



Strategic Plan 2022-2025

# Strong Foundations

Safer  
Futures



# Who we are

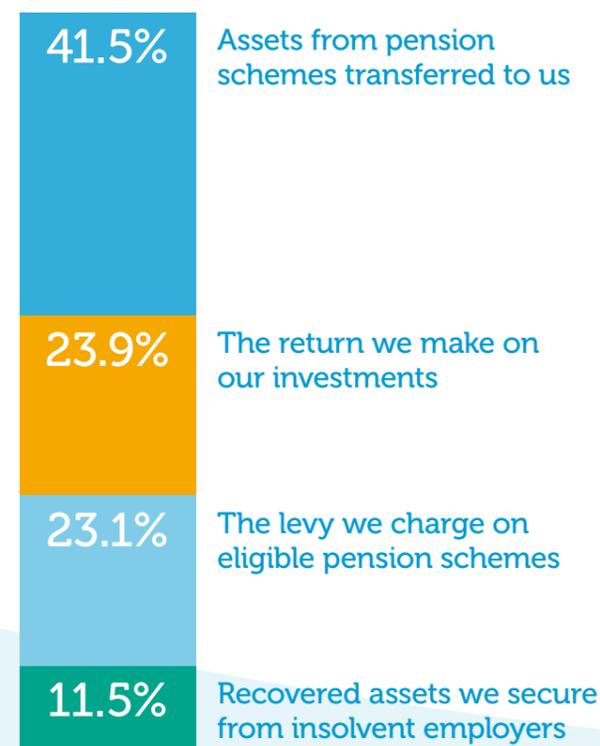
We are a public corporation, set up by the Pensions Act 2004, and run by an independent Board. We report to Parliament through the Secretary of State for Work and Pensions. We are responsible for the Pension Protection Fund (PPF) and the Fraud Compensation Fund (FCF). We also run the Financial Assistance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

## Pension Protection Fund

With £38 billion of assets, we provide protection to people who belong to more than 5,000 defined benefit pension schemes if their employer becomes insolvent. We make sure our members receive the compensation they are entitled to, at the right time, and in a way that suits them. We are already responsible for paying 430,000 PPF and FAS members.

## How the PPF is funded

We raise the money we need to pay PPF benefits and the cost of running the PPF in four ways:



Split of funding sources from income received to date, as at 31 March 2021

## Financial Assistance Scheme (FAS)

FAS is funded by the taxpayer rather than a levy. We provide financial assistance to over 145,000 people who were members of certain defined benefit (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.

## Fraud Compensation Fund (FCF)

Funded through a separate levy on all occupational DB and defined contribution (DC) pension schemes, we are also responsible for the FCF. This 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.

# What we've achieved in **the last three years**

In our last strategic plan, we set ourselves the goal of setting new standards for innovation, assurance and service. Over the past three years, we have achieved the goals of our 2019–22 Strategic Plan. This success has created a strong foundation to drive forward our ambitions on behalf of members and solidify our status as a role model for best practice in the industries we operate in.



# 88%

of our employees say we encourage all aspects of diversity

## Highlights of our last strategic plan include:

A Probability of success towards our funding target that has moved from 89% to 95%

Annualised return on growth assets of 5.9% over the three years up to and including November 2021

Successful insourcing of:

- Our IT estate, with significant savings and increased performance
- Our investments, with the majority now managed in-house which gives us greater control

Our first Responsible Investment reports and Task Force on Climate-related Financial Disclosures (TCFD) report

Continued growth in customer service with member satisfaction now over 97% and levy payer satisfaction at 92%

Both our member and levy teams have now been awarded the Institute of Customer Service 'Service Mark'

Significant increase in use of our digital services with 82% of member transactions online, and new customer service functions and portal for levy payers

We've implemented (on a voluntary basis) the Senior Managers and Certification Regime, as is appropriate to us, and reflect the FCA's conduct rules in our own organisational values

We've been accredited as a Disability Confident Leader and 88% of our employees say we encourage all aspects of diversity

