensure a continuation of claims payments.

Michelle Ostermann
Chief Executive

1 July 2025

Accountability report

The Board of the Pension Protection Fund

Kate Jones
Chair of the Board
NE D N

Kate's career spans senior investment leadership and board roles in the financial services industry, including JP Morgan, BlackRock, Schroders and M&G. She began her career as a portfolio manager at Prudential M&G before playing an instrumental role in the growth of BlackRock's Solutions business, where she built and led the portfolio management function with responsibility for over £300 billion of assets.

Kate has been a non-executive director of the PPF since 2016, becoming Chair of the Board in 2021.

Kate is non-executive chair of JP Morgan Funds Limited. Prior roles have included Trustee and Chair of the Investment Committee for Smart Pension Master Trust and Director of Blackfinch Spring VCT, and also Chair of Trustees of Financial education charity, RedSTART Educate.

Working with senior executives in multiple sectors across the UK, Kate is also the co-founder of executive coaching business & become.

Michelle Ostermann
Chief Executive
D I

Michelle Ostermann joined the PPF as Chief Executive on 1 April 2024. She brings over 30 years of pension investment and senior leadership experience. She is the Chair of the global pension industry association, International Centre for Pension Management (ICPM), and is widely recognised for her outstanding global network and knowledge of pension systems.

Michelle has held several other senior positions at leading firms, including Managing Director of Railpen Investments and, most recently, Senior Vice President and Global Head of Capital Markets at PSP Investments in Canada.

Simon Gadd
Non-executive Board Member
NE R RC

After a 38-year career at Legal & General, Simon now acts as an adviser to the Executive team, divisional and subsidiary boards, and mentors a range of future leaders. This includes Chair of the Board of Legal & General Home Finance and non-executive Director of Legal & General Affordable Homes.

Simon's previous roles at Legal & General included Group Climate Change Director and Group Chief Risk Officer. Earlier in his career, Simon led several businesses within the Legal & General Group, including the Retail Protection business, Group Protection business, and as Managing Director of Annuities.

Jim Gallagher
Non-executive Board Member
NE I R RC

Jim is an experienced non-executive director. He has held non-executive roles at Phoenix Life, Standard Life, Reassure UK, Legal & General, Police Mutual, Royal London Assurance, Scottish Mutual and others.

In addition to his extensive board experience, Jim has held a fellowship at Nuffield College, Oxford, and is an Honorary Professor in the School of Law at Glasgow and in the Centre for Constitutional and Legal Research at St Andrews. He is a Trustee of the Royal Society of Edinburgh, and chairs the think tank Our Scottish Future. He has been a Member of the Council and the Regulatory Committee of the Law Society of Scotland and held other charity directorships.

During his senior executive career in public service, Jim held a number of civil service positions in Number 10, the Cabinet Office and the Scottish Office.

D Decision Committee | NE Non-executive Committee | N Nomination Committee | I Investment Committee
R Remuneration Committee | RC Reconsideration Committee | RA Risk and Audit Committee | ■ Chair of that committee

Chris Cheetham

Senior Independent Director

NE **I** RA

During his executive career, Chris spent 41 years working in the investment management industry, most recently as Global Chief Investment Officer for HSBC's global asset management business. Previous roles include Global CIO for AXA Investment Managers, CEO at AXA Sun Life Asset Management and Director of Investment Strategy and Research at Prudential Portfolio Managers (now M&G).

He now holds a number of non-executive roles, including Trustee of the BT Pension Scheme and roles with The People's Pension and the Science Museum Foundation.

David Atkinson

Non-executive Board Member

NE I **RA**

David has held a variety of senior international roles in finance and risk management during his 23-year career at Goldman Sachs, most recently as a Senior Managing Director of the Risk Division.

A Chartered Accountant by training, David is also a non-executive director at Mizuho International plc, Hertfordshire Partnership University NHS Foundation Trust, and Credit Suisse UK Limited.

In his spare time David is an independent humanist funeral celebrant.

Sonia Gogna

Non-executive Board Member

NE I RC

Sonia brings over 20 years of investment management, actuarial, pensions and leadership experience gained from her executive career in fund management and investment consulting, with particular expertise in multi-asset investments, investment strategy and distribution.

Her most recent role was as Global Head of Investment Solutions at Aberdeen, where she was responsible for leading their Solutions business across DB and DC pensions, wealth, and insurance globally. Sonia has held several other senior roles at Aon, State Street and Willis Towers Watson.

Sonia is also chair of the GP board for the Children's Investment Fund Foundation.

Sara Protheroe OBE

Chief Customer Officer

Sara is responsible for overseeing the assessment and transfer of pension schemes to the PPF, the processing of Fraud Compensation Fund claims, and looking after more than 400,000 PPF and FAS members. She was previously the PPF's Director of Strategy and Policy, where she had responsibility for developing strategy and policy in relation to all aspects of the PPF, including the levy.

Before joining the PPF as a founding employee in 2005, Sara undertook a number of roles in the Department for Work and Pensions (DWP), including Private Secretary to a former Pensions Minister, the late Malcolm Wicks, and was a pivotal member of the DWP team who designed the PPF. Sara was awarded an OBE in October 2020 for services to pensioners.

The Board of the Pension Protection Fund – continued

Nailesh Rambhai

Non-executive Board Member

NE RC RA

Nailesh is an experienced international lawyer and non-executive director. He began his career at Linklaters and then McDermott, Will and Emery, before moving to Coventry Building Society as Group General Counsel and Company Secretary.

Nailesh has lived and worked in the UK, Canada, the USA and South-East Asia, including as a Senior Executive with Petronas. During the Covid-19 pandemic he worked as a Senior Advisor to the COVAX facility (working with GAVI, the WHO and UNICEF).

He is also a non-executive director of University College London Hospitals NHS Trust, Birmingham Women's and Children's Hospital NHS Trust, Newbury Building Society, Whittington Health NHS Trust, and the charity United Way UK.

Liz Woolman

Non-executive Board Member

NE N R RC RA

Liz is an accredited associate executive coach and non-executive director with over 25 years' experience in the technology and financial services sectors.

Liz is currently a non-executive director at both the Local Pensions Partnership Administration Limited and Anglo Saxons Friendly Society. Liz is also a trustee of Friends of High Weald Churches, a charity.

During her executive career, Liz managed an extensive technology portfolio for BT Group, leading a successful digital transformation, launching innovative new products and services, increasing efficiency and implementing new systems and technology platforms.

Prior to joining the Board she was also a non-executive director at the Places for People Group.

D Decision Committee
NE Non-executive Committee
N Nomination Committee
I Investment Committee
R Remuneration Committee
RC Reconsideration Committee
RA Risk and Audit Committee
■ Chair of that committee

Members of the Executive Committee

1 **Dana Grey**
Chief Governance, Risk and Legal Officer

2 **Katherine Easter**
Chief Operating Officer

3 **Kirsty Bowman-Vaughan**
Chief of Staff

4 **Michelle Ostermann**
Chief Executive

5 **Shalin Bhagwan**
Chief Actuary

6 **Sara Protheroe OBE**
Chief Customer Officer

7 **Barry Kenneth**
Chief Investment Officer

Other members during 2024/25

Simon Liste
Chief Technology Officer

David Taylor
General Counsel

Governance statement

Governance framework

During 2024/25, the Board had eight non-executive members. On 30 June 2024, Emmy Labovitch stepped down from the Board and on 1 September 2024, non-executive members Simon Gadd and Sonia Gogna joined the Board.

On 1 April 2024, Michelle Ostermann took up the position of Chief Executive and her appointment as an executive member of the Board. There were three executive members until 1 November 2024, when David Taylor stepped down from the Board. Since 1 November, there have been two executive members of the Board. A third executive member will be appointed once all Executive Committee appointments have been filled.

Board members' attendance at Board and committee meetings is set out on pages 72–79.

The Board has established a number of committees and a Statement of Operating Principles in order to discharge its responsibilities. The Board has also given the Chief Executive delegated powers so they can take decisions to ensure operational effectiveness and provide regular updates to the Board on performance, risks, and strategy. The Chief Executive has also established internal committees to oversee operations. Further details of the governance framework are provided in Appendix 2.

During the year, the Board took decisions and considered matters within its normal cycle of work. Details of these, and reports from the Board's Committees, are in Appendix 1.

Account of corporate governance

The Board is committed to maintaining high standards of corporate governance and reviews its operations against the UK Corporate Governance Code and the HM Treasury (HMT)/Cabinet Office *Corporate governance in central government departments: Code of good practice*. The Board continues to apply the provisions of the Code of good practice where they are relevant to the PPF. Formal reporting of compliance with the HMT/Cabinet Office Code on a 'comply or explain' basis is set out in this statement in Appendix 3.

Provisions of the codes not applicable to the PPF relate to entities which are significant listed companies, or have arm's length bodies, or a lead minister, or are funded by central government.

The risk and control environment

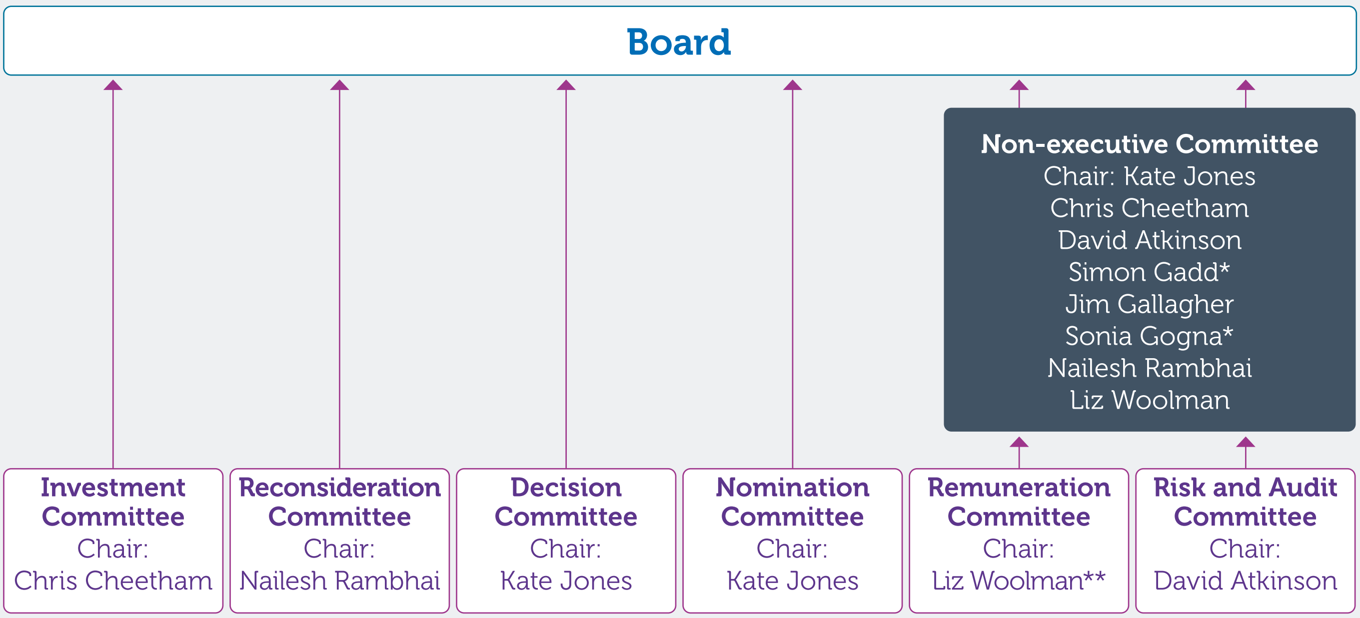
Our approach to managing risk is consistent with the guidelines provided by HMT in its publication *Orange Book: Management of Risk – Principles and Concepts*. The Risk function carries out an annual, formal self-assessment exercise to confirm this.

We aim to make sure that our approach to risk management follows best practice for regulated financial services firms. Our assessment of our approach has been informed by the guidance for board risk committees and risk functions issued by the Risk Coalition. The Risk Coalition is a network of not-for-profit professional bodies and membership organisations committed to raising the standards of risk management in the UK. The Risk function has carried out a formal self-assessment exercise against the guidance and plans to undertake these on a regular basis.

The Board determines its risk appetite which is applied by accountable executives to the more granular risk types outlined in our risk universe. The Risk function reports regularly to the Board on our risk exposure and position relative to that risk appetite.

Our risk universe catalogues all the types of risk that could affect our ability to achieve our objectives.

Committee structure as at 31 March 2025



* Simon Gadd and Sonia Gogna appointed 1 September 2024.

** Liz Woolman appointed 30 June 2024.

Principal risks

We have identified 14 principal risks (shown below), which could arise as a result of internal or external factors and which could materially affect our strategic aims, funding objective, solvency, operations or reputation. As such they are integral to managing the risks to achieving the objectives in our Business Plan.

The Chief Governance, Risk and Legal Officer sets formal policies which outline minimum requirements for managing different types of risk. These principal risks, along with all other risks, are managed by the relevant Executive Committee (ExCo) member as part of the normal course of business.

→ See pages 48–50 for more information about how we manage risk.

1. Policy

Definition: This is the risk of novel and/or challenging legal requirements being placed on us.

This matters because as a body created by statute, and bound by legislation and court rulings, we must accept and implement change.

Key mitigating actions:

- We run business intelligence programmes (including obtaining input from legal firms) to identify potential issues.
- We manage litigation and threats of litigation carefully, including through our in-house legal team and external specialist advisors.
- We work closely with the government in relation to emerging issues and the government's own plans.

2. Longevity

Definition: This is the risk that actual or potential members have a significantly longer life than expected.

This matters because the longer current or future members live, the greater the total compensation they will receive over their lifetimes, so the larger the reserves we need to mitigate this risk.

Key mitigating actions:

- Our assumptions on life expectancy are derived from analysis of recent experience of our membership as well as that of other occupational pension schemes.
- We use industry-standard models to project how life expectancy may change in the future.
- We review our assumptions regularly and update them as experience changes.
- We hold a reserve that provides a high level of protection against members living longer than expected.

3. Claims experience

Definition: This is the risk that claims made on the PPF by eligible defined benefit schemes are significantly greater than expected.

This matters because we need sufficient reserves to mitigate this risk and meet our purpose.

Key mitigating actions:

- We carry out short- and long-term modelling and use the results to build and maintain a reserve for future claims.
- We monitor the credit risk of the sponsoring organisations of eligible schemes with significant deficits today and/or schemes recording the largest sum of claims/individual claims in the LTRM.
- We work closely with The Pensions Regulator to understand/identify sponsoring organisations at risk.
- When a scheme enters assessment, we assume creditor rights and then seek to maximise recoveries from all sources.
- We hedge potential liabilities once they reach a predetermined level of likelihood to protect against interest rate and inflation movements.

4. Investment strategy

Definition: This is the risk that the PPF's investment strategy fails to meet its objectives, is inappropriate or inappropriately executed.

This matters because the success of our investment strategy is key to maintaining and improving our financial resilience.

Key mitigating actions:

- We ensure that we comply at all times with our Statement of Investment Principles, Statement of Operating Principles and Investment Risk policy.
- We maintain a balanced, diversified portfolio of investments.
- We seek to appoint reputable external fund managers and monitor their performance.
- We manage some strategies in-house, where this is practicable, so we can exercise direct control.
- We regularly review the market to identify new investment opportunities.
- We monitor actual and modelled risk against appropriate short-term and long-term risk measures and review the strategy where necessary.
- The Investment team comprises experienced investment professionals with excellent track records.
- We actively manage our liquidity position to ensure that we can always meet liabilities such as collateral calls on derivatives.

Further information about our investment strategy can be seen on pages 18–20.

5. Liability benchmark

Definition: This is the risk that changes in the value of the PPF's actuarial liabilities are not matched by changes in the value of the liability benchmark within agreed tolerances.

This matters because the liability valuation basis is a key input into constructing a portfolio to protect the PPF's funding position against changes in future interest rates and inflation.

Key mitigating actions:

- We calculate the liability benchmark quarterly with weekly recalibrations to ensure that it remains aligned with the interest rate and inflation sensitivity of our liabilities.
- We apply scaling factors to the liability benchmark to allow for changes in the liabilities in between the quarterly updates.
- We monitor the performance of the actuarial liabilities relative to the LDI portfolio to make sure the difference is understood/minimised.

6. Reputation management

Definition: This is the risk that we are unable to maintain and protect our reputation.

This matters because we have identified that, in almost all sets of circumstances, the most important element of maintaining our 'licence to operate' is maintaining stakeholder confidence.

Key mitigating actions:

- We have established formal arrangements for maintaining relationships with key stakeholder groups.
- We use media (including social media) proactively.
- We enter prestigious award competitions where we can perform well.
- Where appropriate, we use the advice and support of a leading financial services PR consultancy.
- We have implemented policies about staff use of social media.
- We have established formal internal communication channels to enable staff to contact our communications team as soon as they become aware of a matter.

7. Culture

Definition: This is the risk that staff engagement and cultural cohesion are adversely affected.

This matters because without this engagement and cohesion the quality of our service could fall significantly. This would have a direct link to our success and reputation.

Key mitigating actions:

- We have implemented a wide range of policies, training and support, underpinned by our ICARE values, to communicate what is required of our staff.
- We provide additional training and support for managers.
- We monitor staff opinion, for example, via a comprehensive annual survey and regular meetings with the Employee Liaison Committee (ELC).
- ExCo monitors key information (e.g. grievances, staff turnover etc).
- We monitor staff performance via a formal performance assessment programme.

Further information about our ways of working can be seen on pages 31–32.

8. Employee capability and capacity

Definition: This is the risk that the capacity and/or the capability of the workforce is compromised.

This matters because in some teams, one or a small number of individuals are critical to the success of the team. In others, it is necessary to have sufficient numbers to complete the work. Both are essential to deliver our purpose.

Key mitigating actions:

- We provide support to staff to develop their skills. This includes opportunities for staff to train for roles outside their existing jobs.
- We have a development programme to help provide our future leaders.
- We develop relationships with third-party suppliers for the provision of cover.
- We maintain a 'working from home' capability so that attendance at the office is, in many cases, not required to perform work. This adds to our operational resilience and assists with recruitment and retention.
- We actively review remuneration and benefits to support recruitment and retention.
- Project governance requires impact assessments and stakeholder communication to be in place to evaluate and manage operational impact.
- We prioritise at both the organisation level and the function level so that individual functions have only manageable change project requirements at any time.

9. Conduct

Definition: This is the risk of actions, decisions and behaviours leading to inappropriate working practices and poor outcomes for stakeholders.

This matters because inappropriate activity, either collectively or individually, could result in stakeholder detriment, reputational damage, losses and other harm that would prevent us from fulfilling our main purposes.

Key mitigating actions:

- We undertake formal background checks during the recruitment process and, periodically, thereafter.
- We have created formal policies setting out how staff are expected to conduct themselves.
- We carry out formal training of all staff on all key conduct areas.
- The Compliance and Ethics team monitors/tests compliance with our policies.
- We have a formal diversity and inclusion strategy.

10. IT service

Definition: This is the risk of an IT failure which adversely affects critical operations.

This matters because our important business services (paying and servicing members and making investments) are heavily reliant upon IT systems.

Key mitigating actions:

- We have a robust systems development/implementation process.
- We have a formal programme of system maintenance.
- We have formal arrangements for giving priority to incident resolution.
- We have entered into an 'infrastructure as a service' arrangement with a reputable supplier.
- We carry out regular business continuity recovery training exercises.

11. Delivery of change

Definition: This is the risk that we are unable to accommodate and deliver, in whole or in part, our change portfolio.

This matters because not meeting important legislative requirements is likely to have severe consequences for us while failing to implement important business changes could damage our reputation, weaken our internal control environment or result in significant inefficiencies or heighten the risks we face.

Key mitigating actions:

- We prepare business cases to outline the risks, cost, value and benefits of a proposed project. The business case is used to inform relevant audiences and support decision-making for acceptance and prioritisation.
- We carry out technical reviews of project proposals to ensure that they are realistic.
- ExCo determines/approves acceptance and prioritisation proposals.
- We plan the sequence of delivery to address priorities and interrelationships.
- We have project and programme governance arrangements to ensure delivery is as planned.

12. Information security

Definition: This is the risk of theft, loss or compromise of or unauthorised access to our stakeholder data or systems by internal sources (including third-party service providers).

This matters because we, and our suppliers, hold stakeholder data and they could be severely affected if this fell into the wrong hands. Such an event would also damage our reputation. See also Cyber threat below.

Key mitigating actions:

- We carry out background checks on new staff and, periodically, on existing staff to identify evidence of or potential for criminal activity.
- We have monitoring in place on our boundary and across the estate to detect unusual events.
- We carry out certification and alignment to security frameworks and principles.
- We continuously review and enhance our applications and services to ensure appropriate levels of security are maintained.
- We have formal documented procedures and processes for arrangements of cyber security.
- We appoint Information Asset Owners to determine the necessary access rights and then to ensure that these rights are properly implemented.
- We carry out due diligence on third-party suppliers and include appropriate security terms in their contracts.
- We use secure data transfer technology when we need to transfer data to third parties.

Further information about management of this risk can be seen on page 84.

13. Cyber threat

Definition: This is the risk of theft, loss or compromise of or unauthorised access to our stakeholder data or systems, including those held/operated by third-party service providers, by malicious external sources.

This matters because it could also cause us to have to stop operations, in whole or in part, with the resultant consequences. See also Information security above.

Key mitigating actions:

- We have and continuously review security controls and activity across the estate for abnormal activity.
- We have formal arrangements for maintaining the physical security of our premises and for controlling access by staff and visitors.
- We engage accredited recognised industry consultants to carry out regular penetration tests across the PPF estate.
- We carry out regular simulation exercises to test the technical controls and incident response capabilities.
- We continuously ensure our systems and antimalware is up to date.
- We carry out due diligence on third-party suppliers and include appropriate security terms in their contracts.
- We engage third-party external independent partners to carry out Security Operational activity and threat intelligence services.

Further information about the outlook of this risk can be seen on page 68.

14. Supplier service

Definition: This is the risk of material compromise or unexpected cessation of supplier service delivery which adversely affects critical operations.

This matters because our main business activities all use third-party service providers to some extent.

Key mitigating actions:

- We have a well-established procurement process that is aligned to the Managing Public Money rules.
- We have formal contractual (including service level) arrangements with our suppliers.
- We have formal contract oversight arrangements in place.
- We have a vendor assurance programme that ensures that we carry out appropriate due diligence (including information security) and that suppliers continue to meet our business requirements.

Notable changes in our principal risks

No changes to principal risks happened this year.

We noted an increase in our reputation management exposure as we sought to navigate important policy issues over which we do not always have control, including pre-97 indexation compensation for some members and the potential for us to extend our remit to that of a public consolidator.

How might principal risks change?

We anticipate that the cyber threat landscape will continue to evolve and we must continue our approach of high vigilance and ongoing development of our defences. Evolving government policy in a number of areas may impact our funding, operations and capacity to change which we must anticipate and plan for.

Emerging risks

We continually scan the horizon to identify emerging risks. These are risks which although identified may be imperfectly understood. They could be significant but the time horizon of manifestation, the way they manifest, the potential impact on the PPF and appropriate risk management options, cannot be determined with confidence.

We hold regular meetings with management at all levels to identify emerging risks as well as consult with external peer groups and monitor industry papers for insight. Where we can, we attempt to understand emerging risks by using, for example, modelling techniques, scenario analysis, stress testing and resilience and business continuity exercising.

The emerging risks which are receiving Board attention at present are the following:

1. Geopolitical landscape

Definition: The risk of escalation of adverse events associated with war, conflict, terrorism and/or changes in international relations and political administrations which may impact the PPF.

This matters because geopolitical crises threaten financial markets, political stability and may disrupt global supply chains. Government-backed economic sanctions, policy change and/or war, including cyber warfare, can impact the PPF directly, either through our supply chain, by barring the PPF from dealing or interacting with certain investments and people, or by hampering the PPF's ability to provide a full service (overseas members, for example).

How we are monitoring/responding:

- We have conducted investment risk scenario analysis for escalated conflict in certain geopolitical areas.
- We remain alert to emerging risks that could impact our base case estimates.
- We actively monitor via a body of external sources (such as the UK Government's National Risk Register), changes in risk profile and track this through our Emergency Response Team.
- We have conducted a claims impact analysis for escalated conflict in certain geopolitical areas.
- We have identified all suppliers based overseas.
- We have identified how many members we have in different countries overseas.

2. Artificial Intelligence (AI)

Definition: This is the risk of potential for misuse of artificial intelligence leading to security implications, or hackers and malicious actors harnessing the power of AI to develop more advanced cyberattacks.

This matters because unstructured use raises questions around ownership of the data, and concerns about data quality and biases. See also Information security and Cyber threat above.

How we are monitoring/responding:

- We have mandated that open source and internet-based AI solutions, such as Chat GPT, are not to be used on any work devices as they have not gone through the appropriate security and governance checks.
- We have mandated that all staff read and sign an AI acceptable use standard.
- We require any staff that want to use Microsoft Copilot (our approved closed environment AI solution) to undertake specific training that highlights the risks of using the tool.
- We are liaising with our security partners and other technology vendors to develop existing monitoring arrangements.

3. Climate change

Definition: This is the risk of physical disruption from the effects of weather-related climate change on the PPF and our supply chain.

This matters because it could lead to reduced operations or, in extreme cases, impact our important business services.

How we are monitoring/responding:

– We have an established PPF Climate Change Adaptation Strategy which includes an operational risk assessment, an outline of key mitigations and action plan for the year. The strategy is reviewed annually.
– Business continuity plans and emergency response team playbooks cover our response to extreme weather events, which for the most part will be managed locally by team managers.

Ministerial directions

No directions have been issued.

Personal data-related incidents

There were no required notifications of a personal data breach to the ICO in 2024/25.

Significant control issues

We have had no significant control issues in 2024/25.

Review of effectiveness of the system of internal control

For the purposes of the FReM, the Board sees the Chief Executive as having responsibilities equivalent to those of an Accounting Officer as set out in 'Managing Public Money'.

As Chief Executive, I have responsibility for reviewing the effectiveness of the system of internal control. My review has been informed by:

- Reporting in respect of Senior Managers and Certification Regime (SMCR).
- The work of the executive directors and senior managers who have responsibility for developing and maintaining the internal control framework.
- Comments made by the external auditor and the opinion of the Head of Internal Audit on the overall adequacy and effectiveness of our framework of governance, management of risk and control.

In my review of the effectiveness of the system of internal control, I have also considered the work of the Risk and Audit Committee, the Executive Committee and the Asset and Liability Committee. Having completed my review, I am of the opinion that there is no reason to believe that there are any significant limitations in the system of internal control.

Appendix 1

Board and committee reports

The Board met formally eight times during the year. These meetings were held as a mixture of face-to-face, virtual and hybrid.

	Attendance*
Kate Jones	8/8
David Atkinson	8/8
Chris Cheetham	8/8
Simon Gadd*	5/5
Jim Gallagher	8/8
Sonia Gogna*	5/5
Emmy Labovitch*	3/3
Nailesh Rambhai	8/8
Liz Woolman	7/8
Michelle Ostermann	8/8
Sara Protheroe	8/8
David Taylor*	5/5

* Simon Gadd and Sonia Gogna were appointed to the Board on 1 September 2024; Emmy Labovitch and David Taylor stepped down from the Board on 30 June 2024 and 1 November 2024 respectively.

In addition to the scheduled Board meetings, the Board held two strategy sessions during the year and members were provided with regular opportunities to meet in informal settings.

The 2025–28 PPF Strategy along with the 2025/26 Business Plan and the Budget were agreed. The Board was kept informed of progress against the 2024/25 Business Plan.

The Board received regular updates on the Sustainability Strategy and further considered deep dives on responsible investment, employee engagement and operational and supply chains.

The Board monitored progress of the PPF's Funding Strategy. The Board also considered the future of the levy and government's intent to provide greater flexibility to reduce the levy. The Board agreed to reduce its levy estimate to £45 million for 2025/26. The Board approved the key features of the autumn levy consultation and January 2025 final determination.

The Board considered levels of post-97 indexation, for the purposes of the 1 January 2025 uprating exercise, and concluded no intervention was appropriate. The Board further discussed the position the PPF should take on the government's consideration of pre-97 indexation.

The Board and Decision Committee regularly discussed and provided a steer to management on queries raised by DWP/HMT following the PPF's response to the DWP consultation on Options for Defined Benefit schemes.

The updated Governance Manual covering the Statement of Operating Principles and Delegations from the Board along with the revised Board Manual were both approved.

The Board was kept informed of the work being carried out by Member Services, including performance and member satisfaction levels, and also reviewed the trends of cases being received by the Reconsideration Committee. The Board also noted updates from Member Forums.

The Chief Investment Officer continued to brief the Board on investment performance and on markets, particularly during times of increased market volatility. The Board approved the updated Strategic Asset Allocation following a recommendation from the Investment Committee. The Board also approved the Risk and Audit Committee's recommendation for the assumptions used in the annual Actuarial Valuation.

The Board discussed and approved the updated risk appetite statements, and the PPF's Modern Slavery Act Statement. The Board reviewed the Principal Risks facing the PPF, which were monitored regularly by the Risk and Audit Committee.

The Board also approved the SMCR's Responsibilities Map and Statement of Responsibilities.

The Board approved the 2023/24 Annual Report and Accounts following recommendation from the Risk and Audit Committee.

The Board also approved the PPF's approach to implementing the requirements of the FCA Consumer Duty and appointed a non-executive Board member as 'Consumer Duty Champion'.

The Board discussed a number of staff-related matters, including Health and Safety, talent management, hybrid working, pay and reward practices, employee survey results and organisational culture. The Board also considered the office space requirements in line with the Sustainability Strategy and business needs.

The Board approved updates to the Board Committees' Terms of Reference, following recommendation from each respective Board Committee. The Board also reviewed and approved the Board Registers of Interest. The Board received regular updates from Chairs of Board Committees.