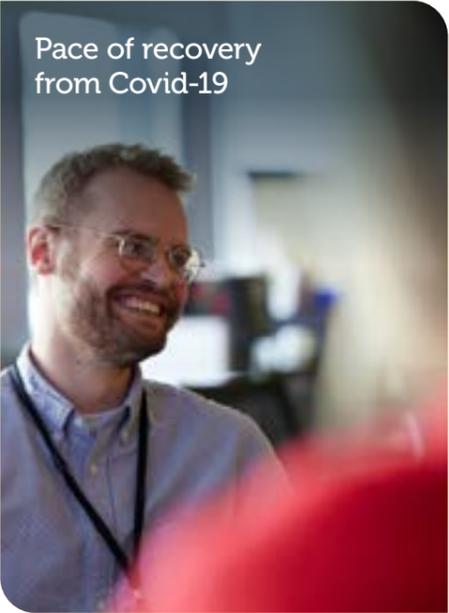
Our investment team have successfully implemented a new performance and attribution platform, giving real time insight in to the performance of our investment managers. This is particularly important at a time when investment fees are higher due to really strong performance

# Operating environment

When setting our strategic priorities for the next three years, we've considered how our operating environment could change over that time period and how this might affect the action we need to take to achieve our goals. Key issues include:



Uncertain economic environment



Pace of recovery from Covid-19



How scheme funding will develop over time



Impacts of changing pension scheme regulation



Introduction of a new scheme funding code



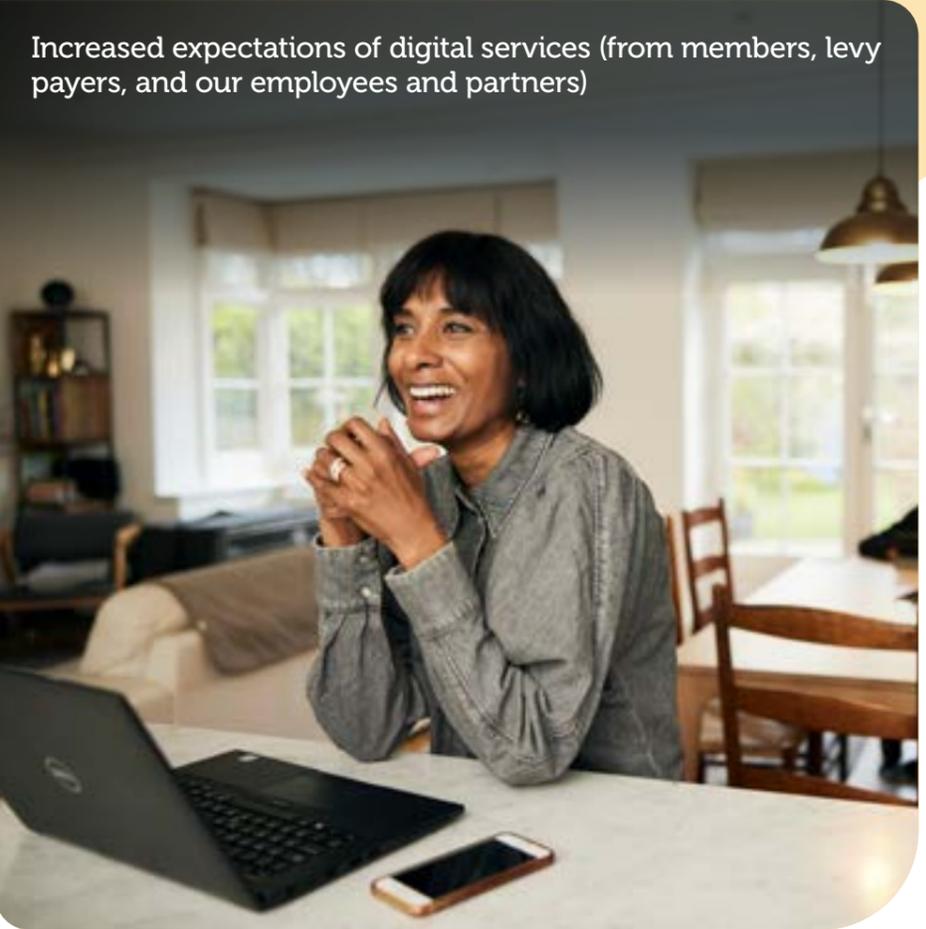
Rapidly increasing criticality of ESG issues



Impacts of court judgments and subsequent legislation on PPF compensation



Continued growth of cyber security risks



Increased expectations of digital services (from members, levy payers, and our employees and partners)



Development of 'superfund' consolidators



Changing expectations of employees and adaption to new ways of working and delivering services

# Our strategic priorities

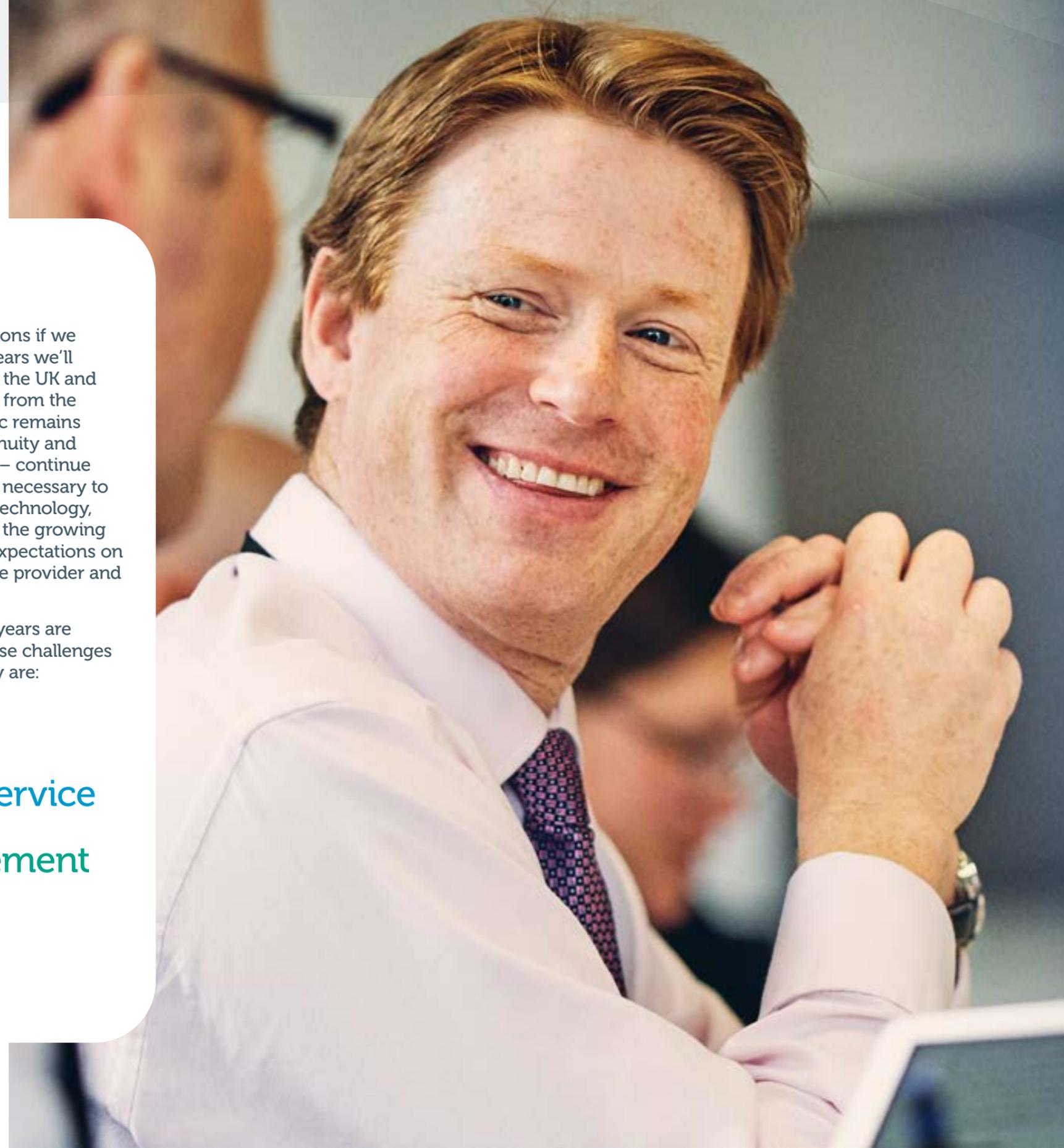
We never forget that the Pension Protection Fund represents a promise made back in 2004 to its members. We said we would protect the futures of people with a defined benefit pension. The strong foundation we've established has put us in a better position to do so than ever.