The Board reviewed their progress on actions from the 2023 Board Performance Review and further discussed findings from the 2024 Board Performance Review.

A number of formal Board training sessions took place, to help support Board members to deliver their role and further information on topics can be found on pages 82–83.

Board committees and sub-committees

Remuneration Committee		
Terms of reference	Reviewed and approved by the Board in March 2025.	
Roles and responsibilities	The Remuneration Committee is formally a sub-committee of the Non-executive Committee which has authorised the Remuneration Committee to discharge its remuneration functions on its behalf.	
Chair	Liz Woolman*	
Number of meetings in the year	6	
Membership and attendance	Liz Woolman*	6/6
	Emmy Labovitch*	1/1
	Simon Gadd**	5/5
	Jim Gallagher	6/6
	Helen Norris (co-opted member)***	4/4
	Kate Jones (non-member)	5/6
	Michelle Ostermann (non-member)	6/6
	* Liz Woolman was appointed Chair on 30 June 2024 when Emmy Labovitch stepped down from the Board. ** Simon Gadd became a member on 1 September 2024. ***Helen Norris became a co-opted member on 20 November 2024.	
Issues covered	– Implemented changes to the remit of the Committee following the review and recommendations undertaken in the prior year – Considered and approved Executive Board member objectives for 2024/25 – Considered Executive Committee members objectives for 2024/25 – Undertook yearly and half-yearly performance reviews of the Executive Board members, discussed their pay and approved bonus payments, based on performance against the objectives set – Undertook yearly and half-yearly performance reviews of the Executive Committee, discussed their pay and bonus payments, based on performance against the objectives set – Reviewed the Diversity, Equity and Inclusion Strategy for 2025–28 – Considered the development of the 2025–28 People Strategy and the Remuneration Governance Framework – Reviewed the 2024 Diversity Pay Gap Report – Received training from Willis Towers Watson on remuneration benchmarking – Received and discussed benchmarking outcomes for all staff in the context of salary market information – Received and discussed external benchmarking results for the new Executive Committee roles as part of the organisational redesign	

Governance statement – continued

Risk and Audit Committee		
Terms of reference	Reviewed and approved by the Board in March 2025.	
Roles and responsibilities	The Risk and Audit Committee is formally a sub-committee of the Non-executive Committee which has authorised it to support the Board by providing a structured systemic oversight of the organisation's governance, risk management, compliance and internal control practices, in order to facilitate focused and informed Board discussions on matters related to these topics and to monitor the integrity of the Board's financial statements.	
Chair	David Atkinson	
Number of meetings in the year	5	
Membership and attendance	David Atkinson	5/5
	Chris Cheetham	5/5
	Nailesh Rambhai	5/5
	Liz Woolman	5/5
	Tim Palmer (co-opted member)	5/5
	Michelle Ostermann (non-member)	4/5
	Sara Protheroe (non-member)	2/5
	David Taylor (non-member)*	3/3
	* David Taylor attended as a non-member until he stepped down from the Board on 1 November 2024.	
Issues covered	– Reviewed and recommended to the Board the approval of the 2023/24 Annual Report and Accounts – Reviewed and recommended to the Board the approval of the annual Valuation Assumptions – Received the Risk Management Effectiveness and Maturity Annual Report, and reviewed and approved the Risk Mandate – Reviewed the LTRM assumptions – Reviewed the risk position of the Technology, change and information security report. Cyber security remained a major focus for the Committee – Approved the Risk Management Framework and recommended to the Board the approval of the Risk Appetite Statements – Received regular updates from the external auditor and monitored their performance – Approved the Internal Audit strategy and plan, the results of audit work and sufficiency of audit resources – Assurance was received on conformance of Internal Audit with Public Sector Internal Audit Standards – Reviewed and approved the Compliance and Ethics Mandate and received regular reports from Compliance and Ethics on outputs from the Compliance and Ethics Programme – Reviewed and approved the Whistleblowing Policy and regularly considered reports on concerns raised under the Whistleblowing Policy and any actions taken – Considered the Zero Trust Framework – Reviewed and approved the 2025/26 Compliance Programme – Monitored the risk exposures in the organisation via reports from the Chief Governance, Risk and Legal Officer – Reviewed the annual Health and Safety report – Received deep dives on: Delivery of Change Portfolio, Member Services, Conduct, Reputation Management, Policy, and Claims – Received regular updates on regulatory development and emerging risks	

Investment Committee	
Terms of reference	Reviewed and approved by the Board in March 2025.
Roles and responsibilities	The Board has authorised the Investment Committee to discharge certain investment functions on its behalf.
Chair	Chris Cheetham
Number of meetings in the year	4
Membership and attendance	Chris Cheetham 4/4 David Atkinson 4/4 Jim Gallagher 4/4 Sonia Gogna* 3/3 Emmy Labovitch** 1/1 Michelle Ostermann 4/4 Robert Groves (co-opted member) 2/4 Pete Drewienkiewicz (non-member, Investment Advisor) 4/4 Simon Gadd (non-member) 1/4 David Taylor (non-member)*** 2/2 * Sonia Gogna became a member on 1 September 2024. ** Emmy Labovitch stepped down from the Board on 30 June 2024. ***David Taylor attended as a non-member until he stepped down from the Board on 1 November 2024.
Issues covered	– Considered regular investment risk reports and reviews – Monitored compliance with, and approved updates to the PPF and the FCF Statements of Investment Principles – Considered strategy-focused topics on discounting methodologies and Responsible Investment (RI) – Received regular updates on the RI Strategy and TCFD reporting – Considered regular markets and strategy reviews – Considered the annual review of the performance of the Investment Advisor – Considered the annual report on HAIL performance – Reviewed Investment Operations – Undertook a contractual review of the Custodian – Considered deep dives on Real Estate, Emerging Market Debt, and the Matching Portfolio – Reviewed and approved the Investment Assumptions – Reviewed and approved the PPF Minimum Standards Policy; the Climate Change Policy and the PPF's Escalation Policy – Reviewed and approved the Stewardship Policy – Reviewed and recommended that the Board approve the changes to the Strategic Asset Allocation – Reviewed asset class benchmarks and approved the asset class benchmarks for the Growth Portfolio – Received an update on investment management fees incurred by the Fund in 2024/25 – Considered the governance framework for insourcing strategies

Governance statement – continued

Non-executive Committee		
Terms of reference	Reviewed and approved by the Board in March 2025.	
Roles and responsibilities	The Non-executive Committee functions are set out in section 112(4) of the Pensions Act 2004 and include the duty to determine, subject to the approval of the Secretary of State, the terms and conditions as to remuneration of the Chief Executive and any member of staff who is also to be an Executive member of the Board. In addition, the Non-executive Committee will discuss other matters referred to it from time to time by the Chair or the Senior Independent Director.	
Chair	Kate Jones	
Number of meetings in the year	5	
Membership and attendance	Kate Jones	5/5
	David Atkinson	4/5
	Chris Cheetham	5/5
	Simon Gadd*	3/3
	Jim Gallagher	5/5
	Sonia Gogna*	3/3
	Emmy Labovitch**	2/2
	Nailesh Rambhai	4/5
	Liz Woolman	5/5
	* Simon Gadd and Sonia Gogna joined the Board on 1 September 2024. ** Emmy Labovitch stepped down from the Board on 30 June 2024.	
Issues covered	– Received regular reports from the Risk and Audit, Nomination and Remuneration Committees – Reviewed and discussed the Board Performance Review and associated Action Plan – Considered Board and Committee succession and recruitment – Received regular updates from the Chief Executive on organisational planning – Discussed ExCo recruitment and succession plans – Led by the Senior Independent Director, met without the Chair present to appraise the Chair's performance – Considered reports from the Decision Committee and regularly discussed policy-related questions from DWP and HMT on the PPF's potential role as a public sector consolidator	

Nomination Committee	
Terms of reference	Reviewed and approved by the Board in March 2025.
Roles and responsibilities	The Board has authorised the Nomination Committee to discharge the following functions on its behalf: – Succession planning needs at Board level to ensure the necessary balance of skills, knowledge, and experience – Identifying and nominating candidates to fill Board vacancies, as and when they arise, for the approval of the Board – Responsibility for ensuring that there is a formal, rigorous and transparent process for the appointment of new Board members – Ensuring that on appointment non-executive Board members receive a formal letter of appointment setting out clearly expected time commitments, including Board and committee meetings and other areas of involvement, and that they receive comprehensive induction material – Ensuring that Board members receive training
Chair	Kate Jones
Number of meetings in the year	6 in total, but participants are only invited if relevant for the recruitment activity taking place.
Membership and attendance	Kate Jones 6/6 Liz Woolman* 2/2 Chris Cheetham** 4/4 David Atkinson (panel member) 2/3 Liz Woolman (panel member) 3/3 * Liz Woolman joined the Nomination Committee as a member on 1 September 2024 and served as a panel member prior to this. ** Chris Cheetham stepped down from the Nomination Committee on 1 September 2024.
Issues covered	– Recruitment and appointment of Simon Gadd and Sonia Gogna – Invited Board members and external panellists to sit on the recruitment panel formed for the non-executive Board member appointments – Reappointment of David Atkinson and Liz Woolman – Reappointment of co-opted member, Diane Franklin – Succession planning and Board Committee membership appointments and rotation – Executive Board Member appointment process – Review of contract terms, renewal periods and vacancies for non-executive Board members – Oversight of Board member induction material and review of effectiveness – Oversight of annual Board member training programmes

Governance statement – continued

Reconsideration Committee		
Terms of reference	Reviewed and approved by the Board in March 2025.	
Roles and responsibilities	The Reconsideration Committee is established under the Pensions Act 2004 (the Act), to reconsider reviewable matters and relevant complaints in prescribed circumstances (all as defined in the Act). The Committee is a panel of non-executive members of the Board and co-opted members without prior involvement in the matters discussed. When a matter is remitted from the PPF Ombudsman, the panel does not include the same members as were previously involved.	
Chair	Nailesh Rambhai	
Number of meetings in the year	8	
Membership and attendance	Nailesh Rambhai	8/8
	David Atkinson*	1/1
	Simon Gadd**	3/4
	Jim Gallagher	7/8
	Sonia Gogna**	4/4
	Liz Woolman	7/8
	Diane Franklin (co-opted member)	8/8
	Alan Jenkins (co-opted member)***	2/3
	Sara Protheroe (non-member)	7/8
	* David Atkinson stepped down from the Committee on 30 April 2024. ** Simon Gadd and Sonia Gogna joined the Committee on 1 September 2024. *** Alan Jenkins stepped down from the Committee on 31 July 2024.	
Issues covered	– Complaints from members regarding decisions previously made by the PPF are referred to the Reconsideration Committee when not resolved by previous stages in the PPF's internal complaints procedure – There were no levy cases to review in the year – Considered and issued decisions on 12 non-levy review cases: two formal reviews relating to compensation entitlement, two regarding legislation which included formal reviews, two to compensation entitlement, two to legislation, three to maladministration and compensation entitlement, and one to maladministration	

Decision Committee		
Terms of reference	Reviewed and approved by the Board in March 2025.	
Roles and responsibilities	The Decision Committee takes decisions on matters that are normally delegated to the Chief Executive which she refers back to the Committee, as well as any specific cases assigned to it by the Board. Additional members may be appointed to the Committee as the Board may, from time to time, determine.	
Chair	Kate Jones	
Number of meetings in the year	5	
Membership and attendance	Kate Jones	4/5
	Michelle Ostermann	4/5
	David Atkinson (additional member)	4/4
	Chris Cheetham (additional member)	4/4
	Simon Gadd (non-member)	5/5
	Jim Gallagher (non-member)	4/5
	Nailesh Rambhai (non-member)	3/5
	Sara Protheroe (non-member)	4/5
	David Taylor (non-member)*	3/3
	* David Taylor attended as a non-member until he stepped down from the Board on 1 November 2024.	
Issues covered	The Committee considered queries raised by DWP/HMT following the PPF's response to the DWP consultation on Options for Defined Benefit schemes.	

Appendix 2

Governance framework

The Board's governance framework is compliant with the requirements of the Pensions Act 2004.

There are currently two executive members: the Chief Executive, and the Chief Customer Officer.

The Pensions Act 2004 (the "Act") sets out specific requirements for the composition of the Board, which must consist of the Chair, Chief Executive and at least five Ordinary Members. Of these Ordinary Members, at least two must be appointed from the staff of the PPF (i.e. Executive Members) and a majority must be Non-executive members (so a minimum of three).

The number of Executive Ordinary Members on the Board reduced to one from 1 November 2024 when David Taylor stepped down from the Board. The Nomination Committee intends to commence the process to fill this vacancy during 2025.

All non-executive members were independent at first appointment and had no current or previous material relationship with the organisation as an employee, officer or contractor. As required under section 112 of the Pensions Act 2004, the Board has established a Non-executive Committee, which is responsible for the discharge of the following non-executive functions:

- the duty to keep under review the question of whether the Board's internal financial controls secure the proper conduct of its financial affairs;
- the duty to determine, subject to the approval of the Secretary of State, the remuneration of the Chief Executive and any other members of staff appointed as executive members of the Board; and
- the duty to determine the remuneration of any other prescribed members of staff.

As well as the Non-executive and Reconsideration Committees, the Board has also established a Decision Committee, Investment Committee and a Nomination Committee.

A Risk and Audit Committee and a Remuneration Committee have been established as sub-committees of the Non-executive Committee to support the discharge of the statutory non-executive functions.

Each committee has a majority of Non-executive members and relevant members of the Executive Committee are invited by the respective committee chair to attend regularly.

Board procedures are governed by its Statement of Operating Principles and its decision-making role by the Delegation of the Board's powers and Matters Reserved to the Board. The Chief Executive reports to the Board on performance against strategic objectives and provides an Executive Committee report and other briefings as required. Papers are circulated a week in advance of meetings unless the terms of reference permit otherwise.

The roles of internal committees established by the Chief Executive and those of individual post-holders are set out in the Authorisations from the Chief Executive and Investment Authorisations sections of the Governance Manual.

Appendix 3

Account of corporate governance

The Board is committed to maintaining high standards of corporate governance and annually reviews its operations against the UK Corporate Governance Code and HMT/Cabinet Office's Corporate governance in central government departments: Code of good practice.

The principal areas of compliance against the code of good practice are set out below.

Board leadership

Purpose

The Board is a body corporate established under s.107 of the Pensions Act 2004. The Board's primary functions are set out in the 2004 Act and the 2008 Act and in regulations made under those laws. The Board sets and approves the Strategic Plan and Business Plan and oversees the implementation of them.

The Board focuses on strategic issues and provides leadership, challenge and oversight to management. The Board considers the PPF's performance against its strategic objectives as well as risk management in the organisation and ensures these support the long-term success of the organisation.

Oversight of culture and employee engagement

The Board believes that effective behaviours and culture support organisational delivery and risk management. Board members regularly discuss their views in relation to organisational culture and behaviours and monitor this closely using the staff survey and other measures, including attending Town Halls, internal working groups, and Meet the NEDs/ Board events. The Board operates in accordance with its Board Manual which sets outs expectations of the running of Board meetings and Board members' conduct. The Board reviews and approves the Board Manual annually.

The Board holds the management to account on a range of diversity and inclusion outcomes and monitors these as part of performance reporting.

There are various speak-up tools available to staff as a way to raise concerns confidentially and anonymously. The Risk and Audit Committee maintains oversight of the Whistleblowing Policy and receives regular updates from the Chief Governance Risk, and Legal Officer and Head of Compliance.

External stakeholder engagement

The Board recognises its responsibility to engage with our members, levy payers and wider stakeholders outside of the organisation. Board and management's engagement with stakeholders during the year included:

- Board members regularly attending Member Forums to listen and discuss current issues with members. At least one non-executive Board member attended each Member Forum meeting.
- Appointment of a non-executive Board member to be a "Consumer Duty Champion".
- New non-executive Board members being provided with the opportunity to join the Reconsideration Committee upon their initial appointment to the Board, helping to provide a direct platform to understanding members' issues.
- Board members visiting the call centre to better understand the types of conversations that are taking place with members.
- Engaging regularly with industry stakeholders to ensure levy payer views were built into our decision-making. Throughout the year, we spoke to a wide range of stakeholders through panels and committees run by industry trade bodies, regular meetings with actuarial consultancy firms, and through our Small and Medium Enterprise (SME) Forum, made up of schemes, advisors and industry experts.
- On a regular basis, engaging directly with members, both individually and through groups such as the Pensions Action Group and Deprived Pensioners Association, on indexation and share their feedback with government.
- Board members, executives and other staff continued engagement with a wide range of stakeholders following the PPF's response submission to the DWP's consultation on Options for Defined Benefit schemes. This has included speaking at industry events and round tables as well as meeting one-on-one with industry players, representative bodies, and government and parliamentary stakeholders.

Conflicts of interest and Code of Conduct

Individual members adhere to the relevant Code of Conduct policies, including Conflicts of Interest, Gifts and Hospitality, Whistleblowing, Disciplinary, Anti Bribery, Data Protection, Personal Account Dealing, and Handling Material Non-Public Information.

The Board Register of Interests is reviewed annually, with members discussing with the Chair any proposed additional appointments as they arise. In accordance with the Conflicts of Interest policy, the Chair reports proposed appointments to the Compliance team for review and approval before the relevant member goes though a recruitment process for a new appointment. Members are asked to declare any actual or potential conflicts of interest at the start of every Board and Committee meeting.

Division of responsibilities

Governance framework

The Governance framework is detailed in Appendix 2.

Board balance and director independence

The Board's structure is detailed on page 61.

The Board is not mandated by the UK Corporate Governance Code but strives to apply its principles, including in relation to the composition of the Board and only where this does not conflict with the legislative requirements set out in the Pensions Act 2004 and 2008.

The Board has a Non-executive Committee chaired by the Chair of the Board. The Board has appointed a senior independent director who met with the non-executives without the Chair present at the January 2025 Non-executive Committee meeting and reported back to the Chair on the outcomes.

Board composition, succession and evaluation

Skills and experiences

The structure of the Board is underpinned by the framework set out in the Pensions Act 2004 as well as governance and operational requirements.

Board members bring a range of skills, experience, independence, diversity, and knowledge needed to deliver the PPF's statutory functions and to make a valuable contribution to the effectiveness of the Board's activity. Board members bring financial, investment, legal, actuarial, pensions, insurance, digital, policy, risk management, strategy and customer service knowledge.

Board appointment process

The Board has authorised the Nomination Committee to oversee Board appointments in line with the requirements of the Pensions Act 2004. The Nomination Committee works with the steer of the Non-executive Committee when undertaking recruitment and appointment, having due regard as to the benefits of a balanced and skilled Board in candidate search and selection.

More information on the role of the Nomination Committee can be found on page 77.

Each non-executive and executive Board member is appointed for a fixed term with the option to extend subject to Secretary of State approval. A non-executive Board member can serve a maximum of two terms of three years unless otherwise granted by the Secretary of State. When overseeing succession plans and the renewal of term periods, the Nomination Committee consider any factors which may impact the independence of members.

Board effectiveness

The Board has an operational framework in place and has determined its behavioural values. The actual operation of this framework and these values, as well as Board balance, is reviewed through annual Board performance evaluations. These evaluations are conducted internally and facilitated by external consultants at least every three years.

An externally facilitated review was completed in 2024 by Lintstock Ltd, which assessed the progress made since the fuller review carried out by Lintstock Ltd in 2022 and clarified priorities for the following year. Executive Committee members were also invited to answer a subset of questions as part of the review. Lintstock Ltd's report from 2024 highlighted that the Board and its Committees continued to operate effectively during the year, with no material issues or concerns raised.

Good progress had been made on matters identified in the 2022 and 2023 Board performance reviews, with the performance of the Board having improved since the first review in 2022. The Chair continued to build on engagement from the prior year and hosted a number of informal events to help the Board and its committees build relationships with management and other staff. The review also explored engagement between the Board and management following the transition of the new Chief Executive.

The report recognised the high ratings of the Board's composition, quality of boardroom discussions, as well as the support provided to inductions and training.

The main areas arising from the 2024 review which the Board plans to focus on in 2025 are in respect of fostering strong relationships between the Board and wider management, continuing to embed the Chief Executive, and driving the organisational strategy with regards to the PPF's evolving purpose.

The Board holds itself accountable in taking forward the recommendations of the review through the delivery and monitoring of an action plan. This action plan is discussed with members of the Executive Committee and maintained by the Board and Company Secretary.

The next review will be undertaken towards the end of 2025.

The Board is provided with detailed appropriate information as part of its decision-making processes. The financial and performance data provided to the Board is extracted from the PPF's accounting and operational systems. This means it is subject to regular, planned, internal assurance checks and independent audits. As part of the Board performance review it was asked about the quality and frequency of information received and no concerns were raised.

The Board and its Committees are supported by a dedicated secretariat led by a Chartered Company Secretary.

Directors' induction and development

The Board follows regulations in place for the appointment of 'ordinary' members and both the Board and its Nomination Committee consider the current and future needs of the Board to inform the Board appointment process. A skills matrix has been developed to assist the Chair of the Board and Nomination Committee when planning for the recruitment of new Board members. The matrix provides an overview of the breadth of knowledge and experience of Board members and is used to identify any gaps to be addressed.

The Board and Company Secretary arranges a tailored and comprehensive induction programme for incoming non-executive members. The induction programme's purpose is to provide support and relevant information about the organisation and the environment it operates in, to assist them in being as effective as possible in their new role.

The induction programme includes:

- Meetings with other Board members and the Executive Committee
- Meetings with internal experts across key areas of the organisation
- Visiting business areas to develop insight into the organisation's operations and key risks
- Call shadowing with the Member Services team
- Meeting with the Board and Company Secretary regarding the governance framework and the role of the Board and its Committees
- Providing access to background information including key organisational documents and Board material, including the Board Manual

In addition to this, Board members received a number of formal training sessions throughout the year to help aid learning and development across a range of subjects. These were facilitated both internally and externally and topics included: Consumer Duty, DB funding, climate metrics and climate-related financial disclosures, PPF Funding Strategy, and AI. The Board Chair along with the Board and Company Secretary continues to identify member training needs when creating annual training plans for the Board.

Management of risk

The Board is supported in its risk management role by the:

- Risk and Audit Committee, which is chaired by a non-executive member with relevant experience
- Investment Committee
- Internal and external auditors

It receives assurance from the:

- Chief Governance, Risk and Legal Officer on risk and compliance issues
- Head of Internal Audit, who is independent from the operations of the organisation

Both individuals report to the Risk and Audit Committee and have unfettered access to the chair of the Committee and to the Board. The Risk and Audit Committee has oversight of both functions.

Risk management is embedded throughout the organisation from team-level risk assessments through to the risks considered significant by the Board. The Chief Executive has established an Executive Committee.

Appendix 4

System of internal control

The system of internal control is designed to manage risk within our risk appetite rather than to eliminate all risk.

There is an ongoing process designed to identify our risks and to prioritise the management of them. This process is also designed to evaluate the likelihood of those risks crystallising and the effect if they did. It is also designed to enable us to manage them efficiently, effectively and economically. In addition we identify our Key Processes and ensure that Key Controls within these Key Processes are operating as intended.

Our system of internal control has been in place throughout the year ending 31 March 2025 and up to the date of signing of this Annual Report and Accounts. It is consistent with HMT guidance. The internal audit plan approved by the Risk and Audit Committee includes audits of specific elements of our system of internal control.

The risk and control environment

Our approach to risk management is consistent with the guidelines provided by HMT in its document Orange Book: Management of Risk – Principles and Concepts.

Risk management processes are embedded throughout the organisation and individuals' responsibilities are reinforced through training. During the year, we have continued to deliver improvements to the management of risk, as outlined in the Performance Report (see pages 48–50).

We rely on various mathematical models, some of which are identified as critical. There is an appropriate quality assurance framework (as defined in the Macpherson Report – Review of Quality Assurance of Government Analytical Models) in place for these models.

The model quality assurance framework includes, but is not limited to, internal and external review, governance structures for review and challenge of model assumptions and outputs, developer testing and consideration of the relevant actuarial standards where appropriate. Responsibility for this framework is held by the Chief Governance, Risk and Legal Officer.

We recognise the importance of managing information effectively. We follow security frameworks that align to industry-recognised best practices. We also follow the Security Policy Framework and related data security guidance issued by the government.

Our commitment to security is visible through our continued review and appropriate enhancements of our security solutions, services and awareness programmes. This is further cemented through maintaining our certification of compliance with the ISO 27001 Information Security Standard and Cyber Essentials Plus frameworks.

We work with industry-recognised security partners and remain vigilant on the ever-changing threat landscape through threat intelligence services. We have a vendor review programme in place when procuring services. We request compliance and adherence to our security standards from our partners. This is because there is an understanding and appreciation that the attack methodology of threat actors focuses on the supply chain and not only on exploiting system vulnerabilities within organisations.

Remuneration and staff report

The remuneration and staff report sets out the remuneration policy for directors, how that policy was implemented and the amounts awarded to those directors, along with details of the composition of staff employed by the PPF and measures relating to fair pay.

Remuneration policy

Our remuneration policy outlines our approach to reward across the entire organisation. We aim to pay market rate for those that are achieving full performance within their role. We set a basic salary to reflect an employee's professional experience and organisational responsibility. We set variable remuneration to reflect performance in excess of that required to fulfil the employee's job description and terms of employment.

Remuneration and bonuses of directors

Executive directors receive a salary that is reviewed annually by the Remuneration Committee which recommends its decisions for approval by the Secretary of State for Work and Pensions.

Their contracts allow for the payment of an annual performance-related bonus.

The Chair was paid a fixed fee and was contracted to work for the PPF for two days a week. All other non-executive directors received a fixed fee, based on working 26 days a year. This fee was not performance-related and there was no provision for compensation if a contract was terminated.

Contracts

Executive directors are employed on a fixed term contract and non-executive directors are appointed for a fixed term of office.

Name	Contract type	Start date	End date
Kate Jones (Chair)[1]	Term of office (first)	1 July 2021	30 June 2026
Michelle Ostermann	Fixed Term Contract (first)	1 April 2024	31 March 2029
Sara Protheroe	Fixed Term Contract (second)	18 March 2023	17 March 2026
Chris Cheetham	Term of office (third)	1 May 2024	30 April 2027
David Atkinson	Term of office (first)	1 January 2023	31 December 2025
Simon Gadd	Term of office (first)	1 September 2024	31 August 2027
Jim Gallagher	Term of office (first)	23 October 2023	22 October 2026
Sonia Gogna	Term of office (first)	1 September 2024	31 August 2027
Nailesh Rambhai	Term of office (second)	2 September 2022	1 September 2025
Liz Woolman	Term of office (second)	28 March 2025	27 March 2028

1 Kate Jones was previously a non-executive director, first appointed on 15 February 2016.

Notice periods

The executive directors have notice periods of six months. Non-executive directors' appointments can be terminated with one month's notice by either the Board or the individual member. The Chair is appointed by the Secretary of State for Work and Pensions. Their appointment is subject to a three-month notice period by either the Secretary of State for Work and Pensions or the post-holder. This can be waived by either party.

Executive directors – outside appointments

We recognise the benefits to the individual, and to the organisation, of executive directors of the PPF serving as non-executive directors of other organisations and companies. These roles are undertaken outside of PPF working hours through a combination of paid and unpaid leave. Fees, where applicable, are retained by the executive director for current appointments.

Michelle Ostermann is the chair of the global pension industry association, International Centre for Pension Management (ICPM). There were no other external non-executive director appointments held by executive directors during the year.

Directors' salary and pension entitlements*

Year ended 31 March 2025	Salary (in bands of £5,000) £'000	Bonus[1] (in bands of £5,000) £'000	Benefits-in-kind[2] (to nearest £100) £'000	Relocation costs (to nearest £100) £'000	Pension benefits[3] (to nearest £1,000) £'000	Total (in bands of £5,000) £'000
Executive directors						
Michelle Ostermann, Chief Executive Officer	300–305	50–55	1.1	16.6	115	485–490
Sara Protheroe, Chief Customer Officer	150–155	15–20	1.1	–	90	260–265
David Taylor, General Counsel	90–95	5–10	0.7	–	92	195–200
(to 1 November 2024)	(155–160)[4]					
Non-executive directors						
Kate Jones, Chair	55–60	–	–	–	–	55–60
Chris Cheetham	20–25	–	–	–	–	20–25
David Atkinson	20–25	–	–	–	–	20–25
Simon Gadd	10–15	–	–	–	–	10–15
(from 1 September 2024)	(15–20)[4]					
Jim Gallagher	15–20	–	–	–	–	15–20
Emmy Labovitch	5–10	–	–	–	–	5–10
(to 30 June 2024)	(20–25)[4]					
Sonia Gogna	10–15	–	–	–	–	10–15
(from 1 September 2024)	(15–20)[4]					
Nailesh Rambhai	20–25	–	–	–	–	20–25
Liz Woolman	20–25	–	–	–	–	20–25

1 The bonus values disclosed here relate to the executive directors' performance in the year.

2 Benefits-in-kind relate to private medical, critical illness and healthcare costs insurances.

3 The value of pension benefits accrued during the year. Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the *McCloud* judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

4 Full-year equivalent.

* Subject to audit.