On this basis, we remain ambitious on behalf of our members, levy payers and the millions of DB scheme members we protect. We must be a trusted and highly regarded asset manager. We want to deliver brilliant service for our members and levy payers, whilst continuing to offer value for money and keeping our commitment to sustainability. And we want to be an exciting, attractive place to work.

We will not achieve these ambitions if we stand still. Over the next three years we'll face significant challenges. How the UK and the global economy will recover from the impact of the Covid-19 pandemic remains highly uncertain. Business continuity and security risks – especially cyber – continue to grow. Significant changes are necessary to the compensation we pay. And technology, the impact of the pandemic and the growing centrality of ESG issues means expectations on us – as an asset manager, service provider and employer – are changing.

Our priorities for the next three years are designed to ensure we meet these challenges and achieve our ambitions. They are:

- 1. Meeting new challenges with brilliant service**
- 2. Excellence in asset and liability management**
- 3. Making a difference**
- 4. Transforming how we work**



Oliver Morley  
Chief Executive Officer

# Our culture **and values**

At the PPF we lead by example and demonstrate our values from the top down.



Our well established ICARE values reflect the FCA conduct rules and detail the behaviours that the PPF expects to see from all employees. They are a key part of our commitment to our members and stakeholders and to each other.

In order to successfully achieve our ambitions over the next three years and deliver against our strategic priorities, we have to continue to develop our culture and capability and make sure that all of us understand our goals and the outcomes we want to achieve. Embedding new ways of working by leading from the top, demonstrating the benefits of change, communicating transparently and supporting our staff will ensure that the PPF remains a great place to work. The DWP Review of the PPF may also identify further actions to support the delivery of our priorities.

Demonstrating our ICARE behaviours and culture helps to support effective risk management. Our approach to the management of risk is embedded in our operations through our risk management framework and risk strategy. This covers our systems of governance, our risk appetite and our risk management processes.

We strive to demonstrate excellence and be a role model for the industries we operate in, combining a public sector ethos with a commercial culture. We aim to deliver to brilliant service, not to operate in the cheapest possible way. However, we'll use our scale and the changes we're seeking to generate efficiencies and secure value for money.

## Strong Foundations, Safer Futures



## The ICARE values

### **Integrity**

Do the right thing

### **Collaboration**

Work as one

### **Accountability**

Owning your actions and their outcomes

### **Respect**

Value every voice

### **Excellence**

Be your best

We strive to demonstrate excellence and be a role model for the industries we operate in.