Year ended 31 March 2024	Salary (in bands of £5,000) £'000	Bonus[1] (in bands of £5,000) £'000	Benefits-in-kind[2] (to nearest £100) £'000	Pension benefits[3] (to nearest £1,000) £'000	Total (in bands of £5,000) £'000
Executive directors					
Katherine Easter, Interim Chief Executive	30–35	5–10	0.3	17	55–60
(from 1 February 2024 to 31 March 2024)	(205–210)[4]				
Oliver Morley, Chief Executive	300–305[5]	45–50	1.8	72	415–420
(to 31 January 2024)	(220–225)[4]				
Sara Protheroe, Chief Customer Officer	140–145	10–15	1.6	43	200–205
David Taylor, General Counsel	150–155	15–20	1.7	89	255–260
Non-executive directors					
Kate Jones, Chair	55–60	–	–	–	55–60
Chris Cheetham	20–25	–	–	–	20–25
David Atkinson	20–25	–	–	–	20–25
Jim Gallagher	5–10	–	–	–	5–10
(from 23 October 2023)	(15–20)[4]				
Emmy Labovitch	20–25	–	–	–	20–25
Nailesh Rambhai	20–25	–	–	–	20–25
Anna Troup	0–5	–	–	–	0–5
(to 30 June 2023)	(15–20)[4]				
Liz Woolman	15–20	–	–	–	15–20

1 The bonus values disclosed here relate to the executive directors' performance in the year.

2 Benefits-in-kind relate to private medical, critical illness and healthcare costs insurances.

3 The value of pension benefits accrued during the year. Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the *McCloud* judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

4 Full-year equivalent.

5 Includes a payment in lieu of notice period (in line with the terms of his contract) made to facilitate an efficient managed move to Money and Pensions Service (MaPS).

* Subject to audit.

Remuneration and staff report – continued

Directors' pension benefits*

	Total accrued pension at pension age as at 31 March 2025[2] (in bands of £5,000) £'000	Real increase in pension at pension age (in bands of £2,500) £'000	Cash equivalent transfer value as at 31 March 2025 £'000	Cash equivalent transfer value as at 31 March 2024 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account (to nearest £100) £'000
Michelle Ostermann Chief Executive Officer	5–10	5–7.5	106	–	82	–
Sara Protheroe, Chief Customer Officer	50–55[1]	2.5–5	1,048	938	62	–
David Taylor, General Counsel to 1 November 2024	60–65	2.5–5	1,231	1,108	82	–

1 Plus a lump sum of £125,000–£130,000.

2 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the *McCloud* judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Cash equivalent transfer value

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A cash equivalent transfer value (CETV) is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figure shown relates to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figure includes the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. It also includes any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair pay disclosures*

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Board member in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

* Subject to audit.

	Total remuneration (in bands of £5,000) £'000	Salary and benefits-in-kind (in bands of £5,000) £'000	Bonus (in bands of £5,000) £'000
Highest paid Board member			
2024/25	370–375	315–320	50–55
2023/24*	265–270	220–225	40–50
% change	38.5	42.3	19.4
Average employee			
2024/25	75–80	65–70	10–15
2023/24	75–80	60–65	10–15
% change	2.5	2.6	1.9

Year ended 31 March 2025	25th percentile	Median	75th percentile
Employee total remuneration	£40,855	£57,600	£85,663
Employee salary element	£38,000	£53,960	£78,792
Ratio to total remuneration of highest paid Board member	9.1	6.5	4.3

Year ended 31 March 2024	25th percentile	Median	75th percentile
Employee total remuneration	£39,530	£55,732	£87,241
Employee salary element	£36,925	£51,278	£77,475
Ratio to total remuneration of highest paid Board member*	6.8	4.8	3.1

* Restated due to a change in the approach to assessing the highest paid Board member.

In 2024/25, six employees (2023/24: 18) received remuneration in excess of the highest paid Board member. Salaries ranged from £15,000–£20,000 to £345,000–£350,000. Bonuses ranged from £0–5,000 to £960,000–£965,000 (2023/24 Salaries: £20,000–£25,000 to £330,000–£335,000; 2022/23 Bonuses: £0–£5,000 to £870,000–£875,000).

The increase in the remuneration of the highest paid Board member and increases to employee total remuneration ratios are due to the appointment of a permanent Chief Executive in a higher salary band.

Total remuneration includes salary, non-consolidated performance-related pay (bonus) and benefits-in-kind. It does not include severance payments, employer pension contributions and the CETV of pensions. Performance-related pay includes deferred awards from 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24.

* Subject to audit.

Staff report

Staff numbers and costs*

The average number of staff employed, including seconded and temporary staff, and their associated costs (as shown in note 11 to the financial statements) was:

	2024/25		2023/24	
	Average no. employees	Staff costs £m	Average no. employees	Staff costs £m
Permanent employees and fixed term contracts	451	49.6	434	44.2
Short-term, seconded and temporary staff	6	1.7	5	0.2
Total	457	51.3	439	44.4

Sickness, absence and staff turnover

The number of days we lost to sickness during the year averaged 4.1 days per person (2023/24: 6.4 days). This included long-term absences of more than 28 days, of which we had 14 employees absent for more than six months for serious health issues. Excluding long-term absences, we lost 3.1 days per person (2023/24: 3.8 days).

Staff turnover was 11.5 per cent in 2024/25 and 13.6 per cent in 2023/24.

Staff composition

As at 31 March we had:

	2025		2024	
	Men	Women	Men	Women
Total employees	219	249	206	232
Senior management	8	9	10	10
Other management	22	19	26	20

Other employee matters

Diversity and inclusion

We believe that having a diverse workforce is not just the right thing to do; it improves our performance and our ability to identify risks. A diverse and inclusive workplace is central to our ability to attract, develop and retain the talent we need to succeed.

We are a Level 3 Disability Confident Leader under the Disability Confident Employer Scheme, which recognises that we take action to meet commitments regarding employment, retention, training and career development of disabled employees. As at 31 March 2025, we had 33 employees who consider themselves to have a disability or long-term health condition.

We published our Diversity Pay Gap Report in March 2025. Our median gender pay gap stood at 17.8 per cent on 31 March 2024, up from 17.5 per cent on 31 March 2023 (2020: 15.7 per cent). We are a signatory to the Women in Finance Charter. This is the fourth year we have voluntarily published our median ethnicity pay gap, which stood at 10.0 per cent on 31 March 2024. This is an improvement from 15.9 per cent on 31 March 2023. We signed the Race at Work Charter in December 2019. This is the third year we have reported on our median disability and long-term health condition pay gap, which was -3.1 per cent, an improvement on -2.4 per cent in 2023 (2022: 2.0 per cent).

Our equality and dignity at work policy sets out what we expect of all staff in relation to discrimination, bullying and harassment. It also describes the procedures for dealing with any instances of discrimination, bullying or harassment and the different routes available to staff for reporting any such instances.

For further information see pages 31–32.

* Subject to audit.

Employee consultation and participation

We have an active Employee Liaison Committee (ELC) which is made up of representatives from each directorate, with an elected Chair and an Executive Committee sponsor. The Committee meets quarterly. Its role is to provide a voice for employees and a line of two-way communication between staff and senior management. The ELC gives and receives feedback on key areas of interest or concern, and takes responsibility to ensure that issues are raised with the right people and resolved. It also manages the social fund and arranges events throughout the year to further employee engagement.

Learning and development

Employee development is important for us, as a way of both increasing our organisational capability and helping to retain an engaged and motivated workforce. We provide many opportunities for development including coaching, training courses, in-house accredited development programmes, apprenticeships, professional qualifications, professional subscriptions and much more.

Health, safety and wellbeing

We promote good mental health through internal engagement, information and training, such as Mental Health First Aid. All line managers take mental health training. We also signpost the Employee Assistance Programme wherever possible.

Trade unions

We do not have any trade union relationships or union recognition.

Off-payroll staff

There were a total of eight off-payroll engagements for more than £245 per day between 1 April 2024 and 31 March 2025. All off-payroll engagements undertaken during the year have been assessed as compliant with the requirements of IR35.

There were four off-payroll engagements as of 31 March 2025 for more than £245 per day, all of which existed for less than a year.

Of the eight individuals who held senior manager roles with significant financial responsibility during the year, none were undertaken as off-payroll engagements.

Staff exit packages*

Exit package payments agreed to former staff are summarised as follows:

	Total number of exit packages by cost band	
Exit package cost band	2025	2024
£0–£25,000	1	2
£25,000–£50,000	1	1
£50,000–£100,000	1	1
£100,000–£200,000	–	–
£200,000–£250,000	1	–
Total number of exit packages	4	4
Total cost	£384,188	£132,213

Redundancy costs have been paid within the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

There were no compulsory redundancies in 2024/25 (2023/24: zero).

Consultancy costs

We use professional service providers to help with specialist work, including consultancy and contingent labour, when we believe it appropriate. Total expenditure on contingent labour amounted to £3.3m (2024: £2.4m). The amount spent on consultancy was £nil (2024: £nil (restated)). The net increase is due to investment in risk management and systems development.

* Subject to audit.

Parliamentary accountability

The disclosures in this Parliamentary Accountability Report along with the Statement of Chief Executive's Responsibilities and the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament bring together the key documents demonstrating the Board of the PPF's accountability to Parliament in relation to the Annual Report and Accounts.

The Chair and Chief Executive meet regularly with Ministers and senior officials from the DWP in addition to quarterly accountability review meetings. The DWP approves the Board's Strategic Plan and the Board delivers its Annual Report and Accounts to Parliament through the Secretary of State for Work and Pensions.

Compliance with Chief Executive responsibilities is supported through the Board's risk management procedures and through a shared objective for senior management to support the Chief Executive in fulfilling her responsibilities.

Losses and special payments*

Our mission is to pay the right amount of PPF compensation to the right people at the right time. To do this we rely on complete and accurate data being available, as well as our own administrative processes working effectively.

Incorrect payments do occasionally arise. Sometimes we will pay the best estimate of compensation at the correct time, based on inaccurate or incomplete data from scheme trustees.

We may occasionally make errors ourselves in the administration of compensation. When more accurate information is made available, or an error has occurred and is subsequently identified, we will reassess the compensation calculation. This can lead to us making additional compensation payments, reclaiming overpaid compensation from members or occasionally incurring HMRC charges. We also have to make similar adjustments where amounts have in the past been paid incorrectly by schemes which subsequently transferred into the PPF.

Our policy for overpayments is to seek recovery by offset against future compensation payments or by immediate settlement where this is not possible (or if the member prefers to do so). Under certain circumstances, including financial hardship, the overpaid amount will be written off. If the amount is uneconomic to recover or relates to the remainder of the month in which a member dies, the overpaid amount will be waived.

* Subject to audit.

Where members' compensation is found to have been underpaid we pay interest on the backdated amounts.

We typically charge interest on late payment of PPF levies. Under certain circumstances we waive this interest.

The losses were:

	2024/25 £	2023/24 £
Member payments written off	270,951	222,557
Member payments waived	1,121,519	1,020,333
Interest on underpaid compensation – following *Hampshire* judgment	675,006	2,514,180
Interest on underpaid compensation – on transfer of a specific scheme	176,505	3,062
Interest on underpaid compensation – other	13,273	18,595
HMRC charges and interest	4,821,932	6,943,565
Waived interest on late levy payments	31,117	43,982
Total	**7,110,303**	**10,766,274**

During the year, recovery of an amount of £12.2 million relating to a scheme in assessment was waived following a legal settlement agreed by the Pensions Regulator to optimise benefits for members.

The HMRC charges and interest were higher than normal in 2024/25 and 2023/24 due to work following the *Hampshire* judgment.

No individual losses or special payments were greater than £300,000.

Remote contingent liabilities*

Claims which are considered possible are recognised as contingent liabilities. The aggregate value of all other potential claims at 31 March 2025 is estimated at £16 billion. This is calculated as the net deficit of the schemes in the PPF 7800 Index on the PPF's internal valuation basis, less those schemes included within the provision for claims or contingent liabilities disclosed in the PPF's Financial Statements.

The PPF 7800 Index is an established official statistic, which we have published since 2007. It indicates the latest estimated funding position for the DB pension schemes in the PPF's eligible universe.

Government functional standards

Government functional standards do not apply to the PPF.

Statement of Chief Executive's responsibilities

Under the Pensions Act 2004, the Board of the PPF is required to prepare for each financial year a statement of accounts in the form and on the basis directed by the Secretary of State for Work and Pensions with the consent of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Board of the PPF and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

For the purposes of the Government Financial Reporting Manual, the PPF Board sees the Chief Executive as having analogous responsibilities to the Accounting Officer as set out in 'Managing Public Money'.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for keeping proper records and for safeguarding the Board's assets, are set out in 'Managing Public Money' published by HM Treasury.

As Chief Executive I confirm the following:

- as far as I am aware, there is no relevant audit information of which the auditors are unaware;
- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information;
- the Annual Report and Accounts as a whole are fair, balanced and understandable; and
- I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Michelle Ostermann
Chief Executive

1 July 2025

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Board of the Pension Protection Fund (PPF) and its Group for the year ended 31 March 2025 under the Pensions Act 2004.

The financial statements comprise the PPF and its Group's:

- Consolidated Statement of Financial Position as at 31 March 2025;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated Statement of Reserves for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the PPF and its Group's affairs as at 31 March 2025 and their comprehensive net income for the year then ended; and
- have been properly prepared in accordance with the Pensions Act 2004 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024. I am independent of the PPF and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the PPF and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the PPF and its Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Board and the Chief Executive with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the PPF and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate thereon. The Board and the Chief Executive is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Pensions Act 2004.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Pensions Act 2004; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the PPF and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the PPF and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Chief Executive for the financial statements

As explained more fully in the Statement of Chief Executive's Responsibilities, the Board and Chief Executive are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the PPF and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with Secretary of State directions issued under the Pensions Act 2004;
- preparing the Annual Report, which includes the Remuneration and Staff Report, in accordance with Secretary of State directions issued under the Pensions Act 2004; and
- assessing the PPF and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive anticipates that the services provided by the PPF and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Pensions Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the PPF and its Group's accounting policies, key performance indicators and performance incentives.
- inquired of management, the PPF's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the PPF and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations, including the PPF and its Group's controls relating to the PPF's compliance with the Pensions Act 2004 and Managing Public Money.
- inquired of management, the PPF's Head of Internal Audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the PPF and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and misappropriation of investment assets. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the PPF and its Group's framework of authority and other legal and regulatory frameworks in which the PPF and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the PPF and its Group. The key laws and regulations I considered in this context included the Pensions Act 2004, Managing Public Money, tax legislation, pensions legislation, the Sanctions and Money Laundering Act 2018, the Russia (Sanctions) (EU Exit) Regulations 2019 and employment law.

I considered the completeness and accuracy of compensation payments and going concern of the Fraud Compensation Fund.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Risk and Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I performed substantive testing over a number of schemes in assessment; and
- I reviewed all income and expenditure streams for any irregularities or non-compliance with laws and regulations, including levy collected.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date 7 July 2025

National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements

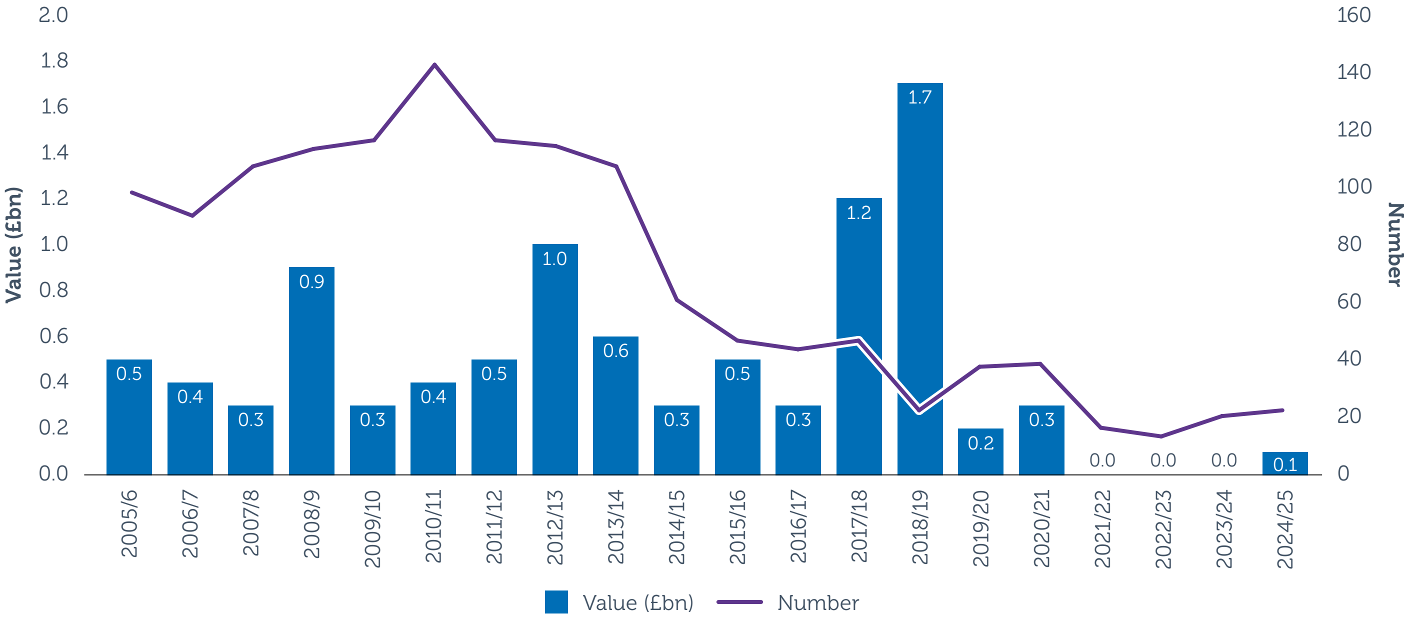
Financial review[1]

Summary

Our approach to funding is to hold assets in excess of our liabilities to provide protection against the risk that future experience is different to what we expect. As we hedge our interest and inflation risk, the largest risks we currently face come from future claims or members living longer than we have assumed when calculating our liabilities.

The consolidated reserves of the PPF have increased over the year from £13.2bn to £13.9bn. This is mostly driven by a return of £1.1bn from assets in the PPF growth portfolio. Higher interest rates reduced actuarial liabilities by eight per cent but there was limited impact on reserves due to the hedging programme. The level of PPF claims continues to be low in 2024/25 with 23 new claims totalling £63.2m as shown in the following chart:

New PPF claims since inception



Whilst current PPF claims levels remain low, insolvency rates in the universe of schemes that we protect could increase. However, levels of scheme funding means that our expectation is that a significant number of these schemes would not transfer to the PPF.

The consolidated results include the Fraud Compensation Fund. This fund compensates schemes for losses arising from fraudulent activities and has seen a rise in cases due to pension liberation. There have been 167 claims to date and these are being assessed over a number of years. The net cost of claims in 2024/25 was £100m (2023/24: £115m) and the fund's reserves reduced by £60m in the year to net liabilities of £135m.

Note disclosures and commentary

Alongside the principal financial statements and accompanying notes, we present a commentary to highlight and explain important points in a number of the notes. These are identifiable by a shaded background and are not audited by the Comptroller and Auditor General, but have been reviewed for consistency. These notes comprise a summary of accounting policies specific to individual financial statement items (included in a box) and disclosures.

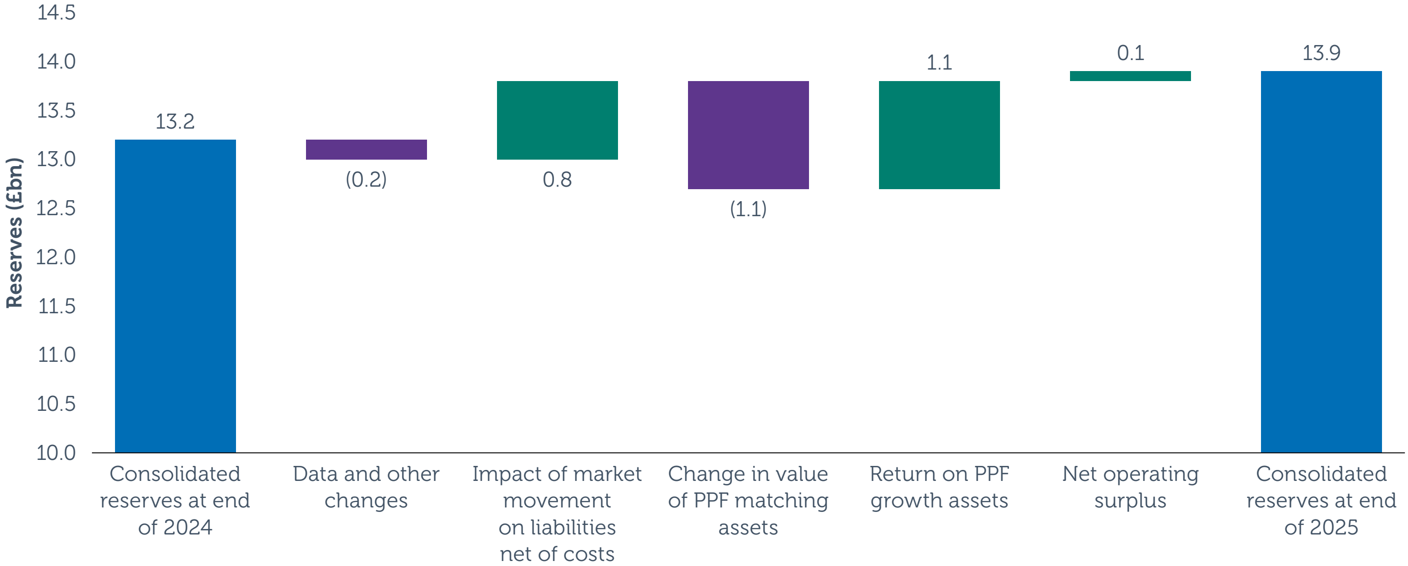
The report from the Comptroller and Auditor General on pages 94–97 confirms that there are no matters that need to be brought to the reader's attention.

Review of the Consolidated Statement of Comprehensive Net Income

The Consolidated Statement of Comprehensive Net Income, together with the Consolidated Statement of Changes in Reserves, shows the movement in consolidated reserves during the reporting year. These are summarised in the following diagram and further explained in the subsequent commentary.

1 The Financial review is not subject to audit.

Movement in consolidated reserves (£bn)



The consolidated reserves have increased by £0.7bn in the year. Assumption changes for mortality and expenses together with data and other changes have reduced reserves by £0.1bn. Higher gilt yields during the year acted to reduce our liabilities by £0.8bn in the year. However, our hedging programme meant that asset values reduced by £1.1bn. The return on our PPF growth assets was around £1.1bn.

Net operating surplus is lower than last year by £0.1bn due to a lower level of levy being charged. Net operating income comprises total levy income of £139m (2023/24: £209m), income from grants £21m (2023/24: £21m), less operating costs of £81m (2023/24: £72m). Levy income comprises PPF levies of £102m and £37m levies for the FCF.

The Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position sets out the details, at 31 March 2025, of the assets and liabilities held in all the funds for which the Board is responsible. For schemes in assessment (SIA), although the claim has been recognised, the assets and liabilities remain outside of the PPF and the accounting treatment is to include a provision for the net deficit. However, we include the assets and liabilities – calculated on the PPF valuation basis – when calculating the funding ratio.

Consolidated reserves at 31 March 2025

	Consolidated Statement of Financial Position excluding claims provisions for SIA £m	Claims provisions for SIA £m	Total £m
Net assets of the Administration Funds	1.2	–	1.2
Net assets of the FCF	(134.6)	–	(134.6)
Net assets of the PPF	31,154.7	1,043.6	32,198.3
Total	**31,021.3**	**1,043.6**	**32,064.9**
Actuarial estimates of liabilities of the PPF	(16,981.3)	(1,137.3)	(18,118.6)
Total consolidated reserves	**14,040.0**	**(93.7)**	**13,946.3**
Funding ratio of the PPF			177.7%

Over the year, our actuarial liabilities, including those schemes included in the provision for SIA, have decreased from £19.9bn to £18.1bn. Market movements and other changes have acted to reduce liabilities by £0.9bn. Scheme movements increased liabilities by £0.4bn. In addition, £1.2bn of compensation has been paid to our members, with a further £0.1bn paid to those schemes included as a provision.

Consolidated Statement of Comprehensive Net Income

For the year ended 31 March	Notes	2025 £m	2024 £m
Operating income			
Income from levies	3	139.5	208.9
Income from grants	3	20.5	21.0
Total operating income		**160.0**	**229.9**
Operating expenses			
Staff costs	11	(51.3)	(44.4)
Other costs	11	(29.4)	(27.2)
Total operating expenses		**(80.7)**	**(71.6)**
Net operating surplus		**79.3**	**158.3**
Investment activities			
Net investment income	5	575.4	611.7
Change in value of investments	5	(364.4)	25.8
Investment expenses	5	(219.2)	(174.2)
Net investment return		**(8.2)**	**463.3**
Claims activities			
Current year claims for compensation	2	(173.1)	(131.6)
Revaluation of claims for compensation	2	61.2	19.8
Gains on actuarial liabilities	1	833.8	526.0
Net cost of claims		**721.9**	**414.2**
Other income and expenditure	13	**(11.3)**	**–**
Comprehensive net income for the year		**781.7**	**1,035.8**

The Board has no comprehensive income or expenditure other than the comprehensive net income disclosed above. There were no discontinued operations, acquisitions or disposals during this period.

The accounting policies and notes on pages 106–135 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March	Notes	2025 £m	2024 £m
Assets			
Operating cash		96.7	25.5
Investment assets	4a	42,575.4	43,440.3
Levy receivables		1.2	1.2
Transfer-in receivables		2.8	10.1
Other assets		22.7	98.4
Total assets		**42,698.8**	**43,575.5**
Liabilities			
Investment liabilities	4a	(11,375.7)	(11,248.2)
Loan to the FCF	4d	(54.2)	–
Other liabilities		(89.8)	(72.7)
Actuarial liabilities	1	(16,981.3)	(18,826.2)
Claims provisions	2	(251.5)	(263.8)
Total liabilities		**(28,752.5)**	**(30,410.9)**
Total assets less total liabilities		**13,946.3**	**13,164.6**
Represented by: **Total levy and tax payer funds**		**13,946.3**	**13,164.6**

The Board of the PPF approved the financial statements on 18 June 2025 and authorised the Chief Executive to sign this Consolidated Statement of Financial Position on the same date.

Michelle Ostermann
Chief Executive

1 July 2025

The accounting policies and notes on pages 106–135 form part of these financial statements.

Consolidated Statement of Changes in Reserves

For the year ended 31 March	Levy payer funds £m	Taxpayer funds £m	Total reserves £m
At 1 April 2023	**12,129.4**	**(0.6)**	**12,128.8**
Total recognised net income for 2023/24	1,035.8	–	1,035.8
Balance at 31 March 2024	**13,165.2**	**(0.6)**	**13,164.6**
Total recognised net income for 2024/25	782.1	(0.4)	781.7
Balance at 31 March 2025	**13,947.3**	**(1.0)**	**13,946.3**

The accounting policies and notes on pages 106–135 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March	Notes	2025 £m	2024 £m
Cash flows from operating activities			
Net operating surplus		79.3	158.3
Purchase of property and equipment		(0.2)	(0.1)
Depreciation, amortisation and impairment charges	11	0.1	0.3
Movement in current liabilities		64.6	84.3
Movement in receivables		(1.5)	(81.6)
Net cash inflow from operating activities		**142.3**	**161.2**
Cash flows from investing activities			
Cash flows from net investment sales/(purchases)		(2,243.7)	(874.2)
Cash flows from net investment return		1,688.9	1,589.7
Net gains on cash equivalents		50.7	70.1
Net cash (outflow)/inflow from investing activities		**(504.1)**	**785.6**
Cash flows from claims activities			
Cash receivable from schemes transferring into the PPF		160.3	151.5
Compensation payments to members of the PPF	1	(1,198.5)	(1,207.6)
FCF paid claims	2	(86.5)	(40.2)
Net cash outflow from claims activities		**(1,124.7)**	**(1,096.3)**
Cash flows from financing activities			
FCF loans received		54.1	–
Net cash inflow from financing activities		**54.1**	–
Net decrease in cash and cash equivalents in the year		**(1,432.4)**	**(149.5)**
Cash and cash equivalents at beginning of the year		**3,195.5**	**3,345.0**
Cash and cash equivalents at end of the year		**1,763.1**	**3,195.5**
Cash and cash equivalents comprise the following:			
Operating cash		96.7	25.5
Cash at fund managers	4a	2,491.8	3,142.1
Net repurchase agreements	4a	(666.3)	101.9
Net unsettled trades	4a	(159.1)	(74.0)
		1,763.1	**3,195.5**

The accounting policies and notes on pages 106–135 form part of these financial statements.

Funds for which the Board is responsible

The Board is a statutory public corporation, sponsored by the DWP, incorporated on 6 April 2005 under the Pensions Act 2004. Legislation requires the Board to hold and apply statutory funds which constitute the three broad streams in which the financial activities of the Board are accounted for:

- the **PPF**
- the **FCF**
- the **Administration Funds**

The **PPF** holds the majority of the Board's assets and liabilities, receives protection levy income and incurs much of the Board's costs. Its assets arise from levy income collected, investment returns and assets transferred from schemes for which the PPF has assumed responsibility. The PPF's principal liabilities are to pension scheme members for whom it has assumed responsibility and a provision for the total estimated value of the deficits of schemes where eventual entry to the PPF is judged probable.

The **FCF** receives fraud compensation levies and holds a fund to compensate schemes which have suffered loss due to acts of dishonesty.

The **Administration Funds** record some of the Board's administrative expense and the related funding. In the Board's role as manager of the FAS, the Board administers payments to members of certain DB pension schemes which are ineligible for PPF compensation and manages the transition of these schemes and the transfer of the schemes' assets to the government.

Core accounting policies

This section sets out the core accounting policies which apply throughout the financial statements. Accounting policies specific to particular elements of the financial statements are set out in boxes within the relevant note disclosures. The Board's core and specific accounting policies have been consistently applied in the current and preceding year.

Basis of preparation

These financial statements have been prepared in accordance with an Accounts Direction dated 18 February 2010 issued by the Secretary of State for the DWP, with the approval of HM Treasury (HMT), in line with the Pensions Act 2004. The Accounts Direction stipulates compliance with the current FReM, which provides guidance in following, as far as appropriate, private sector practice based on International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a going concern basis. For all funds, the financial statements have been prepared under the historical cost convention, except for the measurement at fair value through profit and loss of financial instruments and investment property, and the measurement of compensation benefits and associated provisions at the present value of the obligation.