# What we'll do to deliver our **strategic priorities**

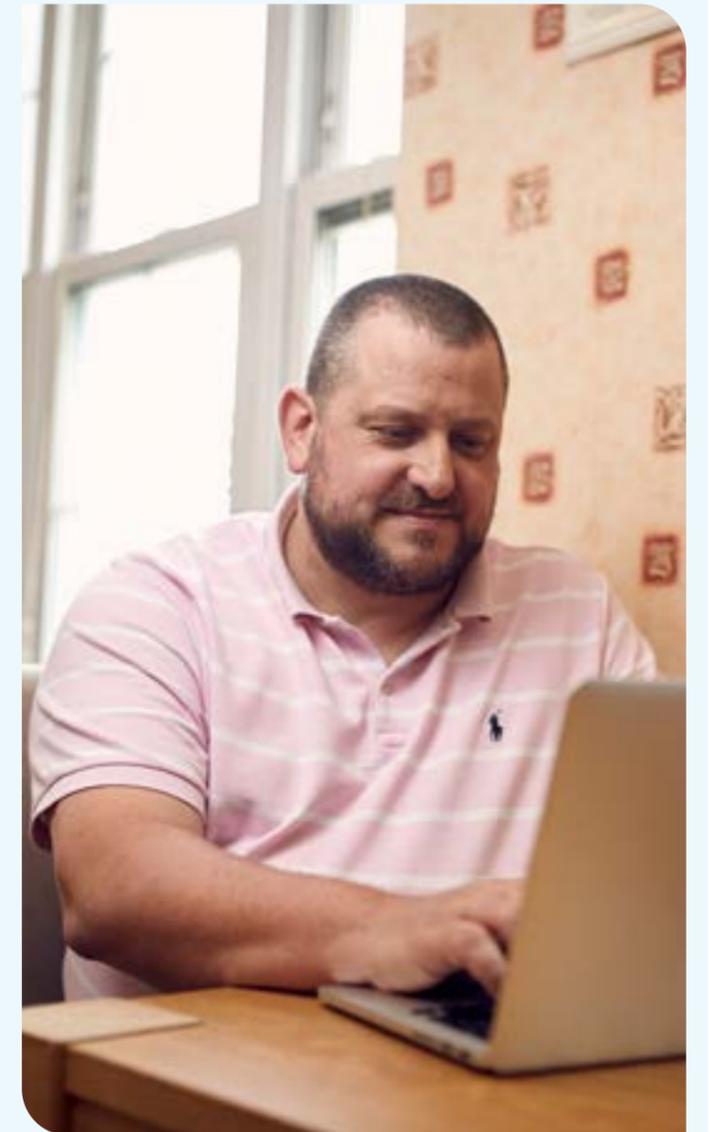
## STRATEGIC PRIORITY 1

### Meeting New Challenges with Brilliant Service

We know that our members have gone through a lot before they get to us, and so we're never complacent about help we offer to them. Equally, until a buyout, levy payers do not have a choice as to who provides the protection for their members, so we look to provide best-in-class service to them too.

Over the next three years we'll continue to invest in and improve our services in order to maintain high levels of satisfaction and remain as efficient as possible. This includes introducing more options for engagement for both our members and levy payers. We also want to make our service as diverse and inclusive as our members and stakeholders are.

Areas of focus	Planned activity
<p><b>1</b> Provide high standards of service to our members, maintaining current levels of efficiency as member numbers increase</p>	<p>We'll continue with our programme of improving the service to our members, including in key areas such as bereavement, and making our services more efficient.</p> <hr/> <p>Continuing to develop our multi-channel model, we'll enhance our self-service online functionality, making engagement with the PPF easy and modern where it suits the member. We'll make it easier for members to upload personal details to our website and will link our bereavement processes with the Government's Tell Us Once service.</p> <hr/> <p>Through increased self-service and automation, we'll reduce the number of routine queries having to be resolved by our people and the level of manual interventions that have to be made, leaving us more time to spend on those that really need our help.</p> <hr/> <p>Informed by the results of our research with vulnerable members in early 2022, we'll explore the options and better tailor our engagement with members to ensure that our service is accessible to all.</p> <hr/> <p>We'll make sure we remain up to date with wider pensions industry initiatives that affect our members, including making sure that information on PPF compensation is available to our members on pensions dashboards as soon as possible.</p>
<p><b>2</b> Continue to achieve high levels of levy payer satisfaction</p>	<p>We'll use customer feedback to drive continuous improvements in our services to levy payers. This will include a programme of ongoing improvements to the Dun &amp; Bradstreet web portal which levy payers use to view insolvency risk scores.</p> <hr/> <p>In parallel, we'll establish the best way to work with our levy payers for the long term (building on our feasibility study into the provision of levy estimates). This will include considering the structure of web services, our operating model, looking to further simplify how we calculate the levy in the future and ensuring value for money. Over the period of the plan we'll take forward individual projects to move us towards this future vision. This may include changes to our technology services and solutions.</p>