Accounting standards particularly relevant to reporting on the Board's responsibilities and activities include:

- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments: Recognition and Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 13 Fair Value Measurement
- IFRS 15 Revenue from Contracts with Customers (as adapted by the FReM)
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 32 Financial Instruments: Presentation
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS 40 Investment Property

Standards likely to affect future financial statements include:

IFRS 17 Insurance Contracts (effective for the public sector for the periods beginning on or after 1 April 2025). The new standard replaces IFRS 4 and is a comprehensive new accounting standard for all insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers and to replace the requirements of IFRS 4 that allowed insurers to apply grandfathering of previous local accounting policies. HMT has released guidance on the application of IFRS 17 to the public sector. Based on this guidance, the Board does not consider that IFRS 17 will have a material impact on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals, in order to improve the comparability and transparency of entities' performance reporting. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. HMT has not yet provided guidance for adoption by the public sector. The Board will fully assess the impact of IFRS 18 once this has been done.

Consolidated financial statements

The financial statements of the Board of the Pension Protection Fund consolidate the financial positions and results of the PPF, the FCF and the Administration Funds. The Board holds some investment assets through subsidiaries formed solely for that purpose. The underlying investments, income, gains and losses are recorded in the total investment portfolio. The subsidiaries are listed in note 14.

Core accounting policies – continued

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament refers to the consolidated financial statements of the Board of the Pension Protection Fund as 'the financial statements of the Board of the Pension Protection Fund and its Group'.

The Board acquired a subsidiary in the 2020/21 financial year following a scheme transfer and this subsidiary was disposed of during the current financial year. The Board considers itself an investment entity as defined under IFRS 10 Consolidated Financial Statements and the subsidiary formed part of its investment portfolio during the time it was held by the Board. As such, the subsidiary was not fully consolidated into the PPF's financial statements but was included in investments in note 4 of the financial statements, measured at fair value through profit and loss.

Segmental reporting

To comply with IFRS 8 Operating Segments, note 12 summarises the financial transactions and balances of the three separate activity streams described in the introduction: the PPF, the FCF and the Administration Funds. Further information is available in the notes on provisions for claims, levy income and operating expenses.

Foreign currency translation

These financial statements are presented in sterling, which is the functional currency of the Board. Transactions denominated in foreign currency are recorded at the exchange rates prevailing on the dates of the transactions.

All assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at the year end. Exchange differences arising on settlement and on retranslation are recognised in change in fair value. Forward foreign exchange contracts are valued at rates prevailing at the year end.

Impact of the Board assuming responsibility for schemes

Before entering the PPF, schemes go through an assessment period described at: www.ppf.co.uk/overview-assessment-process.

Schemes that satisfy the criteria for transfer to the PPF – in particular that they have insufficient assets to meet their protected liabilities – receive a Transfer Notice under section 160 of the Pensions Act 2004, under which all their property, rights and liabilities are transferred to the Board. At the effective date of the Transfer Notice the scheme's net financial assets are transferred at fair value and its actuarial liabilities are valued using the same policies as apply to the Board's existing actuarial liabilities. Where the net deficit of a transferring-in scheme has been provided for at the end of the previous reporting period, changes in the value of the deficit due to changes in the value of the scheme's assets and liabilities from the previous accounting date up to the effective date of the Transfer Notice are accounted for as a revaluation of claims.

Taxation

By virtue of the PPF (Tax) Regulations 2006, SI 2006/575, the Board is treated in the same way as UK registered pension schemes. Income from which recoverable withholding tax has been deducted is recorded gross, and the tax recoverable is included in receivables. Where tax withheld cannot be recovered, income is recorded net. The Board does not have to pay tax on its net income. Value Added Tax is normally irrecoverable in the United Kingdom and is recognised as part of the expenditure to which it relates.

Significant estimates and judgements

The preparation of financial statements requires management to make estimates and judgements. Actual results could differ from estimates. Information about these judgements and estimates is contained in the relevant accounting policies and notes to the accounts. The key areas of estimation uncertainty and judgement are:

- actuarial liabilities and gains or losses on actuarial liabilities (note 1)
- claims provisions and contingent liabilities (note 2)
- techniques for valuing financial instruments for which there is not a quoted price (note 4)

Paying compensation

This section describes:

- the PPF's liabilities to pay compensation to members
- provisions and contingent liabilities made for potential claims for schemes to enter the PPF and for schemes to be compensated by the FCF for losses caused by dishonesty

1. Liabilities to pay compensation to PPF members

The Consolidated Statement of Financial Position shows that at 31 March 2025 the PPF estimated the value of existing liabilities to pay compensation to members at £17.0bn. During the year, the PPF paid members compensation of £1.2bn. After the Actuarial Valuation as at 31 March 2025 was completed, a net gain of £0.8bn to the Consolidated Statement of Comprehensive Net Income was recognised to decrease the estimated liabilities to pay compensation to members.

The amount of the PPF's liabilities to pay compensation to members (actuarial liabilities) is calculated by the Appointed Actuary – see the Actuarial Valuation starting on page 136.

The value is impacted by changes in actuarial assumptions, discount rates, operating expenses and other relevant factors, including the payment of benefits during the period.

Accounting policy

In accordance with IAS 37, the Board recognises its best estimate of the expenditure required to pay compensation to members in the future as disclosed in the Actuarial Valuation. This includes:

- the present value of the liability to pay compensation to the members, both deferred and retired, of all pension schemes for which the Board has assumed responsibility, valued on the assumptions set out in the Appointed Actuary's Report
- an allowance for operating expenses permitted to be charged against the PPF

Where a member retires before the year end but has not received compensation, the transaction is accounted for as a decrease in the actuarial liabilities on a cash basis.

Key judgements and estimates

The reported financial position of the PPF is dependent on an appropriate valuation of its actuarial liabilities. In accordance with the Pensions Act 2004, the Board has appointed a suitably qualified actuary to take responsibility for carrying out these calculations.

The material assumptions used in calculating the actuarial liabilities include judgements to select the assumed discount rate, and estimations of the assumed inflation rate and the assumed life expectancy of members, used to forecast benefits payable to members. A description of each of these assumptions is set out below and the impact of changes to these assumptions is set out on the following page.

Discount rate	A full curve, consisting of: 80% of the gilt yield, plus 20% of the SONIA-based swap yield, at each term
CPI inflation	0.9% p.a. lower than RPI inflation until 31 January 2030 and 0.1% p.a. lower thereafter
Baseline life expectancy	Club Vita life expectancy curves, 2023 version, with mortality rate scaling factor of 95% for men
Future improvements in life expectancy	CMI 2023 model (core form, except for addition to initial improvements, 'A', of 0.25%, weight parameter, 'w' for 2022 and 2023 of 0%, and no improvements over calendar years 2020 to 2025, inclusive), long-term rate 1.5% p.a.

In order to assist the reader of these financial statements, a full copy of the Appointed Actuary's Report to the Board on this year's valuation has been included in this document and has had an independent review. The details of this report have not been audited by the NAO but does contain information useful in understanding the judgements which have been made in arriving at the valuation. In particular, Appendix M3 which sets out details of the significant assumptions, including on page 152, the method used to compute an appropriate discount rate and Appendix S4 which illustrates the more material sensitivities to those assumptions.

Paying compensation – continued

The change in the total value of actuarial liabilities can be analysed as follows:

Actuarial liabilities

	2025 £m	2024 £m
Opening value of actuarial liabilities	18,826.2	20,317.1
Actuarial liabilities of schemes which transferred to the PPF during the year	187.4	242.7
Actuarial gains	(833.8)	(526.0)
Benefits paid to members	(1,198.5)	(1,207.6)
Total actuarial liabilities	**16,981.3**	**18,826.2**

The minimum amount of the total actuarial liabilities expected to be settled within 12 months is £1,415.2m (2024: £1,440.8m).

The impact of changes to the material assumptions used in calculating the actuarial liabilities are set out below.

Actuarial gains

The analysis of change has been determined by aggregating actual experience observed over each month of the year. Actuarial gains are the net adjustment required to the outstanding amount of actuarial liabilities after accounting for schemes which have transferred into the PPF and the amount of benefits paid during the year. Actuarial gains can be analysed as follows:

	2025 £m	2024 £m
Change due to the passage of time	800.5	902.6
Change in liabilities due to change in market yields	(1,596.0)	(1,451.4)
Change in assumptions*	(5.7)	(81.6)
Data changes and other experience	(32.6)	104.4
Change in past service cost	–	–
Total actuarial gains	**(833.8)**	**(526.0)**

* Change in assumptions includes changes to mortality, inflation and discount rates.

Impact of changes to assumptions on actuarial liabilities

The change in value of actuarial liabilities under a number of scenarios would be:

	2025		2024	
	£m	%	£m	%
Nominal yields are 1.0% lower per year than assumed*	2,063.8	12.2	2,560.6	13.6
Inflation is 1.0% higher per year than assumed	414.5	2.4	539.1	2.9
Inflation is 1.0% lower per year than assumed	(537.5)	(3.2)	(642.7)	(3.4)
Average life expectancy is one year longer than assumed*	653.9	3.9	743.2	3.9

* The impact of changes to these assumptions is symmetrical – an equal and opposite change in the assumption broadly results in an equal and opposite impact on the actuarial liabilities.

The discount rate is represented by the nominal yields in the table above. A discount rate is applied to future payments and expenses in order to express them in present value terms, it does not affect the value of the future payments and expenses when they are paid. Without discounting, the actuarial liabilities would be approximately 97 per cent higher than presented above.

2. Provisions for claims on the PPF and the FCF

The Consolidated Statement of Financial Position shows **total provisions of £251.5m for claims from pension schemes**, with £93.7m being for the PPF (see page 112) and £157.8m for the FCF (see page 114). The Consolidated Statement of Comprehensive Net Income shows **cost of current year claims of £173.1m,** £63.2m being the PPF and £109.9m being the FCF. There is also a net **decrease to the values of claims previously recorded of £61.2m**, with £51.7m for the PPF and £9.5m for FCF.

The PPF provision relates to SIA and is calculated by the Appointed Actuary as the present value of estimated future compensation payments to be made by the PPF, less the value of existing assets in such pension schemes. The claims activities disclosed in the Consolidated Statement of Comprehensive Net Income are affected by two elements of claims: the amount of new claims received in the year, and the effect of reassessing the value of previously reported claims.

The FCF maintains a provision for claims where we have established, more likely than not, that a fraud has occurred and sufficient information has been provided to reliably estimate the amount of loss.

Accounting policies

The PPF considers all eligible pension schemes whose sponsoring employers have experienced a qualifying insolvency event before the end of the accounting period. Where eventual entry of the scheme into the PPF is judged probable, the Board recognises a provision.

Where the Board believes no qualifying insolvency event has occurred before the end of the accounting period, but nonetheless the event could possibly occur, and where it has sufficient information, a contingent liability will be disclosed.

The provision is valued at the net deficit impacting the PPF, that is:

- scheme liabilities calculated on the same basis as actuarial liabilities; less
- assets under the trustees' control, including asset recoveries from insolvent employers.

The contingent liabilities are valued using statistical modelling of all the schemes that the PPF protects to provide an expected insolvency rate which when combined with the expected deficit gives the expected value of claims within the next 12 months.

Within the FCF, the Board recognises provisions for claims (including third-party claims handling costs) where it is probable that an eligible pension scheme has suffered a loss due to an act of dishonesty and the loss can be reliably estimated. Where the success of a claim is judged possible, but less than probable or its value cannot be reliably measured, a contingent liability is disclosed.

Paying compensation – continued

Key judgements and estimates

The calculation of the costs of claims on the PPF relies on actuarial assumptions for the valuation of scheme liabilities. The material assumptions used in calculating the scheme liabilities include judgements used to derive the discount rate and estimations of the assumed inflation rate and the assumed life expectancy of members, used to forecast benefits payable to members. A description of each of these assumptions is set out below and the impact of changes to these assumptions is set out in the following notes.

Discount rate	A full curve, consisting of: 80% of the gilt yield, plus 20% of the SONIA-based swap yield, at each term
CPI inflation	0.9% p.a. lower than RPI inflation until 31 January 2030 and 0.1% p.a. lower thereafter
Baseline life expectancy	Club Vita life expectancy curves, 2023 version, with mortality rate scaling factor of 95% for men
Future improvements in life expectancy	CMI 2023 model (core form, except for addition to initial improvements, 'A', of 0.25%, weight parameter, 'w' for 2022 and 2023 of 0%, and no improvements over the calendar years 2020 to 2025 inclusive), long-term rate 1.5% p.a.

For asset values of schemes in PPF assessment, we are required to estimate fair value at the accounting date based on the most recently available information from scheme trustees. Generally this means we roll forward asset values as at a date prior to the Board's accounting date using appropriate market indices (see Appendix S2 for the PPF).

The calculation of the cost of claims for the FCF relies on the validation of the calculation of the loss by a scheme from information provided by the trustees.

Claims on the PPF

Claims provisions, current year claims for compensation, the revaluation of claims for compensation, and the total estimate of contingent liabilities relating to the PPF are summarised below:

	2025 £m	2025 Number of schemes	2024 £m	2024 Number of schemes
Claims provisions at start of year	**112.5**	**43**	**139.2**	**42**
Current year claims for compensation				
Protected liabilities	454.9		269.0	
Scheme assets including recoveries	(391.7)		(254.3)	
Total current year claims for compensation*	**63.2**	**23**	**14.7**	**21**
Revaluation of claims for compensation				
Release of provision for schemes no longer considered probable for entry	(51.0)	(7)	–	(4)
Revaluation of provisions brought forward from previous year end	(4.0)		(15.2)	
Change in provisions for schemes transferring into the PPF during the year	3.3		(2.2)	
Revaluation of claims	**(51.7)**		**(17.4)**	
Release of provisions for claims transferred to the PPF	**(30.3)**	**(12)**	**(24.0)**	**(16)**
Claims provisions at end of year	**93.7**	**47**	**112.5**	**43**

* Current year claims for compensation comprises newly notified claims, reapplications, and claims for schemes which had been in surplus but are now in deficit. Collectively these are referred to as 'new claims'.

The amount of the total claims provision expected to be settled within 12 months is £27.0m (2024: £0.7m).

The claims provisions are calculated as the total estimated actuarial liabilities less the total value of assets reported as owned by SIA at 31 March:

	2025 £m	2024 £m
Total estimated actuarial liabilities for SIA	1,137.3	1,076.3
Total assets owned by SIA	(1,043.6)	(963.8)
Total net deficits of SIA	**93.7**	**112.5**

Impact of changes to assumptions on claims provisions

The impact of changes to the material assumptions used in calculating the claims provisions are set out below.

The Appointed Actuary's Supplementary Report, in particular Appendix S4, gives further information on these provisions.

	2025		2024	
	£m	%	£m	%
Nominal yields are 1.0% lower per year than assumed[1]	31.5	33.6	26.7[2]	23.8[2]
Inflation is 1.0% higher per year than assumed	(6.4)	(6.8)	(2.0)[2]	(1.8)[2]
Inflation is 1.0% lower per year than assumed	1.7	1.8	(2.9)[2]	(2.5)[2]
Average life expectancy is one year longer than assumed[1]	48.0	51.2	47.1	41.9

1 The impact of changes to these assumptions is symmetrical – an equal and opposite change in the assumption broadly results in an equal and opposite impact on the claims provision.

2 Restated to remove the impact of hedging assets applied against the provision but not included within the provision. These values were previously disclosed as; Nominal yields are 1.0% lower per year than assumed – (£23.3m), (20.7%), Inflation is 1.0% higher per year than assumed – (£22.0m), (19.6%), Inflation is 1.0% lower per year than assumed – £17.1m, 15.2%.

The discount rate is represented by the nominal yields in the table above. A discount rate is applied to future payments and expenses in order to express them in present value terms, it does not affect the value of the future payments and expenses when they are paid. Without discounting, the claims provision would be approximately 92 per cent higher than presented on the previous page.

Contingent liabilities for possible claims on the PPF

The total value of claims on the PPF over the next 12 months identified as reasonably foreseeable at 31 March 2025, net of the value of related scheme assets, was estimated as £96.5m (2024: £32.7m).

It should be noted that although £96.5m is our best estimate of the contingent liabilities for possible claims as at 31 March 2025, the statistical modelling used to estimate our contingent liabilities produces a wide range of possible outcomes. The model has calculated that as at 31 March 2025 there is a 2.5 per cent chance that the number could be higher than £239.6m and a 2.5 per cent chance it could be lower than £17.9m.

This method is consistent with the Board's own methods of assessing the risk of schemes entering the PPF and we consider that this provides an appropriate measure.

While the United Kingdom was in the European Union, the Court of Justice of the European Union (CJEU) ruled that a reduction in the amount of occupational old age pension benefits paid to a member on account of their employer's insolvency is manifestly disproportionate where, as a result of the reduction, the member is living below the at-risk-of-poverty threshold determined by Eurostat (*Bauer*). The Retained EU Law (Revocation and Reform) Act that came into force from 1 January 2024 has removed the PPF's obligation to implement the *Bauer* judgment for members of schemes whose employers become insolvent from that date, but it is unclear if the Bill removes the obligation to pay the *Bauer* supplement for members of schemes that have already transferred to the PPF or were in the PPF's assessment period prior to 1 January 2024. The implementation of the *Bauer* judgment presents a significant operational complexity and we are working with the DWP to address the challenges.

Paying compensation – continued

Whilst there remains considerable uncertainty as to the scope and amount of payments which would become due, the Board's best estimate of the potential obligation indicates that it would not be significant to the PPF.

The Virgin Media Limited v NTL Pension Trustees II decision, handed down by the Court of Appeal in July 2024, considered the implications of section 37 of the Pension Schemes Act 1993, which required that certain rules of a salary-related contracted-out scheme could not be altered unless the actuary confirmed in writing that the scheme would continue to satisfy the statutory standards. The Court of Appeal confirmed that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the amendment to any relevant scheme benefits void, including amendments to both past and future service rights. The Board does not currently have sufficient information about schemes that have transferred into the PPF or schemes that are in the assessment period to be able to produce a reliable estimate of any potential impact.

Claims on the FCF

The total value of claims on the FCF are summarised below:

	2025 £m	2025 Number of schemes	2024 £m	2024 Number of schemes
Claims provision at the start of the year	**151.3**	**57**	**74.0**	**25**
Current year claims for compensation	109.9	26	116.9	53
Paid claims	(86.5)[1]	(36)	(40.2)[1]	(22)
Movement in claims recoverable	(0.9)[2]	–	1.12	–
Movement in outstanding claims	(6.5)	(9)	1.9	1
Revaluation of claims	(9.5)	–	(2.4)	–
Claims provision at the end of the year	**157.8**	**38**	**151.3**	**57**

1 Includes deferred payments on prior year claims and excludes amounts payable on current year claims if certain conditions are satisfied.

2 Comprises redemptions notified after the year end.

The amount of the claims provision expected to be settled within 12 months is £155.4m (2024: £6.9m).

Contingent liabilities for possible claims on the FCF

At 31 March 2025 there were 38 claims (2024: 57) in assessment for which we have concluded that fraudulent events have occurred. Components of these claims which we have been able to reliably estimate have been included in claims provisions. Components of these which we have not yet been able to reliably estimate have been included in contingent liabilities and amount to £32.5m (2024: £35.3m).

Components of paid claims for which we have not yet been able to reliably estimate have been included in contingent liabilities and amount to £0.6m (2024: £7.2m).

We have received a further nine claim applications amounting to £34.1m which are going through the settlement process whereby the claims will be assessed for eligibility and validation of the amounts claimed. Until we have completed our review and validation of information provided by the trustees, we are not able to confirm that the claim is valid or make a reliable estimate of the claims.

We have been notified of a further 47 potential claims with estimates (before any recoveries) totalling £96.4m but there is uncertainty as to their eligibility and to the validity of the amounts claimed.

Contingent liabilities for the FCF total £163.6m (2024: £274.2m).

Funding compensation

Levy income, grants and investment management

This section describes how the PPF and the FCF fund their obligations to pay compensation to members.

The PPF's Statement of Investment Principles (SIP) describes the primary objective as having sufficient funds to pay compensation to members of eligible pension schemes. The PPF's funding objective, and managing the financial risks associated with it, is designed to achieve a balance between protecting and securing the compensation payments for current and potential members of schemes that come into the PPF while setting a fair and proportionate levy.

The PPF is funded principally from four main sources:

- charging a levy on eligible pension schemes
- taking on the assets of schemes that transfer to the PPF
- recovering money, and other assets, from the insolvent employers of the schemes we take on
- funds to pay compensation in the future which are invested to earn an investment return

The FCF is mainly funded by the fraud compensation levy and it has its own SIP.

3. Operating income

Operating income consists of income from levies and income from grants.

Income from levies

The Consolidated Statement of Comprehensive Net Income shows that **total levy income decreased by £69.4m to £139.5m, £102.5m for the PPF itself and £37.0m for the FCF**.

The PPF levy amount collected in relation to the 2024/25 levy year was £104.4m, higher than the estimate of £100m published in December 2023. This reflects that the estimate is published several months before the data used to calculate levy invoices is available.

The principles, policies and procedures for levy assessment and invoicing are explained at: www.ppf.co.uk/levy-payers.

Accounting policy

Protection levy and fraud compensation levy income is recognised on an accruals basis.

Income from levies is reduced for possible reimbursements following levy payers' appeals.

Levy income for the year ended 31 March is summarised as follows:

	2025 £m	2024 £m
Risk-based levies in respect of the current year	85.2	145.7
Scheme-based levies in respect of the current year	19.2	27.1
Total protection levies in respect of the current year	**104.4**	**172.8**
Risk-based levies in respect of prior years	(1.9)	–
Scheme-based levies in respect of prior years	–	–
Total protection levies in respect of prior years	**(1.9)**	–
Income from protection levies	**102.5**	**172.8**
Income from fraud compensation levy	**37.0**	**36.1**
Total income from levies	**139.5**	**208.9**

The fraud compensation levy is collected by The Pensions Regulator (TPR) on the Board's behalf.

Funding compensation – continued

Income from grants
The Consolidated Statement of Comprehensive Net Income shows that **income from grants decreased by £0.5m to £20.5m.** Grants are received from the DWP to fund PPF and FAS operational expenses. Grants from the DWP relating to the PPF are funded by an administration levy applied to eligible UK pension schemes.

Accounting policy
Income from grants is recognised in the period in which the grant is received in accordance with IAS 20, as directed by the FReM.

Income from grants for the year ended 31 March is summarised as follows:

	2025 £m	2024 £m
Levy payer funds	14.0	14.0
Tax payer funds	6.5	7.0
Total	**20.5**	**21.0**

4. Financial instruments

Financial instruments are categorised as financial assets and financial liabilities. Financial assets are a contractual right to receive cash or another financial asset from another entity. Financial liabilities are a contractual obligation to deliver cash or another financial asset to another entity. Financial instruments comprise investments, cash and cash equivalents, levy receivables, transfer-in receivables and some other assets and liabilities.

Accounting policy
Classification
Financial instruments are classified at initial recognition as one of:

- financial assets and liabilities at fair value through profit or loss, further identified by:
  - (a) those financial assets mandatorily held at fair value through profit or loss;
  - (b) those financial assets designated as held at fair value through profit or loss at initial recognition; and
  - (c) those financial liabilities classified as held at fair value through profit or loss (mainly derivatives – interest rate swaps, inflation rate swaps, options, credit default swaps, longevity swaps and forward foreign exchange contracts to support LDI).
- financial assets or liabilities which are categorised as held at amortised cost.

Recognition and derecognition
Financial assets and liabilities at fair value through profit and loss are recognised initially on trade date. Other financial assets and liabilities are recognised on the date they are originated. Financial assets are derecognised when the right to receive cash flows has expired, or the Board has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation to deliver cash or another financial asset is discharged, cancelled or expires.

Securities sold subject to repurchase agreements remain on the Consolidated Statement of Financial Position and a liability is recorded for the consideration received.

Measurement
Financial assets and liabilities at fair value through profit and loss are measured at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted securities and other exchange-traded assets, including derivative contracts, are valued at closing prices at the end of the reporting period. Prices used are the bid price or last traded price, depending on the convention of the stock exchange or other market on which they are quoted. Pooled investment vehicles are valued at closing bid or single prices as appropriate. Assets for which a recognised investment exchange does not exist are valued at a fair value estimated by the Board's appointed fund managers or other appropriately qualified professional advisors. The latest available valuation is used, rolled forward to the reporting date as appropriate. Derivative contracts that are not exchange-traded (often referred to as over-the-counter contracts) are valued at prices calculated by a pricing agent – and compared to the fund manager's own valuations – using valuation methodologies based on market sources, except for longevity swaps which are valued using actuarial methods.

Other financial assets and liabilities are held at amortised cost.

Key judgements and estimates
The choice of valuation technique and inputs to the valuation methodology – whether based on observable market data or not – are matters of judgement and involve the use of estimates. The amounts eventually realised from these financial instruments may differ from the estimated values disclosed in these accounts. The Board may adjust the price of financial instruments received from the relevant price source if it judges that the price supplied does not reflect an orderly transaction in a functioning market or restrictions on the sale and use of the asset. Kodak Alaris Holdings Limited (KAHL) was a wholly owned subsidiary of the PPF which was acquired as part of a scheme transfer. KAHL was subsequently disposed of during the year ended 31 March 2025. The Board of the PPF assessed the accounting treatment of KAHL and concluded that the PPF met the definition of an investment entity under IFRS 10 and its holding in KAHL formed part of the PPF's investment portfolio during the period it was held. As such, KAHL was not fully consolidated into the PPF's financial statements but was disclosed as an investment asset prior to its disposal.

Classification of financial instruments at 31 March 2025

	Financial assets held at fair value through profit and loss* £m	Financial liabilities held at fair value through profit and loss £m	Total financial instruments measured at fair value £m	Financial assets held at amortised cost £m	Financial liabilities held at amortised cost £m	Total financial instruments £m
Net investment portfolio	39,777.2	(11,135.8)	**28,641.4**	2,798.2	(239.9)	**31,199.7**
Cash at bank	–	–	**–**	96.7	–	**96.7**
Levy receivables	–	–	**–**	1.2	–	**1.2**
Transfer-in receivables	–	–	**–**	2.8	–	**2.8**
Other assets	–	–	**–**	0.7	–	**0.7**
Loan to the FCF	–	–	**–**	–	(54.2)	**(54.2)**
Other liabilities	–	–	**–**	–	(83.0)	**(83.0)**
Total	39,777.2	(11,135.8)	**28,641.4**	2,899.6	(377.1)	**31,163.9**

* Of the financial assets measured at fair value through profit and loss, £20,415.5m have been designated at initial recognition.

Funding compensation – continued

Classification of financial instruments at 31 March 2024

	Financial assets held at fair value through profit and loss* £m	Financial liabilities held at fair value through profit and loss £m	Total financial instruments measured at fair value £m	Financial assets held at amortised cost £m	Financial liabilities held at amortised cost £m	Total financial instruments £m
Net investment portfolio	39,966.6	(11,051.4)	**28,915.2**	3,473.7	(196.8)	**32,192.1**
Cash at bank	–	–	**–**	25.5	–	**25.5**
Levy receivables	–	–	**–**	1.2	–	**1.2**
Transfer-in receivables	–	–	**–**	10.1	–	**10.1**
Other assets	–	–	**–**	0.9	–	**0.9**
Other liabilities	–	–	**–**	–	(63.3)	**(63.3)**
Total	**39,966.6**	**(11,051.4)**	**28,915.2**	**3,511.4**	**(260.1)**	**32,166.5**

* Of the financial assets measured at fair value through profit and loss, £24,067.9m have been designated at initial recognition.

4a. Net investment portfolio

The Consolidated Statement of Financial Position shows that at the year end, the PPF and the FCF together had **gross investment assets valued at £42bn and investment liabilities of £11bn**, a net investment portfolio of £31bn. The Consolidated Statement of Comprehensive Net Income shows a **net investment loss (income and gains less investment expenses) of £8.2m**.

The Board's approach to investment is summarised in the SIP, which summarises investment management governance, objectives, risk management, strategy, fund management and custody. The FCF has its own SIP. The day-to-day fund management of the assets is performed by an in-house team of investment professionals and a portfolio of external fund managers.

The Board holds a wide range of investment assets and liabilities as shown below. To help manage the risks associated with its long-term liabilities to pay compensation to members, the Board has a programme of UK Government bonds sale and repurchase agreement transactions and derivatives (principally interest rate and inflation swaps). The Performance Report comments on the PPF's investment performance.

The change in the net investment portfolio over the year is summarised as follows:

	2024 £m	Assets transferred from SIA £m	Net purchases/ (sales) £m	Net gains/ (losses) £m	Other movements £m	2025 £m
Annuities	304.7	5.2	–	(31.2)	–	278.7
Corporate bonds	8,004.6	–	1,739.7	(59.4)	(950.9)	8,734.0
Index-linked corporate bonds	330.3	–	(19.8)	(13.4)	–	297.1
Government bonds	8,559.5	–	613.1	(839.4)	(4.7)	8,328.5
Index-linked government bonds	280.4	–	(78.4)	(15.1)	–	186.9
Other debt	3,240.7	–	227.6	103.9	(99.3)	3,472.9
Public equity	2,432.6	–	(693.0)	62.8	(3.8)	1,798.6
Private equity	2,140.7	–	(285.0)	106.7	–	1,962.4
Absolute return strategies	1,744.9	–	(101.7)	262.3	–	1,905.5
Investment property funds	1,399.1	–	(50.0)	(5.4)	(3.3)	1,340.4
Investment property held directly	386.6	–	5.6	1.7	–	393.9
Infrastructure	1,414.4	–	(83.3)	62.9	–	1,394.0
Timberland and farmland	1,074.4	–	29.6	(92.7)	–	1,011.3
	31,312.9	**5.2**	**1,304.4**	**(456.3)**	**(1,062.0)**	**31,104.2**
Other investment assets						
Unsettled trades	106.1					58.6
Derivatives	7,076.0					6,278.3
Cash at fund managers	3,142.1					2,491.8
Repurchase agreements	1,577.7					2,394.7
Accrued income	225.5					247.8
Total investment assets	**43,440.3**					**42,575.4**
Other investment liabilities						
Unsettled trades	(180.1)					(217.7)
Derivatives	(9,575.6)					(8,074.8)
Repurchase agreements	(1,475.8)					(3,061.0)
Interest payable	(16.7)					(22.2)
Total investment liabilities	**(11,248.2)**					**(11,375.7)**
Net investment portfolio	**32,192.1**					**31,199.7**

Other movements include calls and redemptions (£1,030.6m), cash from mergers and takeovers (£27.7m) and other transactions (£3.7m). Assets transferred are in specie movements from schemes coming into the PPF.

Cash at fund managers includes £1,355.0m (2024: £1,584.7m) managed in-house.

The amounts of the net investment portfolio expected to be recovered or settled within 12 months are assets of £5,641.2m and liabilities of £3,786.1m (2024: assets of £5,520.7m and liabilities of £2,692.6m).

Funding compensation – continued

4b. Financial instruments measured at fair value

The following tables and disclosures analyse the financial instruments of the PPF and the FCF in accordance with IFRS 13 to reflect the significance of inputs used in assessing fair value.

Level 1 instruments are valued by reference to quoted prices in active markets for identical assets.

Level 2 instruments are valued using valuation techniques utilising inputs (other than quoted prices taken directly from markets) observable either directly (e.g. through market information price feeds) or indirectly (i.e. derived from market rates, prices and other data).

Level 3 instruments are valued using valuation techniques utilising unobservable inputs.

We invest in a number of pooled funds which are valued at a fair value estimated by the Board's appointed fund managers or other appropriately qualified professional advisor.

The main valuation techniques used to measure the fair value of financial instruments and details of the sensitivity of fair value measurement to significant inputs are set out below:

Description of asset	Level	Basis of valuation	Inputs and sensitivities affecting valuations
Market quoted equity and debt	1	Closing bid or last traded price, depending on the convention of the market, at the end of the reporting date or the last trading day prior to that date	Not applicable
Exchange-traded managed funds and exchange-traded derivatives	1	Closing bid price published by an exchange	Not applicable
UK Government, other sovereign and listed corporate debt	2	Priced using price aggregation services which source prices from authorised brokers and dealers	Interest rate changes
Non exchange-traded managed funds (priced using observable inputs)	2	Closing bid or single prices which are derived from the net asset value of underlying investments	Interest rate or market index changes
Over-the-counter derivatives	2	Discounted cash flow and option pricing models	Interest rate, exchange rate or market index changes
Repurchase and reverse repurchase agreements	2	The value of collateral held with counterparties as either cash or bonds	Interest rate changes
Annuities	3	Actuarial valuation models	Interest rate and mortality assumptions impact the valuation
Private and illiquid debt	3	Discounted cash flow and debt pricing models	Discount rate, interest rate and credit rating assumptions impact the valuation

Description of asset	Level	Basis of valuation	Inputs and sensitivities affecting valuations
Private equity	3	Discounted cash flow models, net asset values based on recognised accounting standards or valuation models recognised by the International Private Equity and Venture Capital Guidelines	Discount rate, EBITDA multiple and revenue assumptions impact the valuation
Non exchange-traded managed funds (priced using unobservable inputs)	3	Closing bid or single prices which are derived from the net asset value of underlying investments	Discount rate, interest rate, credit rating, EBITDA multiple and revenue assumptions can impact the valuation
Investment property held directly	3	Valuations are undertaken by qualified real estate valuation professionals	Price assumptions based on recent transactions of a similar nature which may be impacted by the timing and specific nature of those transactions used

Financial instruments measured at fair value at 31 March 2025

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Annuities	–	–	278.7	278.7
Corporate bonds	–	6,760.6	1,973.4	8,734.0
Index-linked corporate bonds	–	172.9	124.2	297.1
Government bonds	–	8,328.5	–	8,328.5
Index-linked government bonds	–	186.9	–	186.9
Other debt	160.2	690.6	2,622.1	3,472.9
Public equity	1,774.0	19.4	5.2	1,798.6
Private equity	–	–	1,962.4	1,962.4
Absolute return strategies	–	1,202.9	702.6	1,905.5
Investment property funds	91.1	328.2	921.1	1,340.4
Investment property held directly	–	–	393.9	393.9
Infrastructure	–	–	1,394.0	1,394.0
Timberland and farmland	–	–	1,011.3	1,011.3
Derivatives	2.4	(1,613.7)	(185.2)	(1,796.5)
Repurchase agreements	–	(666.3)	–	(666.3)
Total	**2,027.7**	**15,410.0**	**11,203.7**	**28,641.4**

Funding compensation – continued

Financial instruments measured at fair value at 31 March 2024

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Annuities	–	–	304.7	304.7
Corporate bonds	–	5,823.8	2,180.8	8,004.6
Index-linked corporate bonds	–	196.2	134.1	330.3
Government bonds	–	8,559.5	–	8,559.5
Index-linked government bonds	–	280.4	–	280.4
Other debt	97.9	791.6	2,351.2	3,240.7
Public equity	2,083.1	342.7	6.8	2,432.6
Private equity	–	–	2,140.7	2,140.7
Absolute return strategies	–	1,079.0	665.9	1,744.9
Investment property funds	90.8	330.4	977.9	1,399.1
Investment property held directly	–	–	386.6	386.6
Infrastructure	–	0.7	1,413.7	1,414.4
Timberland and farmland	–	–	1,074.4	1,074.4
Derivatives	(9.8)	(2,391.0)	(98.8)	(2,499.6)
Repurchase agreements	–	101.9	–	101.9
Total	**2,262.0**	**15,115.2**	**11,538.0**	**28,915.2**

The following table summarises the movement between the opening and closing balances of Level 3 financial instruments:

Level 3 financial instruments

	2025 £m	2024 £m
Balance at start of year	**11,538.0**	**11,744.8**
Losses included in the Statement of Comprehensive Net Income	(94.8)	(37.7)
Purchases and assets transferred in	1,385.7	1,516.0
Sales	(1,620.3)	(1,517.5)
Transfers into Level 3	1.6	16.1
Transfers out of Level 3	(6.5)	(183.7)
Balance at end of year	**11,203.7**	**11,538.0**

Transfers into Level 3 during the year relate to Public equity reclassified from Level 1 and Other debt, Corporate bonds, Infrastructure, Property funds and Derivatives reclassified from Level 2.

Transfers out of Level 3 during the year relate to Public equity reclassified to Level 1 and Derivatives which were reclassified to Level 2. There were transfers of Public equity from Level 1 to Level 2.

Transfers of existing assets between levels are treated as being applied on the first day of the financial year.

4c. Investment property held directly

Accounting policy
Investment properties held directly are measured initially at cost, including transaction costs. The PPF follows the fair value model option in IAS 40 Investment Property. Investment properties are valued at their fair value by independent valuers with recognised and relevant qualifications and recent and relevant experience. The latest available valuation is used, rolled forward to the reporting data as appropriate. Gains or losses arising from a change in the fair value are recognised in the Consolidated Statement of Comprehensive Net Income for the period in which they arise.

At 31 March 2025, the Board owned 22 (2024: 23) commercial properties in the UK, with a total fair value of £393.9m (2024: £386.6m). Rental income recognised was £20.6m (2023/24: £19.4m). Direct operating expenses were not material. There were no restrictions on the realisation of property, income or disposal proceeds and no significant leasing arrangements.

As at the year end, total future minimum lease payments were as follows:

	2025 £m	2024 £m
Not later than one year	19.8	19.4
Later than one year but not later than five years	69.5	63.6
Later than five years	128.4	125.6
Total	**217.7**	**208.6**

4d. Loan to FCF

The DWP has provided a loan facility to the FCF in order to facilitate the payment of claims as they become due. The loan balance including accrued interest as at 31 March 2025 was £54.2m.

5. Net investment return

Accounting policy
Investment income is accounted for on an accruals basis, that is:

- interest income arising from cash deposits, fixed and variable interest securities and similar investments are accounted for using the effective interest rate method
- dividends and distributions are accounted for when the dividend or distribution is declared

Change in fair value of investments includes:

- gains and losses realised on the disposal of investments
- unrealised gains and losses on investments held at the accounting date (the difference between acquisition cost and current fair value)
- gains and losses arising from the translation of investments (including cash, payables and receivables) denominated in foreign currencies into sterling

Investment expenses are accounted for on an accruals basis.

Funding compensation – continued

	2025			2024		
	Net investment income £m	Change in value of investment £m	Total £m	Net investment income £m	Change in value of investment £m	Total £m
Investment return						
Financial assets held at fair value through profit and loss	1,561.7	(280.3)	**1,281.4**	1,314.1	206.3	**1,520.4**
Financial liabilities held at fair value through profit and loss	(1,072.3)	(54.3)	**(1,126.6)**	(809.8)	(159.9)	**(969.7)**
Financial assets held at amortised cost	86.0	(29.0)	**57.0**	107.4	(20.2)	**87.2**
Financial liabilities held at amortised cost	–	(0.8)	**(0.8)**	–	(0.4)	**(0.4)**
Total investment return	**575.4**	**(364.4)**	**211.0**	**611.7**	**25.8**	**637.5**
Investment expenses						
Fund management fees			**(210.9)**			**(151.6)**
Custody charges			**(1.8)**			**(1.8)**
Other investment expenses			**(6.5)**			**(20.8)**
Total investment expenses			**(219.2)**			**(174.2)**
Net investment return			**(8.2)**			**463.3**

The investments of the PPF are managed as two separate portfolios, a matching portfolio designed to hedge the interest rate and inflation risk in the PPF's actuarial liabilities, and a growth portfolio designed to build the PPF's reserves. The return on the growth portfolio in 2024/25 of six per cent is mostly offset by a reduction in the matching portfolio. This reduction in the matching portfolio broadly aligns to the reduction in the actuarial liabilities as intended.

Investment expenses mainly comprise fees paid to fund managers which are driven by the levels of assets under management, and performance fees, which depend on managers exceeding certain returns. While the overall level of fee-earning assets remained consistent with last year, there was a significant number of new alternative asset fundings during the year. However, the majority of the increase in fees relates to performance fees, which were higher this year as returns were generally higher across asset classes.

Financial risk management

Managing the payment and funding of member compensation described in the previous sections involves financial risk. The most important categories of financial risk, and the ways in which the Board manages them, are described in the SIP.

A number of the risks described in the SIP come from holding financial instruments about which further disclosure is given below, as required by IFRS 7:

– **PPF credit risk** (including concentration risk and counterparty risk) – note 6

– **PPF market risk** (including price risk, interest rate risk, inflation risk and currency risk) – note 7

– **PPF liquidity risk** – note 8

These disclosures are followed by notes on:

– **FCF financial risks** – note 9

– **Administration Funds' financial risks** – note 10

6. PPF credit risk

Credit risk is the risk that an issuer or counterparty to a financial instrument will cause the PPF financial loss by failing to discharge an obligation, or as a result of an increase in the overall level of perceived credit risk. The main exposure to credit risk in the PPF's financial instruments arises from investments in Government bonds, Corporate bonds and other debt instruments. The PPF is also exposed to credit risk from derivative transactions, insurance policies, cash, transfer-in receivables and other receivables.

The principal elements of the PPF's policy for managing credit risk include:

– counterparties to derivative contracts and repurchase arrangements are subject to overall exposure limits and, where credit quality requires, are subject to increased collateral requirements;

– investment management agreements require fund managers to deal with the highest-rated counterparties consistent with best execution;

– collateral is taken under the terms of the relevant Credit Support Annex to the International Swaps and Derivatives Association Master Agreement; and

– fund managers that invest in credit-sensitive products do so within guidelines as set in the investment management agreement.

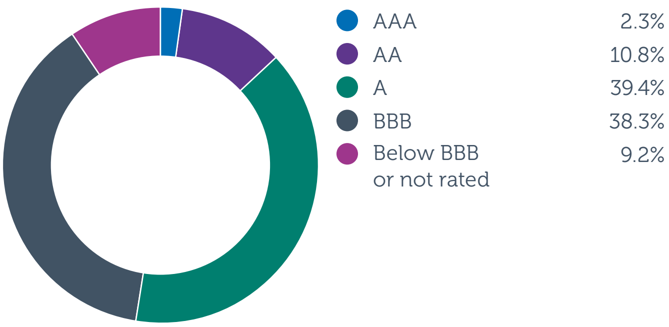
The PPF manages concentration risk (the risk of excessive exposure to a single institution or institutions that share a common risk factor) by ensuring that the spread of assets, the fund managers' policies on investing in individual securities and the PPF's investment guidelines to fund managers provide adequate diversification of investments.

The Board is satisfied that credit exposure is in accordance with the risk appetite described in the SIP.

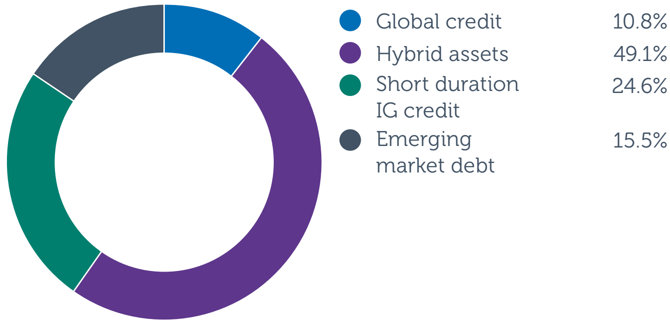
Financial risk management – continued

As at 31 March 2025, the rating distribution of the fixed income investment portfolio (excluding UK gilts and derivatives) was as follows:

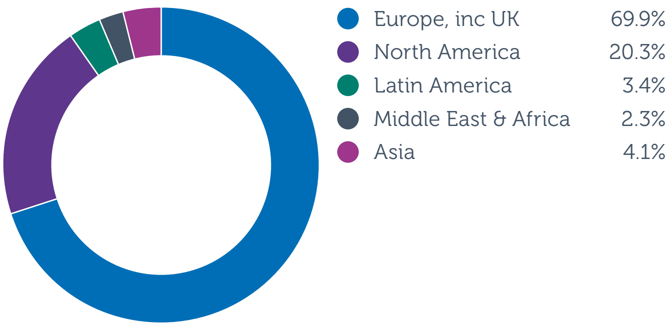
Fixed Income Portfolio Allocation (£8.4bn)
by Rating Category



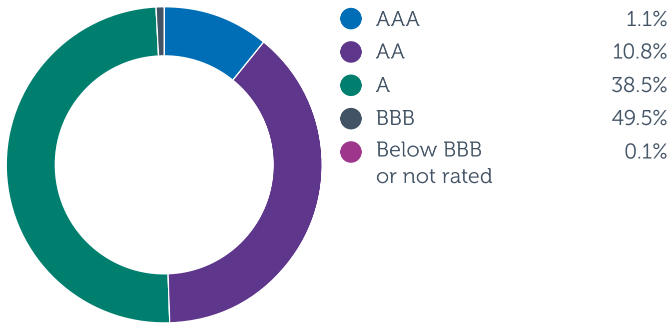
Fixed Income Portfolio Allocation (£8.4bn)
by Asset Type



Fixed Income Portfolio Allocation (£8.4bn)
by Region



Hybrid Asset Allocation (£4.1bn)
by Rating Category



A one basis point move in credit spread across the Fund's fixed income portfolio results in a change in market value of approximately £4.9m, the largest contributors to this being Hybrid assets.

For information on collateral and similar arrangements with counterparties, refer to the liquidity risk section (note 8).

7. PPF market risk

Market risk is the risk that the fair value of, or future cash flows arising from, the PPF's assets and liabilities will fluctuate due to changes in market factors, including:

- market prices
- interest rates
- inflation rates
- foreign exchange rates

Market risk is measured, monitored and managed within an agreed risk budget in a number of ways using a combination of sensitivities, tail risk measures and stress tests. Where the PPF wants to consider the potential impact of a specific event or shock, stress tests are run to be able to quantify the net impact on the PPF's assets and liabilities.

The PPF ensures that the spread of assets, the fund managers' policies on investing in individual securities and the PPF's investment guidelines to fund managers provide adequate diversification of investments.

Impact of changes to market factors on PPF assets

The net assets of the PPF, excluding actuarial liabilities and claims provisions (as per the Statement of Financial Position, excluding FCF) of £31.2bn (2024: £32.2bn) under a number of scenarios would change by:

	2025		2024	
	£m	%	£m	%
Nominal yields are 1.0% lower per year than assumed*	1,945.7	6.2	2,354.1	7.3
Inflation is 1.0% higher per year than assumed	493.0	1.6	619.4	1.9
Inflation is 1.0% lower per year than assumed	(493.0)	(1.6)	(619.4)	(1.9)
Return-seeking (growth) assets fall by 20%*	(3,254.3)	(10.4)	(3,155.9)	(9.8)

* The impact of changes to these assumptions is symmetrical – an equal and opposite change in the assumption broadly results in an equal and opposite impact on the net assets of the PPF.

Appendix S4 of the Appointed Actuary's Supplementary Report provides further sensitivity analyses of the PPF's assets and liabilities to changes in a variety of financial and non-financial risk factors, including market prices, interest rates, inflation rates, and mortality assumptions.

Price risk

Price risk is the risk that the fair value of, or future cash flows arising from, financial instruments will fluctuate due to changes in market prices (other than those arising from other market factors such as interest rates, inflation rates or foreign exchange rates). Price risk can be caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The PPF's financial instruments are mostly carried at fair value, with fair value changes recognised in the Consolidated Statement of Comprehensive Net Income. Therefore, any relevant changes in market conditions will directly affect investment returns. The PPF manages price risk by diversifying its investments across a range of asset classes, both within the UK and globally, and sets asset allocation guidelines for the fund managers consistent with the following table.

Financial risk management – continued

Asset class[1]

	2025 £m	Actual %	Tolerance range
Matching portfolio			
UK bonds	9,610.8	70.1%	
Hybrid assets	4,103.1	29.9%	
Total matching portfolio	**13,713.9**	**100.0%**	
Growth portfolio			
Cash	946.3	5.6%	0%–9%
Public equity	1,642.3	9.7%	7%–17%
Fixed income EMD	1,297.7	7.6%	3%–13%
Fixed income IG credit	903.6	5.3%	1%–11%
GBP Short Duration credit	2,056.0	12.1%	5%–15%
Absolute return strategies	1,738.6	10.2%	5%–15%
Alternatives	8,417.8	49.5%	43%–58%
Total growth portfolio	**17,002.3**	**100.0%**	
Total assets allocated per SIP	**30,716.2**		

1 Asset classes are based on internal risk reporting which looks through pooled fund holdings and uses mid prices.

The tolerance range is determined by the SIP. Alongside the strategic allocation, the SIP permits other investments such as tactical trades to control risk or enhance return within the overall risk appetite set by the Board. Total assets disclosed above exclude these tactical trades.

Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows arising from, the PPF's assets and liabilities will fluctuate due to changes in short and longer-term interest rates.

The valuation of the PPF's liabilities is sensitive to movements in interest rates. As part of the PPF's LDI programme, this interest rate risk is hedged through the PPF's holdings of certain bonds and derivatives, as these financial instruments are also sensitive to movements in interest rates.

Inflation risk

Inflation risk is the risk that the fair value of, or future cash flows arising from, the PPF's assets and liabilities will fluctuate due to changes in short and longer-term inflation rates.

The projection of the PPF's cash flows and therefore the valuation of its liabilities are sensitive to movements in short and longer-term inflation rates. As part of the PPF's LDI programme, this inflation risk is hedged through the PPF's holdings of certain bonds and derivatives, as these financial instruments are also sensitive to movements in inflation rates.

Currency risk

Currency risk – also called foreign exchange rate risk – is the risk that the fair value of, or future cash flows arising from, financial instruments will fluctuate due to changes in foreign exchange rates. The PPF's liabilities are denominated in sterling and therefore only its assets are exposed to currency risk.

The PPF operates a currency risk management strategy in which it has determined a target currency hedge ratio for each asset class – based on the underlying characteristics of each asset class – and aims to limit deviations from these. As at 31 March 2025, the exposure and therefore sensitivity to each major currency is illustrated by the following table.

Residual unhedged currency exposure

	2025 £m	2024 £m
Euro	943.1	859.3
US dollar	501.5	608.9
Australian dollar	261.8	295.0
South Korean won	53.6	26.0
Japanese yen	50.5	64.7
Other currencies	230.3	127.0
Total	**2,040.8**	**1,980.9**

8. PPF liquidity risk

Liquidity risk is the risk of exhausting available cash and liquid assets and therefore being unable to meet immediate financial obligations as they fall due. This includes the inability of the PPF to sell assets quickly or at fair market values to meet its financial obligations as they fall due. The PPF's financial obligations include:

– compensation to members

– collateral calls on derivatives and repurchase agreements

– investment commitments to fund managers, for example, capital calls on private equity and infrastructure investments

– staff pay and associated costs, and other operating expenses

The PPF maintains an investment strategy so that at all times there is sufficient liquidity to meet foreseeable cash outgo, when it falls due, both in normal and under stressed financial market conditions. We monitor our liquidity position continuously against unstressed and stressed limits, to ensure that liquidity remains available.

Paying compensation to members

Future payments to members are projected in estimating the actuarial liabilities reported in the Consolidated Statement of Financial Position – see note 1 and the Actuarial Valuation. The estimated maturity profile of payments to current members is as follows. This includes an approximate allowance for lump sums – in particular it is assumed that all deferred members already over Normal Pension Age retire in the first year.

	Within 1 year £m	1–5 years £m	Over 5 years £m	Total £m
2025	1,415.2	4,596.3	10,969.8	**16,981.3**
2024	1,440.8	4,696.2	12,689.2	**18,826.2**

Financial risk management – continued

Financial liabilities

Financial liabilities are all due within one year, except for derivative financial instruments. The maturity profile of derivative financial instruments is as follows:

	Within 1 year £m	1–5 years £m	5–10 years £m	Over 10 years £m	Total £m
2025	485.2	1,080.1	875.3	5,634.2	**8,074.8**
2024	1,020.0	1,524.8	844.4	6,186.4	**9,575.6**

Collateral arrangements

At 31 March, the following was in place with counterparties:

Collateral pledged	2025 £m	2024 £m
Cash delivered as collateral for traded positions including repurchase agreements	926.7	1,306.4
Securities delivered as collateral for traded positions including repurchase agreements	1,418.8	1,977.5
Total assets provided as collateral with counterparties	**2,345.5**	**3,283.9**

Collateral held	2025 £m	2024 £m
Cash held as collateral for traded positions including repurchase agreements	210.2	178.2
Securities held as collateral for traded positions including repurchase agreements	9.5	133.0
Collateral received from counterparties on securities lending	273.2	257.7
Total assets received as collateral from counterparties	**492.9**	**568.9**

Collateral pledged for securities lending, repurchase, reverse repurchase agreements and over-the-counter derivatives are subject to minimum collateralisation levels of between 102 per cent and 105 per cent of the market value of borrowed securities or the net derivative contract. Collateral pledged must be cash, debt issued from OECD member states, US corporate debt with a minimum long-term debt rating of A- or higher, or equities from major indices.

Capital commitments

Commitments to pay capital calls to fund managers at 31 March totalled:

	2025	2025 £m	2024	2024 £m
Denominated in US dollars	$2,516.0m	1,949.3	$1,476.8m	1,169.0
Denominated in sterling	£401.2m	401.2	£753.9m	753.9
Denominated in euros	€551.9m	461.8	€695.3m	594.5
Denominated in Australian dollars	–	–	A$1.2m	0.6
Total		**2,812.3**		**2,518.0**

Capital can be called at any time once an obligation is agreed but, in reality, calls are made over a period of years.

9. FCF financial risks

The Board is aware of the potential for significant claims with regard to schemes that were themselves part of a fraud with an estimated total claim payments, net of confirmed redemptions, of £327.4m. The PPF has current liquid funds of £83.1m (2024: £74.7m). These funds and future levy income will be insufficient to pay expected claims, so the PPF has obtained a loan facility from the DWP to cover the shortfall as projected as at 31 March 2025. £54.1m of this loan facility has been drawn down as at 31 March 2025.

Financial risk is compounded if similar claims emerge or any other new large claim arises, or a number of such claims occur closely together which would require prompt settlement.

Credit risk – the FCF's funds are principally invested in liquidity funds managed by external fund managers.

Market risk – the FCF's holdings in liquidity funds are subject to some price risk and interest rate risk. Claims can include variable rate interest for the period between the effective date of loss and the date of compensation.

Liquidity risk – the FCF is subject to liquidity risk as a result of a shortfall of funds from claims as they arise. The FCF is not exposed to significant liquidity risk from its assets as they are held in liquidity funds.

10. Administration Funds' risks

Due to the non-trading nature of the Board of the PPF's administration activities and the way it is financed, the Board is not exposed in this area to the degree of financial risk faced by similar commercial organisations.

Operating the business

This section explains the elements of the consolidated financial statements which relate to operating the PPF's business, including operating expenses and infrastructure, and gives other required disclosures.

11. Operating expenses

Total operating expenses are allocated to three funds: the PPF, the PPF Administration Fund and the FAS Administration Fund. The costs of administering the FCF is borne by the PPF Administration Fund. The PPF is charged with the costs of creating and maintaining records of members entitled to PPF compensation, running payrolls to pay compensation, and verifying data for the purposes of creating and maintaining data and running payrolls, investment costs and insolvency costs. Other costs are charged, as appropriate, to the PPF Administration Fund or the FAS Administration Fund.

Total operating expenses in 2024/25 are summarised as follows:

	PPF £m	PPF Administration Fund £m	FAS Administration Fund £m	2025 £m
Staff costs				
Wages and salaries	26.6	7.1	3.5	37.2
Social security costs	3.3	1.0	0.4	4.7
Other pension costs	5.2	1.7	0.8	7.7
Short-term, seconded and temporary staff	0.8	0.9	–	1.7
Total staff costs	**35.9**	**10.7**	**4.7**	**51.3**
Other costs				
Member payroll services	0.4	–	0.2	0.6
Staff-related and recruitment	1.2	0.3	0.2	1.7
Advisory and other professional services	8.3	1.5	0.3	10.1
Statutory audit costs	0.3	–	–	0.3
Accommodation and general office	3.8	0.9	0.6	5.3
IT and telephony	11.1	1.2	1.0	13.3
Depreciation and amortisation charges	0.1	–	–	0.1
Prior year VAT recovered	(1.5)	(0.5)	–	(2.0)
Total other operating expenses	**23.7**	**3.4**	**2.3**	**29.4**
Total operating expenses	**59.6**	**14.1**	**7.0**	**80.7**

Statutory audit costs were £305,100 (2024: £294,500).

	PPF £m	PPF Administration Fund £m	FAS Administration Fund £m	2024 £m
Staff costs				
Wages and salaries	23.1	6.6	3.2	32.9
Social security costs	2.7	0.9	0.4	4.0
Other pension costs	4.7	1.7	0.9	7.3
Short-term, seconded and temporary staff	0.1	0.1	–	0.2
Total staff costs	**30.6**	**9.3**	**4.5**	**44.4**
Other costs				
Member payroll services	0.4	–	0.1	0.5
Staff-related and recruitment	1.0	0.5	0.3	1.8
Advisory and other professional services	8.3*	1.6*	0.3	10.2*
Statutory audit costs	0.3	–	–	0.3
Accommodation and general office	3.2*	0.9*	0.7	4.8*
IT and telephony	10.1	1.4	0.9	12.4
Depreciation and amortisation charges	0.3	–	–	0.3
Prior year VAT recovered	(2.4)	(0.7)	–	(3.1)
Total other operating expenses	**21.2**	**3.7**	**2.3**	**27.2**
Total operating expenses	**51.8**	**13.0**	**6.8**	**71.6**

* Reclassification of data services from Accommodation and general office to Advisory and other professional services, totalling £0.9m.

Information on the staff numbers and exit packages can be found in the Remuneration and Staff Report on pages 90–91.

Pensions

Employees of the Board of the PPF are eligible for membership of the Principal Civil Service Pension Scheme (PCSPS) and can opt to join the DB section or to contribute to a stakeholder (DC) arrangement.

The PCSPS is an unfunded, multi-employer DB salary-related scheme and the Board is unable to identify its share of underlying assets and liabilities. DB contributions are therefore accounted for by the Board as if they were contributions to a DC scheme. A full actuarial valuation of PCSPS was carried out as at 31 March 2020 and details can be found in the Cabinet Office: Civil Superannuation Resource Accounts: www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts.

During the year ended 31 March 2025, employer contributions of £7.3m (2023/24: £6.9m) were payable to the DB section of the PCSPS at 28.97 per cent (2023/24: 26.6 per cent to 30.3 per cent).

Employer contributions for the year ended 31 March 2026 are expected to be approximately £9.3m. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. These contribution rates reflect the benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees of the Board can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer contributions of £467,000 (2023/24: £308,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions were age-related and range from eight per cent to 14.75 per cent (2023/24: eight per cent to 14.75 per cent) of pensionable pay, and employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Accrued pension contributions at 31 March 2025 were £671,000 (2024: £622,000).