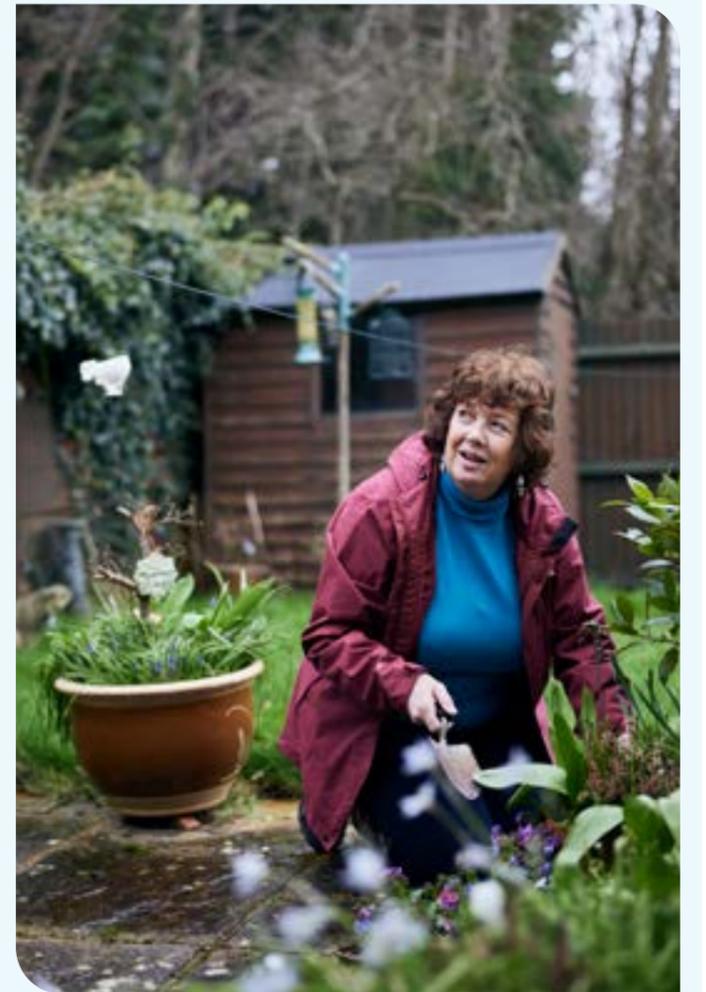
**WHAT WE'LL DO TO DELIVER  
OUR STRATEGIC PRIORITIES**

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The recent court rulings have changed the shape of PPF compensation. We want to make sure that our members have safety and security about the amount of compensation they are due, both now and in the future and that the correct amounts are put into payment as quickly as possible. We'll continue to work closely with the Department for Work and Pensions (DWP) to understand the approach to compensation going forward and implement any changes as quickly as we can.

A further court ruling has paved the way for 'pensions liberation' schemes to claim on the Fraud Compensation Fund. This has led to a major step change in the volume and complexity of cases we're managing. Our focus is on making sure we progress the claims effectively and efficiently to get clarity on the outcomes for members.

Areas of focus	Planned activity
<p><b>3</b> Successfully amend our compensation regime to meet the requirements of recent court rulings and subsequent legislation</p>	<p>Following clarity from the Court of Appeal that we're entitled to perform a one-off calculation approach for increasing payments to the 50 per cent minimum level, we'll complete implementation of Hampshire uplifts for all eligible members (with consideration to any subsequent legislation brought forward by DWP).</p> <p>Following the ruling that the PPF compensation cap, as set in legislation, is unlawful based on age discrimination, we'll complete the removal of the cap for impacted PPF members.</p> <p>We'll work with DWP to agree an approach to the implementation of the Bauer judgment.</p>
<p><b>4</b> Progress claim applications to the Fraud Compensation Fund, providing certainty to victims of scam pension schemes</p>	<p>Over the course of the three-year period we will have processed the majority of known claims on the FCF.</p> <p>We'll continue to embed and, where necessary, refine the processes we've implemented as a result of the complex forms of scam schemes now eligible for FCF, and share our learnings with relevant parties.</p>
<p><b>5</b> Progress schemes through assessment, getting clarity of outcomes for members in a timely fashion</p>	<p>We'll maintain streamlined processes to make sure we're efficient during periods of low claims but are able to scale up should a peak of claims materialise.</p> <p>We'll work closely with the trustees of schemes in assessment that may not come in to the PPF to make sure that the work both we and insurance companies or consolidators need are done as efficiently as possible, avoiding duplication.</p>