12. Segmental analysis

As indicated earlier, the Board accounts for its financial activities in the following funds:

- the PPF
- the FCF
- the Administration Funds

The elements of the consolidated financial statements attributable to each segment are summarised in the following tables. Additional information relating to each activity can be found in the following notes:

- provisions for claims (note 2)
- levy income (note 3)
- operating expenses (note 11)

Consolidated Statement of Comprehensive Net Income

For the year ended 31 March	2025 £m	2024 £m
PPF		
Net operating surplus	42.9	121.0
Net investment return	(12.5)	459.2
Net cost of claims	822.3	528.7
Net other income and expenses	(11.2)	–
Net comprehensive income	**841.5**	**1,108.9**
FCF		
Income from levies	37.0	36.1
Investment return	4.0	3.8
Net cost of claims	(100.4)	(114.5)
Net other income and expenses	(0.1)	–
Net comprehensive expense	**(59.5)**	**(74.6)**
Administration Funds		
Income from grants	20.5	21.0
Interest income	0.3	0.3
Operating expenses	(21.1)	(19.8)
Net comprehensive (expense)/income	**(0.3)**	**1.5**
Consolidated net comprehensive income	**781.7**	**1,035.8**

Consolidated Statement of Financial Position

For the year ended 31 March	2025 £m	2024 £m
Total assets less total liabilities		
PPF	14,079.7	13,238.2
FCF	(134.6)	(75.1)
Administration Funds	1.2	1.5
Consolidated Statement of Financial Position	**13,946.3**	**13,164.6**

All of the Board's operational activities take place in the United Kingdom. The PPF's investment portfolio is diversified across a wide variety of geographic locations.

13. Other income and expenditure

Other income and expenditure consists of the following items:

For the year ended 31 March	2025 £m	2024 £m
Impairment loss on loan to a scheme in assessment	(11.2)	–
Interest payable on FCF loan	(0.1)	–
Total	**(11.3)**	–

The PPF provided a loan to a scheme in the PPF's assessment period. This was to enable it to continue paying member benefits at PPF levels following the scheme's assets being fully drawn down. The loan is disclosed under "Other assets" in the Consolidated Statement of Financial Position. TPR issued directions to a number of companies associated with the scheme, requiring them to provide reasonable financial support. During the year, an agreement was reached between TPR and the companies, the terms of which meant that only 20 per cent of the loan issued by the PPF was to be repaid. As such, an impairment loss has been recognised during the year.

14. Subsidiaries

A small proportion of the Board's investment portfolio is held through subsidiaries. As at 31 March 2025 these were:

- PPF Investment Holdings 1 Limited (a company registered in the United Kingdom)
- PPF Real Estate Nominee 1 Limited (a company registered in the United Kingdom)
- PPF Real Estate Nominee 2 Limited (a company registered in the United Kingdom)

The subsidiaries do not operate separately from the PPF's overall investment management processes. The relevant assets, liabilities, income and expenses of all subsidiaries are fully consolidated and recorded within the appropriate asset classes in the PPF's accounting records.

All subsidiaries are 100 per cent owned by the Board and have 31 March year ends.

The PPF also has holdings in other entities for investment purposes. These are registered in the United Kingdom, Cayman Islands, Delaware USA, Luxembourg, Republic of Ireland and Texas USA.

15. Related party transactions

£20.5m (2023/24: £21.0m) was received from the DWP in grants in respect of recovery costs for administering FAS and for costs incurred in the PPF Administration Fund which is ultimately funded by the PPF Administration Levy, which is set by the DWP and collected by TPR.

The FCF has a loan facility payable to the DWP with a balance excluding accrued interest of £54.1m as at 31 March 2025. The loan facility is used to pay claims on the FCF.

The DWP is the sponsoring department of the PPF.

There are no other related party transactions to disclose other than transactions with subsidiaries shown in note 14.

16. Events after the reporting period

There have been no material events after the reporting period.

The financial statements were authorised for issue by the Chief Executive on 7 July 2025, the date the Comptroller and Auditor General certified them. The financial statements do not reflect events after this date.

Actuarial reports

Summary of the two actuarial valuation reports

We published our funding framework in September 2022. We hold assets to meet our liabilities. Any assets in excess of our liabilities act as reserves to:

a) protect against longevity risk;

b) protect against future claims risk; and

c) provide additional security for our members.

At 31 March 2025 our total assets, across both transferred schemes and those in assessment, were £14.1 billion greater than our total liabilities (as at 31 March 2024, this difference was £13.2 billion).

Long-term interest rates increased over the year, reducing our liability values by around eight per cent, but our liability hedging programme means that changes in our liabilities for changes in interest rates and inflation expectations are offset by similar changes in the value of our hedging assets. The main factor influencing the increase of assets over liabilities was a return on our growth portfolio of assets of £1.1 billion.

Over the year, 23 schemes entered PPF assessment. Of these schemes, it is expected that 17 will ultimately transfer.

For those schemes that entered assessment over the year, the shortfall of assets compared with liabilities is around £63 million and this shortfall was recognised on our balance sheet for at least some time over the year.

The table below summarises the results, broken down between schemes that have already transferred to us (covered in my main valuation report) and those that are currently in an assessment period but are expected to transfer (covered in my supplementary valuation report). The reports make no allowance for any assets or liabilities payable from the FCF or the Administration Funds.

	Transferred schemes	Schemes in an assessment period	Total
Assets (£m)	31,154.7	1,043.6	**32,198.3**
Liabilities (£m)	16,981.3	1,137.3	**18,118.6**
Assets less liabilities (£m)	**14,173.4**	**(93.7)**	**14,079.7**
Funding ratio (assets/liabilities)	**183.5%**	**91.8%**	**177.7%**
Number of records in respect of members receiving compensation*	208,571	18,276	**226,847**
Number of records in respect of deferred members*	92,219	8,329	**100,548**

* Some members have more than one record in the data. The numbers of records for schemes in an assessment period only relate to schemes that are expected to transfer to us.

The actuarial valuation of the Pension Protection Fund as at 31 March 2025 (transferred schemes only)

1. Introduction and framework

I have prepared this report for the Board of the PPF (the Board). It sets out the results of the actuarial valuation of the Pension Protection Fund (PPF) as at 31 March 2025 for inclusion in the Annual Report and Accounts. Copies will be sent to the Secretary of State for Work and Pensions and to the Comptroller and Auditor General. This report is not intended to assist any user other than the Board or for any other purpose than meeting its accounting requirements.

This report deals solely with schemes that transferred to the PPF on or before 31 March 2025. It should be read alongside my supplementary report, dated 19 June 2025, which also includes those schemes that are currently in an assessment period and are expected to transfer.

Framework under which I have prepared this valuation

The requirement to include an actuarial valuation of the PPF is set out in the Accounts Direction given by the Secretary of State for Work and Pensions with the approval of HM Treasury (HMT) in accordance with the Pensions Act 2004.

Under the Accounts Direction, the Board is required to prepare accounts in compliance with the Government Financial Reporting Manual (FReM), and other relevant guidance issued by HMT. The FReM requires that International Accounting Standard (IAS) 37 must be taken into account. When taken together, this means that the valuation of both assets and liabilities should provide a true and fair assessment. The methodology I've used for the valuation as at 31 March 2025 is broadly the same as that adopted for the valuation as at 31 March 2024.

The requirement to provide an annual valuation of the PPF is also set out in the Framework document agreed between the PPF and the Department for Work and Pensions (DWP).

I have prepared this valuation in accordance with the above pieces of legislation and guidance insofar as they apply. Appendix M4 – Legislation and guidance sets out more detail around this.

This valuation complies with Technical Actuarial Standard (TAS) 100 'Principles of Technical Actuarial Work'. Further, given the scope of the work, the processes and the calculations underlying this report, together with the report itself, are subject to independent peer review. This review has been done by Hymans Robertson.

Signed:

Name of Appointed Actuary: Shalin Bhagwan
Date: 19 June 2025
Job title: Chief Actuary
Qualification: Fellow of the Institute and Faculty of Actuaries
Employer: The Board of the Pension Protection Fund

The actuarial valuation of the Pension Protection Fund as at 31 March 2025 (transferred schemes only) – continued

2. Compensation and data

Compensation for members who have transferred to the PPF has been determined in accordance with the provisions of Schedule 7 of the Pensions Act 2004 and consequent regulations. A summary of the compensation provisions is shown in Appendix M1.

Over the life of the PPF there have been a number of court rulings that have impacted the shape of PPF compensation payable:

- In September 2018 the Court of Justice of the European Union (CJEU) ruled in the case of *Hampshire v PPF* that compensation is subject to a minimum level of 50 per cent of the value of accrued old age pension in the former scheme.
- In December 2019 the CJEU ruled in the case of *PSV v Bauer* that a reduction in the amount of occupational old age pension benefits paid to a member on account of his or her employer's insolvency is manifestly disproportionate where, as a result of the reduction, the member is living below the at-risk-of-poverty threshold determined by Eurostat.
- In July 2021 the Court of Appeal ruled in the case of *Hughes v PPF* that the PPF is entitled to perform a one-off calculation approach for increasing payments to the 50 per cent minimum level. It also confirmed that the PPF compensation cap, as set in legislation, is unlawful based on age discrimination and must be disapplied.
- The *Virgin Media Limited/NTL Pension Trustees II* decision, handed down by the Court of Appeal in July 2024, considered the implications of section 37 of the Pension Schemes Act 1993, which required that certain rules of a salary-related contracted-out scheme could not be altered unless the actuary confirmed in writing that the scheme would continue to satisfy the statutory standards. The Court of Appeal confirmed that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the amendment to any relevant scheme benefits void, including amendments to both past and future service rights.

Data has been provided by our internal administration team and reflects the compensation currently in payment for those in receipt and the amount calculated at assessment date for those in deferment. Over the last few years, compensation has been updated for practically all members impacted by the *Hampshire and Hughes* judgments, therefore the data received from our administration team already reflects these uplifts and no further adjustments to liabilities are needed.

As was the case last year, I have not included an allowance for any additional increase in compensation in respect of the *Bauer* judgment. We continue to work closely with the DWP to agree our approach for implementation. There will be no potential liabilities arising from the *Bauer* judgment for members of schemes whose employer experiences a qualifying insolvency event after 31 December 2023 now that the Retained EU Law (Revocation and Reform) Act 2023 (REUL) has come into force. However, there remains some uncertainty about the effect of REUL on the potential liabilities arising from the *Bauer* judgment for periods on and from 1 January 2024 for members of schemes whose employer experienced a qualifying insolvency event before that date.

Similarly, and as last year, I have not included an allowance for any change in compensation in respect of the *Virgin Media* ruling. We continue to work closely with DWP to agree our approach for implementation.

The contingent liability section of the financial statements notes these potential additional liabilities.

As I obtained data extracts at dates shortly before the effective date of the valuation, I applied adjustments to the liabilities to allow for expected membership movements up to the effective date of the valuation. This is similar to the process adopted for the valuation as at 31 March 2024 and ensures that the results are not materially impacted by member experience over that period. These adjustments allow for:

- members retiring and commuting some of their compensation for a lump sum; and
- expected deaths between the effective date of the data and the valuation date.

I checked the data for general reasonableness and for consistency with the data used for the actuarial valuation as at 31 March 2024. I have no concerns over the accuracy of the data.

A full summary of the data used, including that used for the actuarial valuation as at 31 March 2024 for comparison, is set out in Appendix M2 – Membership data. The total numbers of membership records along with their current annual compensation amounts, as at 31 March 2025, are set out in the following table:

Member status	Number of records	Compensation, £m p.a.
Receiving compensation	208,571	1,030.4
Deferred	92,219	326.0

Legislation permits amendments to the amount of starting compensation, if agreed by the Secretary of State, and amendments to the level of compensation increases if agreed by us. For the purpose of this valuation, I have assumed that there are no such changes in the future.

3. Approach

The methodology I've used for the valuation as at 31 March 2025 is broadly the same as that adopted for the valuation as at 31 March 2024.

Assets

The value of the PPF assets is taken from the PPF's accounts for the financial period ending 31 March 2025.

Liabilities

The liabilities are the present value of expected future compensation payments payable to all members and any future dependants that had transferred to the PPF before 31 March 2025, uplifted to reflect the expected future expenses that will be met by the PPF.

The future payments are estimated through projections of the initial amount of compensation provided in the membership data, allowing for assumptions around such future things as:

- when deferred members will retire;
- what compensation increases will be;
- how long people will live; and
- the chances compensation will be paid out to dependants after member deaths.

Future expenses are calculated by projecting our current per-member cost and membership numbers and adding on the expected cost of managing the portfolio of assets used to determine the discount rate.

The assumptions used are summarised in the next section and described more fully in Appendix M3 – Assumptions.

The resulting expected future payments and expenses are then all discounted back to the valuation date and added together to form a total present value of the liabilities. As set out in section 2 – Compensation and data, I have then applied an adjustment to allow for membership movements over the period from the effective date of the data to the calculation date.

The actuarial valuation of the Pension Protection Fund as at 31 March 2025 (transferred schemes only) – continued

The chart below summarises the expected future payments (and associated expenses) to all members who had transferred to the PPF by 31 March 2025 (note that calendar year 2025 excludes payments made before 31 March 2025). These cashflows are undiscounted and, consistent with our valuation assumptions, do not allow for the take-up of any member options such as commuting compensation for cash lump sums.

Owing to the timescales involved in preparing this report, I initially calculated the liabilities as at 28 February 2025 using assumptions derived from market conditions at that date for all schemes that transferred before 31 March 2025. I then updated for changes in market conditions between 28 February 2025 and 31 March 2025 as well as such adjustments as:

- one fewer month of discounting;
- incorporating one more month's worth of known inflation; and
- compensation paid out over the month.

I have also included in the liabilities the value of any Additional Voluntary Contributions (AVCs) that have transferred to us and are in the process of being discharged.

4. Assumptions

As Appointed Actuary, I have responsibility for the assumptions used in this statutory valuation of the PPF. As in previous years, the proposed assumptions were discussed and agreed with the Board prior to completing the valuation.

I have taken account of the relevant legislation, regulations, and guidance when setting the assumptions, details of which are included in Appendix M4 – Legislation and guidance. None of these items provide specific direction on the choices of assumptions made for the valuation. However, the main principles I have followed when deciding the assumptions are:

1) The assumptions used to estimate future cash flows should be best estimate so that they are as likely to overstate as understate the calculated liabilities.
2) A risk-free discount rate should be used to convert the estimated future cash flows into a current value of liabilities to compare with the market value of assets.

A full description of the assumptions made can be found in Appendix M3 – Assumptions. The most important assumptions are summarised in the following table:

Valuation date	31 March 2025	31 March 2024
Discount rate	A full curve, consisting of: 80% of the gilt yield, plus 20% of the SONIA swap yield, at each term	A full curve, consisting of: 80% of the gilt yield, plus 20% of the SONIA swap yield, at each term
RPI inflation	RPI inflation swap curve	RPI inflation swap curve
CPI inflation	0.9% p.a. lower than RPI inflation until 31 January 2030 and 0.1% lower p.a. thereafter	0.9% p.a. lower than RPI inflation until 31 January 2030 and 0.1% lower p.a. thereafter
Compensation increases	A full curve derived from CPI inflation capped at 2.5% p.a. and floored at 0% p.a.	A full curve derived from CPI inflation capped at 2.5% p.a. and floored at 0% p.a.
Baseline life expectancy	Club Vita life expectancy curves, 2023 version, with mortality rate scaling factor of 95% for men	Club Vita life expectancy curves, 2023 version, with mortality rate scaling factor of 95% for men
Future improvements in life expectancy	CMI 2023 model – core form, except for: – addition to initial improvements, 'A', of 0.25%, – weight parameter, 'w', for 2022 and 2023 of 0%, and – no improvements over the calendar years 2020 to 2025, inclusive. Long-term rate 1.5% p.a.	CMI 2022 model – core form, except for: – addition to initial improvements, 'A', of 0.25%, – weight parameter, 'w', for 2022 of 0%, and – no improvements over the calendar years 2020 to 2025, inclusive. Long-term rate 1.5% p.a.
Impact of the *Hampshire* and *Hughes* court judgments	No additional allowances The assumptions for remaining costs of *Hampshire* and *Hughes* are no longer needed, reflecting the fact that practically all members have now been processed	Uplifts to liabilities of: For the 50% minimum test required by the *Hampshire* judgment: – £5 million for members receiving compensation – £10 million for deferreds – £nil for arrears For removal of the compensation cap provisions: – £0.1m for arrears due – 0.1% for members receiving compensation (including the cost of further arrears and tax charges) – Deferreds valued directly without caps The amount of arrears of PPF compensation actually paid has been determined not to be affected by time limits under the Limitation Act 1980

The actuarial valuation of the Pension Protection Fund as at 31 March 2025 (transferred schemes only) – continued

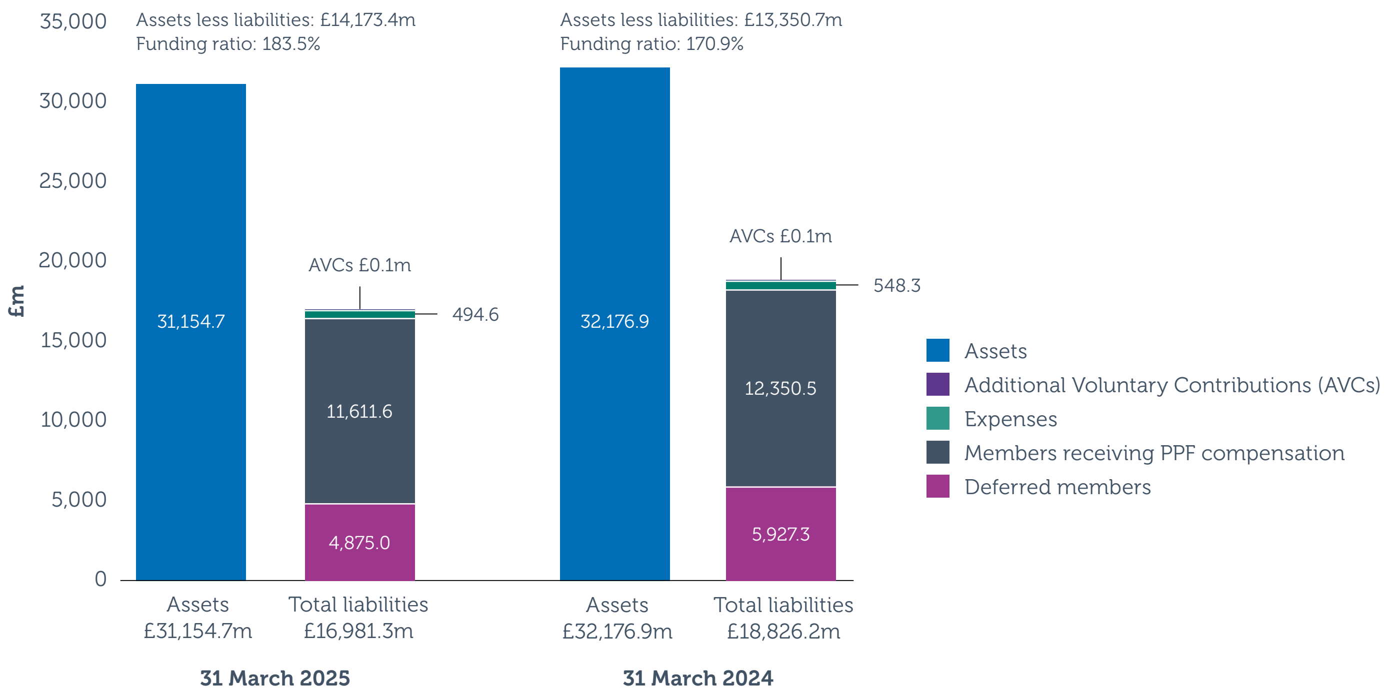
The assumptions are generally the same as used last year in terms of their derivation, although their values have changed with market conditions and the emergence of new data and information. In particular, other than in the very short term, discount rates have increased, and expected inflation has slightly reduced, over the year.

More details are in the Financial assumptions section of Appendix M3 – Assumptions.

I have performed a sensitivity analysis of the results according to plausible changes in the assumptions. The results based on the above assumptions are summarised in section 5 – Results in this report, and the results of the sensitivities are given in Appendix S4 – Sensitivity analysis in my supplementary report.

5. Results

The following chart sets out the values of the PPF's assets and liabilities at the current and previous valuation dates.



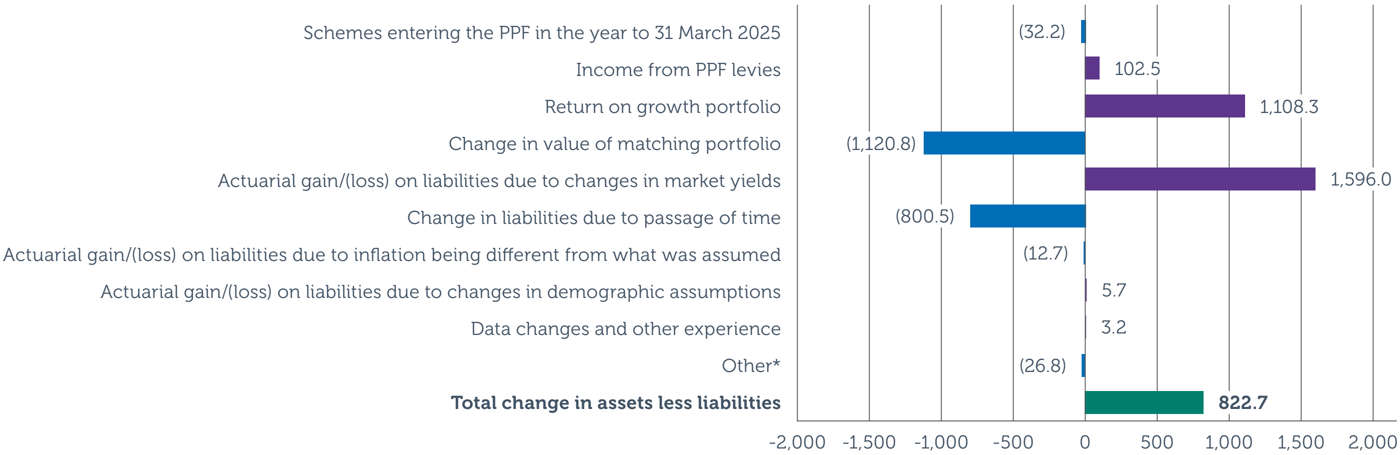
Over the year to 31 March 2025 assets decreased by £1,022.2 million and liabilities decreased by £1,844.9 million. The value of each will naturally decrease as benefits are paid out. These amounted to £1,198.5 million over the year. Otherwise, the reduction in liabilities was largely a result of a decrease of £1,596.0 million in response to a rise in yields over the year.

This was partially offset by an increase of £800.5 million for the passage of time, where the level of discounting in the liabilities decreases as the membership ages.

Our assets reduced over the year by £12.5 million owing to a reduction of £1,120.8 million in our matching portfolio (the assets used to hedge our liabilities), offset by an increase of £1,108.3 million in our growth portfolio.

The net impact is an increase in the difference between assets and liabilities in respect of transferred schemes, between 31 March 2024 and 31 March 2025, of £822.7 million.

A full analysis of change is set out in the following chart (figures are in £ million):



* Includes such items as assets from schemes that transferred in prior years, and expenses. This £26.8 million item comprises a £42.2 million decrease in liabilities and a £69.0 million decrease in assets.

I determined the analysis of change by aggregating actual experience observed over each month of the year.

The liability items covered by our matching portfolio of assets – actuarial gain/(loss) on liabilities due to changes in market yields, passage of time, inflation different from assumed – are not directly comparable to the change in the value of our matching portfolio because, for instance, some of the assets held in respect of transferred schemes are used to hedge the liabilities of schemes currently in PPF assessment.

The difference between assets and liabilities for transferred schemes should be considered alongside the current shortfall in respect of schemes currently in assessment and expected to transfer to the PPF. My supplementary report to the Board shows the shortfall in respect of these schemes calculated as £93.7 million. Therefore, had these schemes transferred to the PPF on the calculation date the aggregate difference between assets and liabilities would have reduced to £14,079.7 million.

The actuarial valuation of the Pension Protection Fund as at 31 March 2025 (transferred schemes only) – continued

6. Risks and uncertainties

Based on our current approach to funding, it is our central expectation that over the longer term our assets should continue to outperform our liabilities, predominantly as a result of returns on our growth assets. It is, however, possible that experience is different than I have assumed and that our funding position could deteriorate.

Our funding framework is designed to help the Board understand the level of protection our assets provide to meet both our liabilities and the contingent events that the Board has deemed necessary to hold reserves against. It also helps guide funding decisions in the future as our funding position evolves. While our current position remains strong, I have summarised below some areas of uncertainty along with the likely impacts on our funding if the risks were to materialise:

- In February 2024, DWP published its consultation 'Options for Defined Benefit Schemes'[1]. This consultation concerned potential changes to the pensions landscape in the UK, including allowing easier access to pension scheme surplus and the introduction of a public sector consolidator. In January 2025, the government confirmed its plans to change the legislation on releasing schemes' surplus, and in May 2025 announced it would include this in the upcoming Pensions Bill. These and other future changes to the UK pensions landscape may affect the risk to the PPF. We monitor these developments to ensure our approach to funding remains robust. In particular, once the detail of the surplus extraction rules is confirmed we expect to be able to more accurately quantify the potential impact, if any, on the PPF.
- If, in the future, it is decided that indexation should be offered for pre-1997 compensation then, all else being equal, the PPF's transferred scheme and provision liabilities would increase, along with our claims expectations for the years ahead.
- Although our current investment strategy is designed to be low risk and well diversified, current and expected short-term market volatility affect the value of our assets. If, for example, the value of our growth assets was to fall by 20 per cent, our total asset value would fall by around £3.3 billion.
- Other than in the very short term, over the last year we have seen increases in sterling gilt and swap yields. Our approach has always been to hedge our interest rate exposure, so that any movement in yields impacts our assets and liabilities in the same way. Therefore, while we may anticipate continued future volatility in yields, we expect any impact on the difference between our assets and our liabilities from this source to be very small.
- Were inflation to be higher, or interest rates lower, than we expect, this would cause our liabilities to rise. As we hedge our inflation and interest rate risks, there would be limited impact on our funding position. In addition, our liability exposure to inflation is limited by there being:
  - (currently) no inflationary increases in payment to compensation accrued pre-1997 (if there were to be, there would likely be an annual limit on them);
  - an annual limit on inflationary increases in payment to compensation accrued post-1997; and
  - limits on compensation increases in deferment.

  Our sensitivity analysis, shown in Appendix S4 – Sensitivity analysis, includes different scenarios for inflation increasing and decreasing.

- Future changes in life expectancy are very uncertain. While we hope that the worst effects of COVID-19 are behind us, the longer-term impacts of the pandemic remain unclear. While I still expect there to be improvements in life expectancy over the long term, in the short term there are a number of challenges that will act to curtail such improvements and it is difficult to know for how long these might continue. While I have made some allowance for these short-term impacts in our valuation, actual experience could still be materially different. The sensitivity analysis included in Appendix S4 – Sensitivity analysis provides the potential impact if experience is different from that assumed and shows that modest changes in life expectancy can have a material impact. I have estimated that if the average life expectancy of our membership were to increase/decrease by one year our total liabilities would increase/decrease by around £0.7 billion.

1 https://www.gov.uk/government/consultations/options-for-defined-benefit-schemes/options-for-defined-benefit-schemes

- The Provisions for claims on the PPF and the FCF note to the Financial Statements gives further detail on claims expectations for the year ahead and shows that our central forecast over the next year continues to be manageable, while general scheme funding remains healthy. However, future claims experience is subject to much uncertainty and actual experience can be materially different to our best estimate. Best estimate calculations are supplemented with scenario testing to assess the potential impact of various future events or changes in key assumptions.
- While estimating the funding position of schemes in the universe of schemes we protect is always subject to a degree of uncertainty, this is particularly true while the majority of universe data remains from before September 2022. A rapid increase in gilt yields in September 2022 meant that some pension schemes needed to sell assets quickly to enable them to meet collateral calls on unfunded LDI arrangements. For impacted schemes this may have affected their asset allocations and potentially crystallised investment losses on assets sold. We will not know the full impact of this until each scheme goes through their triennial valuation process and submits new s179 valuations via their scheme return, which will take some years. Scenario modelling we have previously undertaken to better understand how forced selling to meet collateral calls in September 2022 may have impacted our short-term estimated claims and the total deficit of schemes in deficit in the PPF universe showed the estimated impact was small for both.
- Over the longer term it is likely that climate change, including measures taken to tackle it, will have an impact on investment markets and may impact both our own investments as well as the investments for schemes we protect. It may also impact life expectancy. It is, at this stage, difficult to quantify these risks with certainty but we continue to develop our existing processes to monitor these risks to underpin our approach to funding.
- I have not included any allowance for any potential additional compensation as a result of the *Bauer* judgment. Although we do not have sufficient information to reliably estimate the impact of the judgment, modelling has indicated that it is unlikely to be sufficiently material to impact our current approach to funding. The level of compensation payable by the PPF has remained an area of interest for many of our stakeholders. While the compensation we pay is for the Government to decide, any additional compensation would increase our current liabilities and forecasts of future claims.
- I have not included any allowance for any potential additional compensation as a result of the *Virgin Media Limited/NTL Pension Trustees II* ruling. Historically, the PPF did not receive the full set of scheme documentation and correspondence for schemes transferring. It is therefore unlikely we would hold the required evidence for the majority of transferred schemes, or that investigations could lead to a definitive conclusion on the impact of the ruling – as the PPF would be unable to undertake a comprehensive search for historical actuarial confirmations for all transferred schemes if they aren't appended to or referenced in a scheme's amending documents. Because this data is lacking, we are unable to provide a reasonable estimate of the potential impact for this year's valuation. I note the recent announcement that the government will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation and I continue to monitor developments.

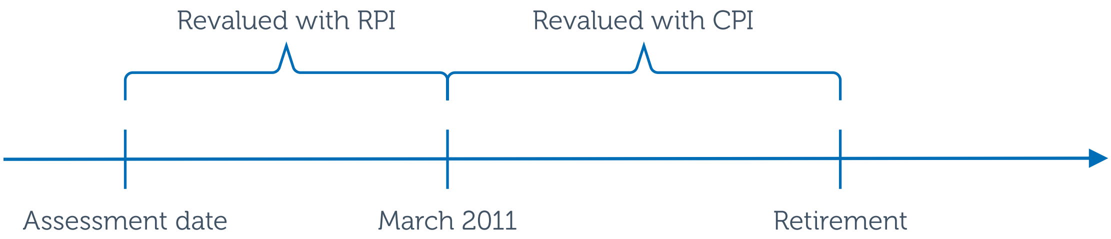
The calculated liabilities will also be sensitive to the assumptions used. The choice of assumptions requires a degree of judgement. To help illustrate the likely impact on our funding position if different assumptions were used, my supplementary report shows the results using a number of different assumptions. In all of these scenarios, our funding position remains robust.

Appendix M1

Summary of compensation provided by the PPF

Member type	Starting PPF compensation
Members who reached their former scheme's Normal Pension Age (NPA) before the scheme came into assessment	100% of scheme pension
Members receiving a survivor's pension	
Members receiving an ill-health pension	
Members who were below their NPA when their former scheme came into assessment	90% of scheme pension

Revaluation of compensation between coming into assessment and retirement



Subject to a minimum of 0% over the whole period to retirement and a maximum over the whole period to retirement of:
- 5 per cent per year for pension in respect of service before 6 April 2009
- 2.5 per cent per year for pension in respect of service after 5 April 2009

Where retirement is before or after NPA, early or late retirement factors apply. RPI or CPI revaluation does not extend past NPA. The switch from RPI to CPI in March 2011 happened in accordance with The Pension Protection Fund (Revaluation Amendments) Regulations 2011.

Compensation increases in payment

Compensation in payment is increased on 1 January each year in line with the below table. The first increase after retirement is reduced, where applicable, to reflect the fact that member compensation has not yet been in payment for a full year. For a January compensation increase, the increase in CPI is determined over the year to the previous May.

Pension in respect of service	Compensation increases
Before 6 April 1997	Nil
After 5 April 1997	CPI up to a maximum of 2.5% a year (with a minimum of nil)

Compensation cap

In June 2020, the Administrative Court ruled that the compensation cap is unlawful. This ruling was upheld by the Court of Appeal in July 2021 (*Hughes*). For the purpose of this valuation, the liabilities have been calculated on the basis that the cap does not apply for all members.

Minimum compensation

As a result of the *Hampshire* judgment, compensation is subject to a minimum of 50 per cent of the value of accrued old age pension in the former scheme. Where not already in the data, I have made an approximate allowance for the expected additional cost of providing this minimum – see Appendix M3 – Assumptions for details.

I have made no allowance for any potential increase in compensation as a result of the *Bauer* judgment or the *Virgin Media* ruling. See section 2 – Compensation and data for further details.

Survivors' compensation

After a member's death, generally 50 per cent of the member's compensation amount will be paid to a legal spouse or relevant partner, depending on the rules of the former scheme.

A proportion of the member's compensation is also paid to any children who are under 18 years old, or under 23 if they are in full-time education.

Powers to alter PPF compensation

Under the Pensions Act 2004 (see Appendix M4 – Legislation and guidance for more detail), we have some limited powers to alter the rates of revaluation and indexation and can recommend to the Secretary of State for Work and Pensions that the percentage of benefits paid as compensation is varied. See pages 26–27 for more information on indexation.

Appendix M2

Membership data

I had to obtain data extracts at dates before the effective date of the valuation. This is similar to the process adopted for the valuation as at 31 March 2024. The following table sets out these dates, which depended on when the schemes transferred to the PPF.

Date of scheme transfer to the PPF	Effective date of data
Before 28 February 2025	5 February 2025
March 2025	11 March 2025

Adjustments have been applied to ensure the data is consistent with the valuation date 31 March 2025 and that the accuracy of the valuation results is not materially affected.

The following tables summarise the member data used in the valuation (columns/rows may not always sum to the totals because of rounding):

Deferred members

		31 March 2025			31 March 2024		
		Male	Female	Total / average	Male	Female	Total / average
Deferred members	Number	59,354	32,865	**92,219**	64,333	35,200	**99,533**
	Average age (unweighted)	57.1	55.9	**56.6**	56.5	55.3	**56.0**
	Total compensation (£m p.a.)	240.9	85.1	**326.0**	263.6	90.8	**354.4**

Note: deferred compensation amounts are shown as at the effective dates of data in the table above, rather than after the adjustments mentioned have been applied. Average ages are as at 31 March.

Members receiving compensation

		31 March 2025			31 March 2024		
		Male	Female	Total / average	Male	Female	Total / average
Members receiving compensation (excl. dependants)	Number	124,555	48,011	**172,566**	122,767	47,060	**169,827**
	Average age (unweighted)	72.5	72.9	**72.6**	72.3	72.8	**72.4**
	Total compensation (£m p.a.)	774.8	135.5	**910.3**	765.0	130.4	**895.4**
Dependants receiving compensation (excl. children)	Number	3,834	31,684	**35,518**	3,689	30,811	**34,500**
	Average age (unweighted)	76.4	78.4	**78.2**	76.1	78.2	**78.0**
	Total compensation (£m p.a.)	5.8	113.7	**119.5**	5.6	110.2	**115.8**
Children receiving compensation	Number	244	243	**487**	255	249	**504**
	Average age (unweighted)	16.5	16.8	**16.7**	16.4	16.8	**16.6**
	Total compensation (£m p.a.)	0.3	0.3	**0.6**	0.3	0.3	**0.6**
All members receiving compensation	**Number**	**128,633**	**79,938**	**208,571**	**126,711**	**78,120**	**204,831**
	Average age (unweighted)	**72.5**	**74.9**	**73.5**	**72.3**	**74.8**	**73.2**
	Total compensation (£m p.a.)	**780.9**	**249.5**	**1,030.4**	**770.9**	**240.9**	**1,011.8**

The figures in the tables on the previous page relate to member records rather than individuals. For example, members who are already receiving one tranche of compensation but are entitled to a further tranche are included in both tables. The compensation amounts shown include the removal of the PPF compensation cap and any *Hampshire* uplifts that have been applied to members who have been assessed, which is now practically all of our membership.

Suspended payments and member deaths incurred but not reported

There were around 2,200 members whose compensation payments had been suspended (and not restored) by the effective date of the data. These suspensions mainly relate to recent deaths that were being processed. A proportion of the member deaths will have an eligible spouse and some of the suspensions will be reinstated.

On the other hand, there are member deaths that happened before the effective date of the data but were not reported until after that date, and hence we'll be overstating our liabilities by including these members in the data we've valued.

As these two items broadly offset each other in terms of liability impact, I have, this year, made no allowance for either. In previous years we have allowed for both.

Other payments

The compensation in the tables on the previous page also excludes a very small amount of some other types of pension – for example, step-down pensions – that would have been payable under a former scheme's rules and now needs to be reflected in PPF compensation paid to members. On the grounds of materiality, some, but not all, of this is reflected in the liabilities, but this approach will be revisited in future if more schemes with these other types of pension transfer to the PPF.

Guaranteed Minimum Pension (GMP) – reconciliation with HMRC records

There is an unknown number of people who HMRC has on record as having paid contracted-out rate National Insurance contributions in respect of schemes that transferred to the PPF, but who were not themselves included in the transfer to the PPF. Schemes would have had a liability to pay a GMP in respect of individuals who were contracted-out unless this liability had been discharged. Members may contact us and provide evidence that they are entitled to PPF compensation and this would need to be considered on a case-by-case basis. A liability will be recognised for any such member if and when their entitlement to compensation is established.

Appendix M3

Assumptions

A full summary of the assumptions used in the actuarial valuation is shown below, along with the 2024 valuation assumption, if different.

Valuation date	31 March 2025	31 March 2024
Discount rate	A full curve, consisting of 80% of the gilt yield, plus 20% of the SONIA-based swap yield, at each term	
RPI inflation	RPI inflation swap curve	
CPI inflation	0.9% p.a. lower than RPI inflation until 31 January 2030, then 0.1% p.a. lower thereafter	
Compensation increases	A full curve derived from CPI inflation capped at 2.5% p.a. and floored at 0% p.a.	
Baseline life expectancy	Club Vita life expectancy curves, 2023 version, with mortality rate scaling factor of 95% for men	
Future improvements in life expectancy	CMI 2023 model (core form, except for addition to initial improvements, 'A', of 0.25% p.a., weight parameter, 'w', for 2022 and 2023 of 0%, and no improvements over the calendar years 2020 to 2025, inclusive), long-term rate 1.5% p.a.	CMI 2022 model (core form, except for addition to initial improvements, 'A', of 0.25% p.a., weight parameter, 'w', for 2022 of 0%, and no improvements over the calendar years 2020 to 2025, inclusive), long-term rate 1.5% p.a.
Commutation, early retirement, late retirement	No allowance on the grounds that member options are exercised on terms that aim to be cost neutral on our latest accounting basis; therefore, these options should not materially affect our liabilities	
Proportion of members married or with a relevant partner	Depends on provisions in former scheme – 85% (men)/65% (women) (if any relevant partner) – 80% (men)/60% (women) (if legal spouses only) For members receiving compensation, these proportions apply at normal pension age; for deferred members, at assumed date of retirement or earlier death	
Age difference between member and dependant	Women assumed to be three years younger than their male partners	
Children's compensation	No additional allowance	
Expenses	An allowance of 3.0% of the liabilities	An allowance of 3.3% of the liabilities

Valuation date	31 March 2025	31 March 2024
Impact of the *Hampshire* and *Hughes* court judgments	No additional allowances	Uplifts to liabilities of: For the 50% minimum test required by the *Hampshire* judgment: – £5 million for members receiving compensation – £10 million for deferreds – £nil for arrears For removal of the compensation cap provisions (*Hughes*): – £0.1m for arrears due – 0.1% for members receiving compensation (including the cost of further arrears and tax charges) – Deferreds valued directly without caps The amount of arrears of PPF compensation actually paid has been determined not to be affected by time limits under the Limitation Act 1980
GMP equalisation	No allowance needed, on the grounds that there are no members for whom we have not yet equalised for GMP	
Levels of compensation, revaluation in deferment and increase in payment	No change from current legislation	

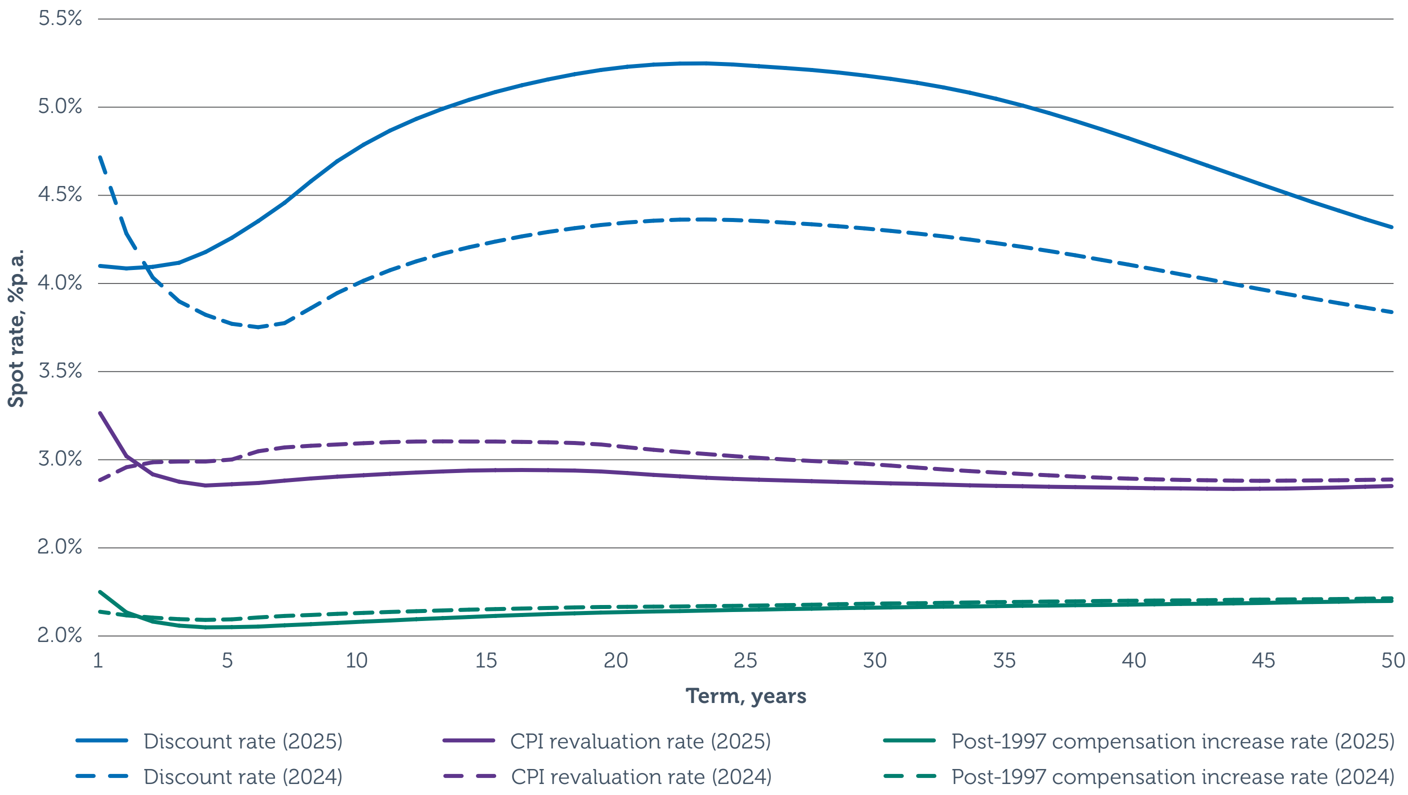
I give further information on these assumptions below.

Appendix M3
Assumptions – continued

Financial assumptions

In general, I have applied the same approach to setting the financial assumptions as for the actuarial valuation at 31 March 2024. In particular, the financial assumptions vary according to the term of the compensation payment being estimated.

The graph below shows the annualised average term-dependent discount rates, CPI revaluation rates, and increases to compensation in payment, that have been assumed over the given term as at 31 March 2025. The figures as at 31 March 2024 are shown as dashed lines for comparison. The rates are presented as spot rates.



Source: BlackRock, investment banks, PPF.

Discount rates

For the purposes of this actuarial valuation, I have set the discount rate assumption according to a notional portfolio of assets that I consider to best match the PPF liability cash flows.

This notional portfolio consists of 80 per cent gilts and 20 per cent swaps. The discount rate for each term is a blend of 80 per cent of the gilt yield and 20 per cent of the SONIA-based swap yield at that term.

Inflation and compensation increases

For the RPI inflation assumptions I have used a curve of RPI inflation swap yields as at 31 March 2025.

Since expected future CPI inflation is not reliably observable in the market in the same way as expected RPI inflation, I have instead set this assumption by deducting a margin from the RPI inflation assumptions. In November 2020 the UK Statistics Authority and HMT announced that RPI will be aligned with CPIH from February 2030. I have therefore used a best estimate of the margin between RPI and CPI of 0.9 per cent per year up to 31 January 2030 reducing to 0.1 per cent per year thereafter, reflecting the expected difference between CPI and CPIH. This is the same assumption as we use in constructing the portfolio of assets to hedge our liabilities.

For compensation increases in payment, I have used the Stochastic Alpha Beta Rho (SABR) model to adjust expected future CPI inflation for the upper and lower limits that apply when CPI-linked compensation increases are derived.

Demographic assumptions

Life expectancy

This assumption is in two parts. The first is baseline life expectancy, which reflects the assumed rates of mortality at the valuation date. The second part is an assumption about how these rates will change over time.

The following table illustrates the life expectancies of members aged 65 at both the date of valuation and in 25 years' time, based on the assumptions described below. The figures are shown in years.

Date of valuation			31 March 2025		31 March 2024	
			Men	Women	Men	Women
Median life expectancy	Members currently receiving compensation	Now	21.5	23.8	21.4	23.7
	Dependants of members currently receiving compensation	Now	19.8	23.3	19.7	23.2
	Members due to receive compensation	In 25 years' time	23.3	26.2	23.3	26.1
	Future dependants of members due to receive compensation	In 25 years' time	22.2	25.6	22.1	25.2
Minimum life expectancy	Members currently receiving compensation	Now	14.2	18.4	14.1	18.3
	Dependants of members currently receiving compensation	Now	14.2	18.4	14.1	18.3
	Members due to receive compensation	In 25 years' time	19.2	21.5	19.1	21.4
	Future dependants of members due to receive compensation	In 25 years' time	16.7	21.2	16.7	21.1
Maximum life expectancy	Members currently receiving compensation	Now	24.5	25.3	24.5	25.3
	Dependants of members currently receiving compensation	Now	22.1	25.0	22.1	24.9
	Members due to receive compensation	In 25 years' time	26.5	27.5	26.5	27.4
	Future dependants of members due to receive compensation	In 25 years' time	24.4	27.1	24.3	27.1
Range of life expectancies that covers 75% of compensation	Members currently receiving compensation	Now	19.6–23.5	21.5–25.0	19.6–23.5	21.4–24.9
	Dependants of members currently receiving compensation	Now	17.8–21.9	20.6–25.0	17.7–21.9	20.6–24.9
	Members due to receive compensation	In 25 years' time	22.0–25.0	24.6–27.3	21.4–24.9	24.5–27.3
	Future dependants of members due to receive compensation	In 25 years' time	20.3–24.2	23.4–26.5	20.2–24.1	23.3–26.5

Appendix M3
Assumptions – continued

Baseline life expectancy
A life expectancy analysis provider, Club Vita, provides me with a number of individual mortality curves to apply to the PPF's members, based on a number of factors such as sex, postcode, and compensation amount. These curves are based on actual mortality experience in the years 2019, 2020 and 2021 (with 2020 therefore being the 'central year' of the baseline mortality). For the years 2020 and 2021, which include COVID-19 pandemic deaths, Club Vita has stripped out deaths in excess of those which would have been expected based on experience in 2019.

As with the 2024 valuation, this year I have made an allowance for how our population's mortality experience has differed from that expected by Club Vita's curves. Our experience for male members has shown that, on average, they live longer than expected when PPF compensation is used to assign a mortality curve. To reflect this experience, I apply a scaling factor, currently of 95 per cent, to the relevant Club Vita curves. I will keep this adjustment under review, particularly as new experience emerges.

Allowance for changes in life expectancy over time
A model for this purpose is produced by the Continuous Mortality Investigation (CMI), which is part of the Institute and Faculty of Actuaries. This model is updated every year to reflect more recent data and, in some years, modelling methodology improvements.

For the actuarial valuation as at 31 March 2025, I have adopted the CMI_2023 model, with all model parameters at their core values, with a few exceptions as summarised below:

- An initial adjustment to mortality improvements of 0.25 per cent per year. This is to reflect the population differences between members of DB pension schemes and the general population of England and Wales.
- I give no weight to the actual 2022 and 2023 experience data in the CMI_2023 model (i.e. by setting the w-parameter to zero). I have instead retained last year's approach of assuming no improvements for a given number of years.

I have assumed life expectancy does not improve over the calendar years 2020 to 2025, inclusive. This allows for the potential short-term impacts of COVID-19 and the measures taken during this period on life expectancy improvements.

I have retained last year's assumption of a long-term rate of mortality improvement of 1.5 per cent per year for men and women. Looking to the medium and longer term, there are various considerations around whether the knock-on effects of COVID-19 may increase or decrease life expectancy, but it will be some time before these effects are fully understood. On balance, I have not made an explicit allowance for these potential impacts, but I intend to keep this under review in future years as more data becomes available.

Member options – commutation, early retirement, late retirement
No allowance is made for any member options to be exercised, given that the option terms are set such that the liabilities are broadly unchanged whether the option is exercised or not.

Other demographic assumptions

I have based these on the PPF's experience.

Expenses

Certain administration expenses, such as those associated with paying members and investment management, are met directly from the PPF.

The current expected total cost of paying members is converted to a per-member cost and projected into the future with CPI and expected membership changes derived using the assumptions outlined above. This is then discounted back to a present-day value.

Investment management expenses have been taken as the estimated current annual management charge that would apply to the notional portfolio used to set the discount rate assumption, including an allowance for the cost of us overseeing the investment arrangement.

This results in an allowance of 3.0 per cent of liabilities. In the past I've uplifted this to include the expected future cost of administering five longevity swap contracts that have transferred to the PPF. For this year's valuation this cost is instead allowed for in the assets and has been assessed under an updated methodology, consistent with UK accounting reporting guidance – Financial Reports of Pension Schemes: Statement of recommended practice.

GMP equalisation

All compensation of members of transferred schemes is equalised for GMP so no further adjustments are required. This was also the case at the 2024 actuarial valuation.

In November 2020 the High Court ruled that trustees of DB schemes that provide GMPs are required to top up historical cash equivalent transfer values (CETVs) that were calculated on an unequalised basis if the CETV would have been higher had allowance been made for GMP equalisation.

At this stage it has not been possible to provide a reliable estimate of the potential impact this ruling could have on the liabilities given the lack of availability of data and the uncertainty inherent in the calculations.

Appendix M4

Legislation and guidance

Legislation / guidance	Valuation aspect it applies to
Pensions Act 2004	Various. Specific significant aspects are detailed below.
Paragraph 22 of Schedule 5 to the Pensions Act 2004	We are required to prepare a statement of accounts of each financial year, which must include an actuarial valuation of the assets and liabilities of the PPF, prepared and signed by the Appointed Actuary. We are required to send a copy of this valuation report (along with the rest of the accounts) to the Secretary of State for Work and Pensions and the Comptroller and Auditor General (paragraph 22(5)).
The Accounts Direction given by the Secretary of State for Work and Pensions with the approval of HMT in accordance with Part 4 of Schedule 5 of the Pensions Act 2004	This states that the discount rate used to discount future cash flows and liabilities should be that advised by the PPF's actuary.
Government Financial Reporting Manual (FReM) (accounting principles and disclosure requirements therein) HMT's PES (Public Expenditure Systems) Guidance on the Preparation of Annual Reports and Accounts for 2021–22 Other guidance issued by HM Treasury in respect of accounts that are required to give a true and fair view The Framework document agreed between DWP and the Board of the PPF	Under the Accounts Direction referred to above, we are required to prepare accounts in compliance with these.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	In accordance with the FReM, we are required to take account of this. It follows from this that we are required to place a best estimate value on the provisions. We are exempted from IAS 37's requirements around the calculation of the discount rate by virtue of the Accounts Direction described above.
Schedule 7 to the Pensions Act 2004 (and consequent regulations)	This schedule sets out PPF compensation.
Section 132 of the Pensions Act 2004	This section defines what an assessment period is.
The Pension Protection Fund (Valuation of the Assets and Liabilities of the Pension Protection Fund) Regulations 2006 (SI 2006/597)	The value of the PPF liabilities is determined in accordance with regulation 3, which requires that: a) the liabilities of the PPF shall be any sums or properties falling to be paid or transferred out of the Fund required to meet liabilities listed in section 173(3) of the Pensions Act 2004; and b) the value of a liability shall be the present value of that liability at the valuation date. The value of the PPF assets is determined in accordance with regulations 2, 4, and 5. Regulations 4 and 5 make available adjustments but these have not been made in this valuation.

Supplementary report: actuarial liabilities and provisions of the Pension Protection Fund as at 31 March 2025

1. Introduction and framework

I have prepared this supplementary valuation report for the Board of the Pension Protection Fund (the Board) for inclusion in its Annual Report and Accounts as at 31 March 2025.

This report mainly deals with schemes in PPF assessment as at 31 March 2025 that are expected to transfer to the PPF. This is a broad definition of the schemes that form the 'provisions'.

Fuller details of schemes in assessment (SIA) (the 'provisions') can be found in Appendix S1 – Definition of a provision.

In addition to the above, I also include details of the assets and liabilities of both transferred schemes and SIA in aggregate as well as sensitivities of these to certain changes in key assumptions and market conditions.

This report is not intended for any purpose other than meeting our accounting requirements.

Framework under which I have prepared this valuation

The requirement to include an actuarial valuation of the PPF is set out in the Accounts Direction given by the Secretary of State for Work and Pensions with the approval of HM Treasury (HMT) in accordance with Schedule 5, Part 4 of the Pensions Act 2004.

Under the Accounts Direction, the Board is required to prepare accounts in compliance with the Government Financial Reporting Manual (FReM), and other relevant guidance issued by HMT. The FReM requires that IAS 37 must be taken into account. When taken together, this means that the valuation of both assets and liabilities should provide a true and fair assessment.

The requirement to provide an annual valuation of the PPF is also set out in the Framework document agreed between us and DWP.

I have prepared this valuation in accordance with the above pieces of legislation and guidance insofar as they apply. Appendix M4 – Legislation and guidance in my main report and Appendix S5 – Legislation and guidance set out more detail around this.

This valuation complies with Technical Actuarial Standard (TAS) 100 'Principles of Technical Actuarial Work'. Further, given the scope of the work, the processes and the calculations underlying this report, together with the report itself, are subject to independent peer review. This review has been done by Hymans Robertson.

Signed:

Name of Appointed Actuary: Shalin Bhagwan
Date: 19 June 2025
Job title: Chief Actuary
Qualification: Fellow of the Institute and Faculty of Actuaries
Employer: The Board of the Pension Protection Fund

Supplementary report: actuarial liabilities and provisions of the Pension Protection Fund as at 31 March 2025 – continued

2. Valuation approach

Where possible, I have taken the same approach to value the liabilities forming the provisions as I took to value the liabilities of the schemes that transferred to the PPF by 31 March 2025. This is covered in my main report to the Board dated 19 June 2025.

I have used recent individual member data for the largest scheme included in the provisions in this valuation. This scheme makes up 48 per cent of the liabilities for schemes in the provisions and three per cent of the combined liabilities of transferred schemes and schemes in the provisions. There is one further scheme for which I have used individual membership data requested for previous valuations. For these two schemes, the approach to valuing the liabilities is comparable with that taken for transferred schemes, with an additional allowance for the expected cost of completing the transfer to the PPF.

Similar to the approach for transferred schemes, I've adjusted liabilities for member movements over the period between the effective date of the data and the calculation date. I've also continued to allow for the expected cost of uplifting compensation for the *Hampshire* and *Hughes* judgments[1], an addition for which is no longer required for transferred schemes. The adjustments applied have been calculated in the same way as those used for transferred schemes and schemes in assessment in previous valuations but, where appropriate, I have updated the calculation to reflect the demographics of the individual scheme.

For all other SIA, I have estimated the liabilities by adjusting the results of the latest section 179 (s179) valuations. The adjustments made allow for changes in market conditions, the passage of time, differences in assumptions used for s179 purposes and this valuation, and the expected scheme experience since the effective date of the valuation. The approach I've taken is broadly consistent with the methodology used to calculate the PPF levy for the financial year 1 April 2024 to 31 March 2025 but, in addition, I have made an approximate allowance for benefits paid and increased liabilities to reflect the expected cost of uplifting compensation for the *Hampshire* and *Hughes* judgments.

Owing to the limited data available for these schemes, a simplified approach to setting the assumptions is required, which involves using average assumptions for the discount rate, future inflation, and current mortality rates. See Appendix S3 – Assumptions for further details on the assumptions used.

For all schemes included in the provisions, I have estimated the assets by rolling forward the latest information available using market indices for each asset class. Again, the method I used to do this is broadly consistent with the latest levy methodology, the main exception being that assets have been reduced for lump sum payments on retirement for members of the schemes for which individual data was provided. For the material schemes discussed above, the latest asset valuation will be at a date on or after the effective date of the member data provided.

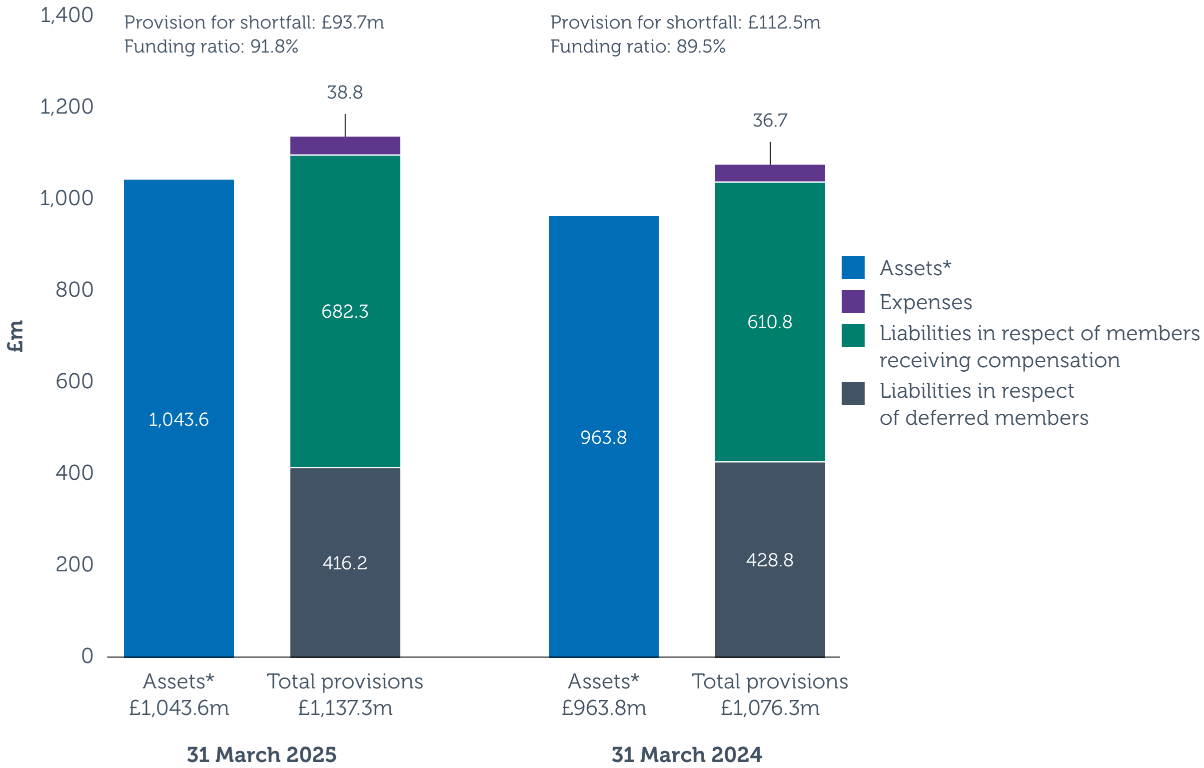
A scheme is only included in the calculation if it is expected that it has insufficient assets to secure benefits above PPF levels of compensation. See Appendix S1 – Definition of a provision for further details of the definitions used and Appendix S2 – Data for further details on the number of schemes included.

1 See section 2 of my main report for further information relating to the requirements of these judgments.

3. Results for schemes in PPF assessment

Provisions

Forty-seven schemes were included in the provisions as at 31 March 2025. The following chart sets out the values of the assets and liabilities of the schemes forming the provisions at the current and previous valuation dates.



* Includes anticipated recoveries of £27.3 million (2024: £50.1 million) prior to asset restriction – for some schemes that are marginally underfunded on the PPF entry basis, the assets exceed liabilities on the basis used for the purpose of this valuation. In this circumstance I have restricted the assets to the value of the liabilities to avoid the risk of understating the provision made. This adjustment has reduced the asset value by £32.4 million.

Both the assets and liabilities have increased over the year, with a small change to the shortfall for the provisions. This is a result of:

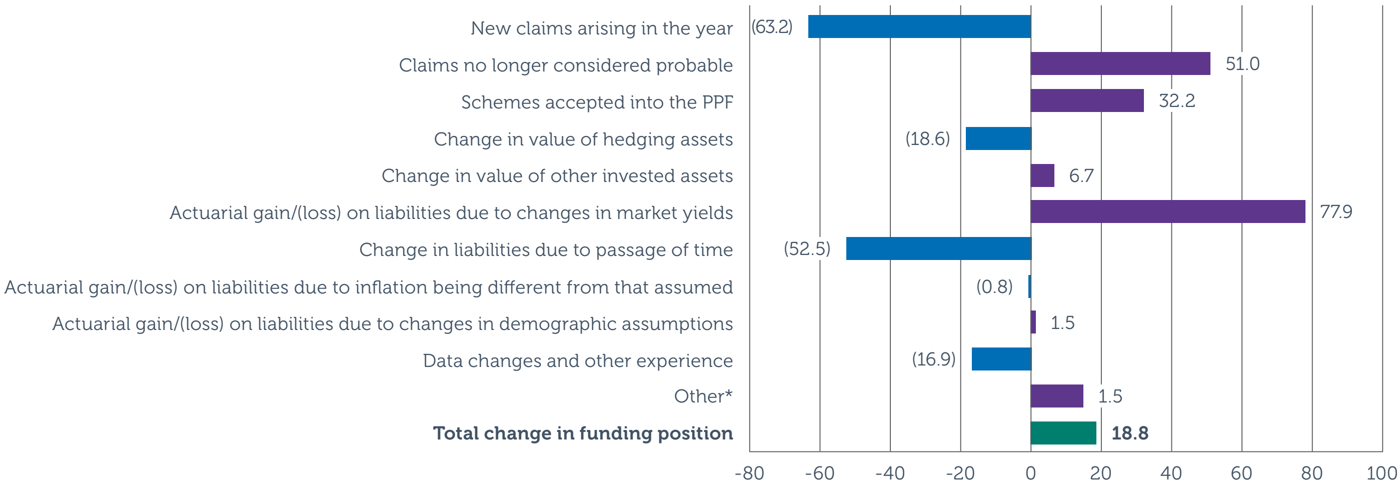
– more assets and liabilities coming into assessment (and deemed likely to transfer and hence treated as a provision) compared with those transferring to the PPF; and is,

– offset by an increase in the discount rate caused by rising gilt yields over the year, which has acted to reduce both the assets and liability values.

The shortfall of assets compared to liabilities has reduced from £112.5 million as at 31 March 2024 to £93.7 million as at 31 March 2025.

Supplementary report: actuarial liabilities and provisions of the Pension Protection Fund as at 31 March 2025 – continued

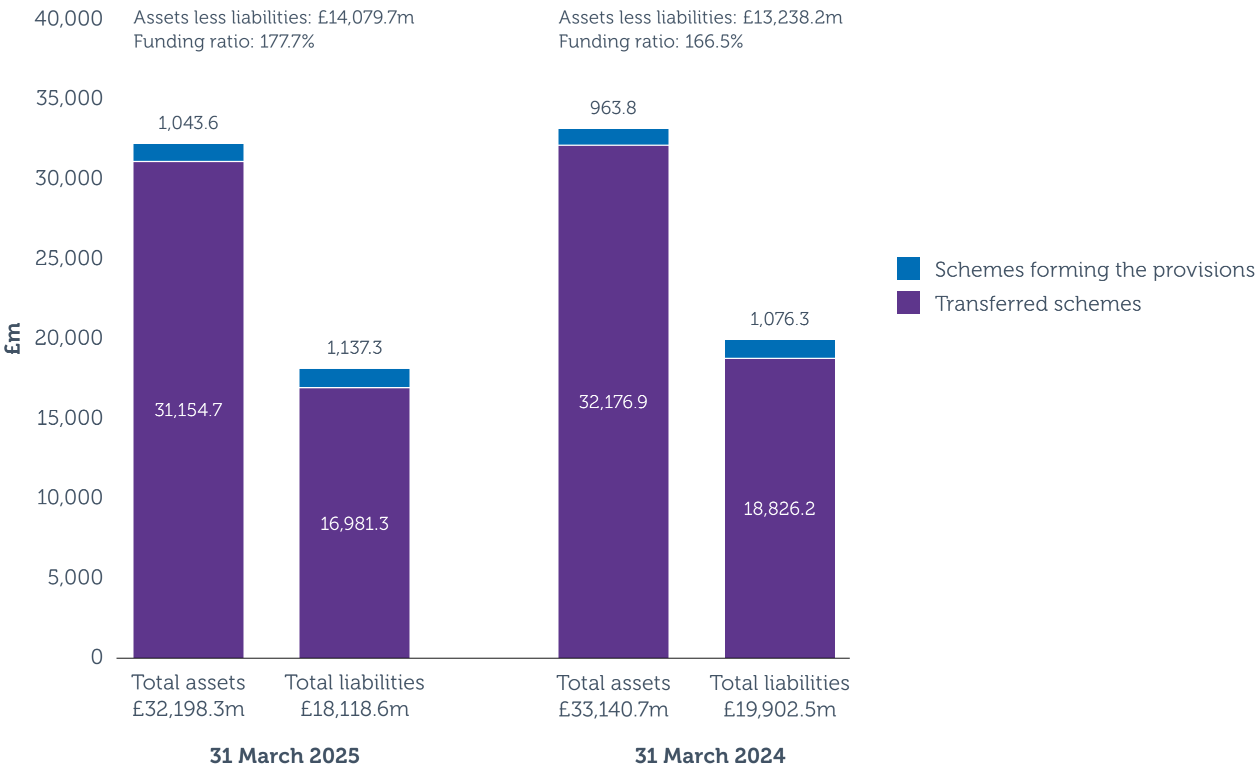
A full analysis of this change over the year is set out in the following chart (figures are in £ million).



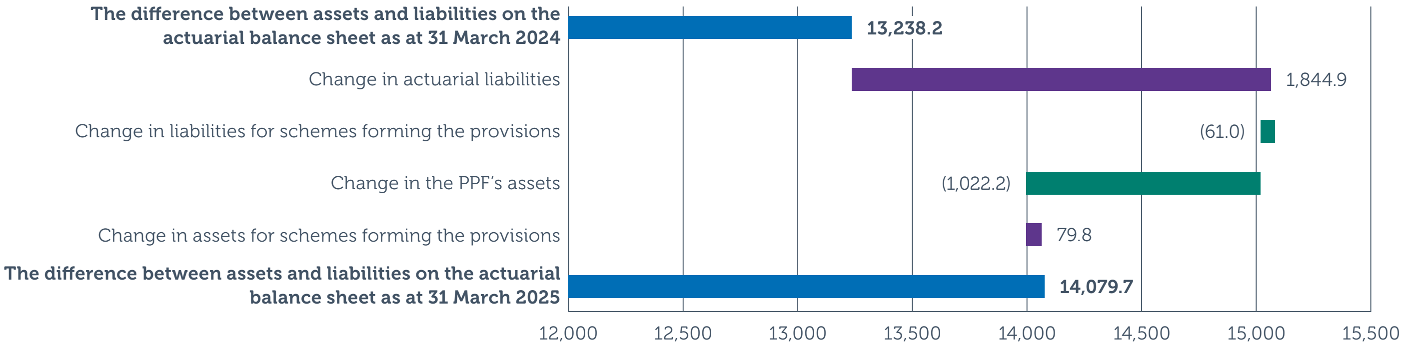
* Includes such items as expenses and recoveries.

Actuarial liabilities and provisions in aggregate

The following chart sets out the values of the assets and liabilities of the schemes that have already transferred to the PPF and those forming the provisions at the current and previous valuation dates.



The following chart sets out a reconciliation for the year of the net funding position on the actuarial balance sheet, i.e. considering both transferred schemes and schemes forming the provisions in aggregate (figures are in £ million).



Supplementary report: actuarial liabilities and provisions of the Pension Protection Fund as at 31 March 2025 – continued

4. Sensitivity analysis

The value placed on liabilities will be very sensitive to the assumptions used; it is also likely that actual experience of the PPF will be different from that assumed. I have therefore illustrated how sensitive the results are to plausible changes in the main assumptions. Full details are set out in Appendix S4 – Sensitivity analysis and I have summarised below the impacts on the difference between assets and liabilities, and funding ratio.

Scenario	Description
Main	Assets and liabilities are as shown in the chart in section 3 – Actuarial liabilities and provisions in aggregate.
1	Nominal yields are assumed to decrease by 1% p.a.
2a	Inflation is assumed to decrease by 1% p.a.
2b	Inflation is assumed to increase by 1% p.a.
3	Average life expectancy is assumed to be one year longer than assumed in the main valuation.
4	Life improvements assumption uses weight 'w' parameters of 0% for each of 2022 and 2023 instead of our 2020–2025 no-improvements approach (retaining parameterisation of A = 0.25% and long-term rate = 1.5% pa).
5	The value of return-seeking assets as at the valuation date (excluding those that are used to hedge liabilities) is assumed to decrease by 20%.
6	Non-investment expenses are assumed to be 10% higher than assumed in the main valuation. (No change to investment nor wind-up expenses.)
7	Assumptions and expenses calculations based on the s143 valuation basis in force as at the valuation date.

Scenario	Assets less liabilities, £bn	Funding ratio	Compared to main scenario, £bn
Main	14.1	177.7%	–
1	13.9	168.6%	↓ (0.2)
2a	14.1	180.5%	↑ 0.0
2b	14.2	176.3%	↑ 0.1
3	13.4	171.1%	↓ (0.7)
4	13.9	175.9%	↓ (0.2)
5	10.8	159.6%	↓ (3.3)
6	14.0	177.3%	↓ (0.1)
7	14.2	178.5%	↑ 0.1

The results show that, although some impacts can be large, the PPF is resilient to individual items of experience being different to assumed. A more detailed breakdown of the results is given in Appendix S4 – Sensitivity analysis. It should also be noted that, in some cases, the results are calculated in a more approximate manner than the main results in the report. None of the scenarios and assumptions variations described above should be interpreted as upper or lower bounds of the range of reasonable estimates that might be made.

Appendix S1

Definition of a provision

Schemes that make up the provisions as at 31 March 2025 are those schemes:

- in assessment whose asset value as at the insolvency date was likely to have been less than the expected cost of securing PPF levels of compensation with an insurer, and the scheme is expected to transfer to the PPF; or
- that have completed assessment and have not yet transferred to the PPF but are expected to. This can occur if the scheme is expected to successfully reapply for PPF entry as assets are no longer expected to be sufficient to secure benefits in excess of PPF levels.

Schemes were considered to be in assessment as at 31 March 2025 if on or before that date an insolvency event occurred and:

- an insolvency event notice had been received;
- the insolvency event had not been rejected;
- a withdrawal notice had not been received from an insolvency practitioner, nor was one expected; and
- transfer to the PPF had not yet occurred.

Some schemes may have had insolvency events occur on or before 31 March 2025 but had not yet reported this to us. Analysis of the past reporting history indicates that insolvencies are notified very quickly and so it is unlikely that there are a material number of claims that have yet to be reported. I have therefore not included a reserve to cover this.

I have concluded that a scheme is likely to transfer to the PPF if, in the following order:

- the section 143 entry valuation test shows the scheme to be underfunded;
- in the absence of a formal report, the valuation actuary has provided confirmation that the expected outcome of the entry test is that the scheme will be underfunded; or
- my own assessment shows the scheme is likely to be underfunded. To do this I have adjusted the results of the latest s179 valuation using the methodology set out in the latest levy determination which applied over the financial year[1] to allow for the passage of time and the assumptions that would apply at the insolvency date. In addition, assets have been increased to allow for any expected recoveries from the sponsoring employer and I have considered the impact the *Hampshire* and *Hughes* judgments may have on the scheme's funding status as well as the most recent information available of the scheme's draft section 143 funding position.

1 Full details of the methodology can be found at https://ppf.co.uk/-/media/PPF-Website/Files/Levy/2024-25-levy-year/Transformation-Appendix-2425.pdf

Appendix S2

Data

Transferred schemes

The data for the PPF members whose compensation forms the actuarial liabilities is summarised in my main report dated 19 June 2025.

Schemes that form the provisions

The following table sets out the numbers of schemes and members that form the provisions.

	31 March 2025	31 March 2024
Number of schemes	47	43
Estimated number of members receiving compensation in these schemes	18,276	17,573
Estimated number of deferred members in these schemes	8,329	9,681

In addition, there are 24 schemes currently in assessment that are not included as the expectation is that they will secure benefits above PPF levels and therefore not transfer to the PPF.

Material schemes

In general, for material SIA (broadly those whose estimated liabilities are over £250 million), I use a recent cut of individual member data. There is one such scheme in the provisions this year. It was in assessment as at 31 March 2024, and I have valued it based on membership with effective date August 2022. Membership data was collected in a standard template and gave compensation at a current date split by various service dates.

I have carried out checks on all the data received for general reasonableness and, where appropriate, for consistency with that used in previous actuarial valuations. I have no material concerns about the data for the purpose of assessing the total liabilities of SIA. Transferred schemes and material SIA account for around 97 per cent of the total liabilities and provisions.

There is one scheme that was classified as material at a previous valuation date but does not classify as such at the 31 March 2025 valuation. For this scheme I have used the same individual member data I received previously, which had an effective date of August 2021. I have allowed for expected member movements since then. For assets, I used the values from actual statements. This scheme accounts for less than one per cent of the combined liabilities of transferred schemes and schemes in the provisions.

Non-material schemes

For producing the assets and liabilities of the remaining 45 schemes forming the provisions I used the latest s179 valuation information provided for levy purposes. Although there is no reason to doubt the quality of the information provided within a particular scheme's valuation report, I have carried out checks on the general reasonableness of the data submitted. Again, I have no material concerns relating to the data provided. This approach will be less accurate than using individual member data. However, given the small proportion of liabilities valued in this way, the impact of this simplified approach should not be material to the overall results.

Expected recoveries

For all types of schemes that form the provisions, assets have been increased to allow for expected recoveries from the wind-up of the sponsoring employer. In aggregate, this has acted to increase assets by £27.3 million (before allowing for any asset restrictions required by the accounting standards, as explained in section 3 – Results for schemes in PPF assessment).

Appendix S3

Assumptions

The assumptions used to value the provisions will generally be the same as used for the transferred schemes that make up the actuarial liabilities. This appendix lists out the differences and additions.

Financial assumptions for schemes where individual member data is not available

For these schemes it is not possible to use term-dependent rates as projected cash flows are not produced without individual member data. Instead, I determined six single rates of discount, inflation, and compensation increases such that the value of the actuarial liabilities of the transferred schemes and material schemes in assessment is the same whether the full set of term-dependent rates or these single rates are used. Essentially, this approach assumes the shape of the cash flows is the same for schemes where individual data is held compared with those where it is not. These single rates, on this valuation measure, are as follows:

Net discount rate Payment status	Service	Member type	31 March 2025 % p.a.	31 March 2024 % p.a.
In deferment	Before 6 April 2009	Deferred	2.0	1.1
	After 5 April 2009	Deferred	2.4	1.7
In payment	Before 6 April 1997	Receiving compensation	4.8	4.1
		Deferred	5.0	4.2
	After 5 April 1997	Receiving compensation	2.7	2.0
		Deferred	2.8	2.0

Equivalent assumptions are needed at the effective date of the original s179 valuation. I have derived these using the s179 assumptions guidance in force at each date.

Demographic assumptions

GMP equalisation

No additional allowance is made for the impact of GMP equalisation in the actuarial liabilities as the membership data for transferred schemes already includes the effects of this for every member. As this is not the case for all schemes forming the provisions, an additional allowance is made where the scheme in assessment does not already have data that includes equalised GMP. This is 1.2 per cent of liabilities in respect of members receiving compensation and 0.6 per cent of deferred liabilities. This includes an allowance for backdated arrears payments and is based on the estimated cost of equalising the liabilities for members who have already transferred to the PPF.

Expenses

In addition to expenses incurred after transfer to the PPF, the following expenses for schemes forming the provisions are included:

- Expenses incurred by the schemes' trustees prior to transfer to the PPF. Schemes forming the provisions are assumed to be, on average, halfway through assessment and so these are assumed to be 50 per cent of those specified in the s179 valuation guidance, subject to a cap on 100 per cent of the expenses of £3 million per scheme. In this year's valuation, no scheme in assessment has had this cap applied.
- Expenses incurred by the PPF in transferring members into the PPF. I have calculated this as a per-member cost determined by dividing the cost to the PPF of transferring members by the number of members involved. I have used the same figures as last year as I do not expect a recalculation to significantly change the result.

The total expense allowance for provisions is 3.5 per cent of the liabilities (2024: 3.5 per cent).

Appendix S3
Assumptions – continued

Minimum compensation

I have used the same approach to assess the expected cost of uplifting members' compensation in respect of the *Hampshire* and *Hughes* court rulings as in previous years, which was then a similar approach to that taken for transferred schemes. As previously noted, for the 2025 valuation I no longer need to make any such adjustment for transferred schemes.

i. *Hampshire* – 50 per cent minimum

For one large scheme, I have used the figure estimated by the scheme's PPF panel actuary.

For the other schemes in assessment, I categorised them according to the type of benefits in their original scheme. I assigned each category a loading based on the model used to derive the previous uplifts for the transferred scheme data. This resulted in an allowance of 0.6 per cent of deferred liabilities and 0.2 per cent of pensioner liabilities for these schemes in aggregate.

ii. *Hughes* – the compensation cap

For one large scheme, I have used the figure estimated by the scheme's PPF panel actuary.

For the scheme that was classified as material at a previous valuation date, I have valued the deferred liabilities without any compensation cap applying in the calculation. I have set the remaining loadings for removal of the compensation cap to be the same for schemes in assessment as what the loadings would have been for transferred schemes were the uplifted compensation not already in the data, except to adjust expected future arrears to reflect that schemes in assessment will generally have more recent dates of entering PPF assessment than transferred schemes. The increases to liabilities from disapplying the compensation cap are 0.7 per cent of liabilities in respect of members receiving compensation and 0.3 per cent of deferred liabilities.

Appendix S4

Sensitivity analysis

This appendix shows how sensitive the results are to plausible changes in the underlying financial and demographic assumptions.

Please note that the sensitivities are calculated in a more approximate manner than the main results.

Scenario	Description	Reasoning
1	Nominal yields are assumed to decrease by 1% p.a.	This is an illustration of a plausible move in yields.
2a	Inflation is assumed to decrease by 1% p.a.	This is an illustration of a plausible move in market-implied inflation rates.
2b	Inflation is assumed to increase by 1% p.a.	This is an illustration of a plausible move in market-implied inflation rates, the opposite of scenario 2a.
3	Average life expectancy is assumed to be one year longer than assumed in the main valuation.	This is an illustration of a plausible move in life expectancy.
4	Life improvements assumption uses weight 'w' parameters of 0% for each of 2022 and 2023 instead of our 2020–2025 no-improvements approach (retaining parameterisation of A = 0.25% and long-term rate = 1.5% pa).	Future life expectancy is uncertain and subject to a high degree of judgement. This sensitivity addresses the question of what if life expectancy improvements reverted to pre-pandemic levels from 2022.
5	The value of return-seeking assets (the growth portfolio) as at the valuation date (i.e. excluding those assets that are used to hedge liabilities) is assumed to decrease by 20%.	This is an illustration of a plausible move in asset values.
6	Non-investment expenses are assumed to be 10% higher than assumed in the main valuation. (No change to investment or wind-up expenses.)	This is an illustration of a plausible move in non-investment expenses.
7	Assumptions and expenses calculations based on the s143 valuation basis in force as at the valuation date.	This serves to illustrate the difference between our accounting basis used in this valuation and the s143 basis.

Appendix S4
Sensitivity analysis – continued

A summary of the values of the financial assumptions under each scenario is shown in the following table. For ease of display I have shown the single equivalent assumptions rather than the full yield curves, but for schemes where full member data has been used in the valuation, I've used the full yield curves in my calculations. For the s143 valuation basis, our calculations are based on the full yield curves specified in assumptions guidance B11. In the table below I have quoted the A11 s179 valuation basis, at 31 March 2025 which is a single equivalent basis which approximates the s143 valuation basis.

	Net discount rate, % p.a.					
Payment status	In deferment		In payment			
Service	Before 6 April 2009	After 5 April 2009	Before 6 April 1997		After 5 April 1997	
Member type / Scenario	Deferred		Deferred	Receiving compensation	Deferred	Receiving compensation
Main	2.0	2.4	5.0	4.8	2.8	2.7
1	1.0	1.4	4.0	3.8	1.8	1.7
2a	3.0	3.0	5.0	4.8	3.1	3.0
2b	1.0	2.4	5.0	4.8	2.7	2.6
3	2.0	2.4	5.0	4.8	2.8	2.7
4	2.0	2.4	5.0	4.8	2.8	2.7
5	2.0	2.4	5.0	4.8	2.8	2.7
6	2.0	2.4	5.0	4.8	2.8	2.7
7	1.5	2.2	5.2	5.4	2.9	3.2

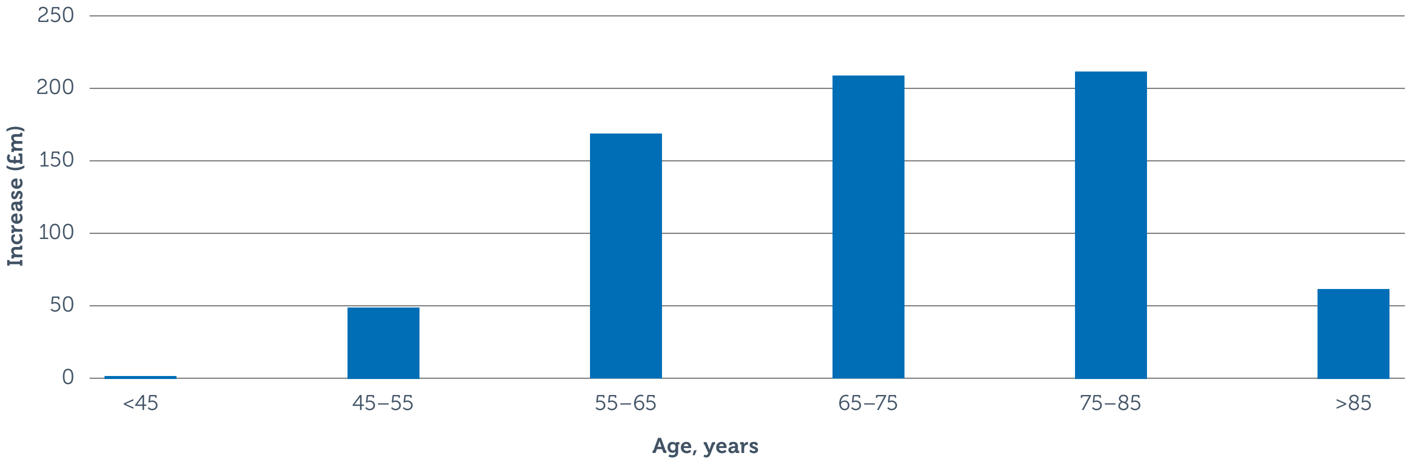
None of the scenarios and assumptions variations described above should be interpreted as upper or lower bounds of the range of reasonable estimates that might be made.

The following table sets out the range of results under the above scenarios for both transferred schemes and those in assessment. Figures are in £ billion, unless stated otherwise.

	Assets			Liabilities				
Scenario	PPF	Provisions	Total	PPF	Provisions	Total	Assets less liabilities	Funding ratio
Main	31.15	1.04	**32.20**	16.98	1.14	**18.12**	**14.08**	**177.7%**
1	33.10	1.14	**34.24**	19.05	1.26	**20.31**	**13.93**	**168.6%**
2a	30.66	1.01	**31.67**	16.44	1.11	**17.55**	**14.12**	**180.5%**
2b	31.65	1.07	**32.72**	17.40	1.16	**18.56**	**14.16**	**176.3%**
3	31.15	1.04	**32.20**	17.64	1.19	**18.82**	**13.38**	**171.1%**
4	31.15	1.04	**32.20**	17.16	1.15	**18.31**	**13.89**	**175.9%**
5	27.90	1.01	**28.91**	16.98	1.14	**18.12**	**10.80**	**159.6%**
6	31.15	1.04	**32.20**	17.02	1.14	**18.16**	**14.03**	**177.3%**
7	31.15	1.04	**32.20**	16.91	1.13	**18.04**	**14.16**	**178.5%**

Figures in the table are subject to rounding discrepancies. For scenarios 1 and 2, only UK yields have been shocked, and so on the asset side this means that, essentially, only the values of assets in our matching portfolio have moved under these scenarios. Where schemes whose assets have been restricted to the level of liabilities (see section 3 – Results for schemes in PPF assessment) are included in the above figures, the assets have not been changed from the main valuation results, meaning these assets will not exactly match the liabilities in the alternative scenarios.

From the table above, a one-year increase in life expectancy increases liabilities by around £0.7 billion. The chart below shows how this is distributed across our membership – this distribution will be affected by both the proportion of liabilities in each age band and the fact that the impact increases with age.



The results of all the sensitivities show that the PPF is resilient to individual items of experience being different from those assumed. The sensitivities do not consider the risk of a large claim on the PPF.

Appendix S5

Legislation and guidance

Appendix M4 – Legislation and guidance in my main report lists various pieces of legislation and guidance that are pertinent to my valuation. My supplementary report and valuation of the provisions liabilities have also been prepared under those. The following table sets out additional items and information that are particularly relevant to the valuation of provisions.

Legislation/guidance	Valuation aspect it applies to
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	**Provisions** A provision should be recognised when: – an entity has a present obligation (legal or constructive) as a result of a past event; – it is probable that a transfer of economic benefits will be required to settle the obligation; and – a reliable estimate can be made of the amount of the obligation.
The following sections of the Pensions Act 2004:	
Section 143	Actuarial valuations performed to determine whether a scheme should transfer to the PPF.
Section 179	Actuarial valuations performed to determine the level of scheme funding for the purpose of calculating the risk-based pension protection levy.

Common terms and abbreviations

AI – Artificial Intelligence

AVC – Additional Voluntary Contribution

BCI – British Continuity Institute

CETV – Cash Equivalent Transfer Value

C&AG – Comptroller and Auditor General

CJEU – Court of Justice of the European Union

CMI – Continuous Mortality Investigation

CPI – Consumer Prices Index

CPIH – CPI plus owner occupiers' housing costs

DB – Defined Benefit

DC – Defined Contribution

DWP – Department for Work and Pensions

D&I – Diversity and Inclusion

EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation

ELC – Employee Liaison Committee

EMD – Emerging Market Debt

ESG – Environmental, Social and Governance

ExCo – Executive Committee

FAS – Financial Assistance Scheme

FCA – Financial Conduct Authority

FCF – Fraud Compensation Fund

FReM – Government Financial Reporting Manual

Fund – Protection Fund

GMP – Guaranteed Minimum Pension

HAIL/Hybrid assets – Investments which possess attributes of both liability hedging and growth assets

HMT – His Majesty's Treasury

IAS – International Accounting Standard

IFRS – International Financial Reporting Standard

IG – Investment grade

IPE – Investments and Pensions Europe

ISAs – International Standards of Auditing

ISO – International Organization for Standardization

IT – Information Technology

KAHL – Kodak Alaris Holdings Limited

LDI – Liability-Driven Investment

LTRM – Long-Term Risk Model

PRA – Prudential Regulation Authority

RI – Responsible Investment

RPI – Retail Prices Index

SIA – Schemes In Assessment

Section 143 – Actuarial valuations performed to determine whether a scheme should transfer to the PPF

Section 179 – Actuarial valuations performed to determine the level of scheme funding for the purpose of calculating the risk-based pension protection key

SIP – Statement of Investment Principles

SMCR – Senior Managers and Certification Regime

SME – Small and Medium-sized Enterprise

SONIA – Sterling Overnight Index Average

TAS – Technical Actuarial Standard

TCFD – Task Force on Climate-related Financial Disclosures

TPR – The Pensions Regulator

Pension Protection Fund

20 years

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