STRATEGIC PRIORITY 2

## Excellence in asset and liability management

Over the period of the last strategic plan we've made significant progress towards our self-sufficiency target, with outstanding investment performance putting us in a really robust position. We are approaching a key milestone in our funding journey. The growth in our reserves means we are increasingly well placed to withstand higher levels of claims on the PPF without risking the security of our members' benefits, and allow us to reduce the pace with which we look to accumulate reserves.

### Self-sufficiency target

Holding enough money to pay compensation to our members and adequately protecting schemes in the PPF universe by charging a levy which equals expected claims

### 1 Complete our review of our funding strategy and begin implementation

During 2022 we'll undertake a stakeholder engagement programme to support our funding strategy review, and will then finalise and publish the results. Assuming our funding position remains robust over the three year period we will:

- look to reduce how much levy we collect in keeping with our long stated intention, whilst still charging an appropriate levy that reflects the level of risk. As part of this we will identify where legislative change would be helpful to give us more flexibility in charging the levy in the future.
- Review the strategic asset allocation to reflect any changes required by the funding strategy review.

### 2 Demonstrate best practice in asset management

We will test ourselves and our operating model against appropriate regulatory standards and implement any changes necessary to ensure all our systems, processes, people and governance are as expected for a fund of our size, given our statutory role.

Following the insourcing of our core investment competencies over the period of the last strategic plan, we'll continue to explore areas we can deliver further efficiencies.

We will secure value for money in investment management fees, focusing on incentive alignment and risk adjusted returns net of fees, together with process improvements through system upgrades.

Our portfolio is currently designed to achieve two objectives. The first is for assets to grow at Cash +1.40 per cent annualised over the long term, and the second a hedge portfolio is constructed to neutralise any change in the value of liabilities as a result of interest rate and inflation changes. The portfolio operates within a Strategic Risk Budget of 3 to 5 per cent.



## WHAT WE'LL DO TO DELIVER OUR STRATEGIC PRIORITIES

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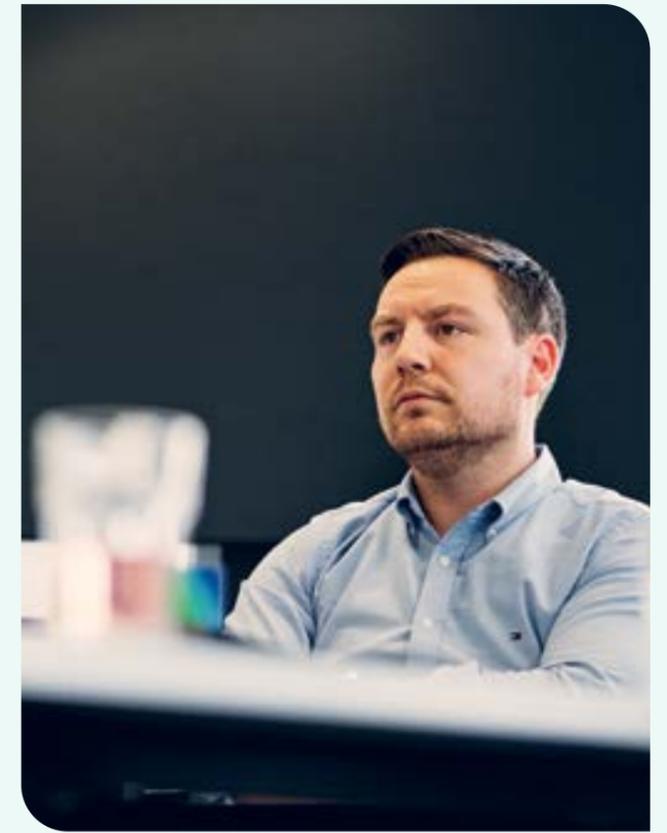
In addition to our strengthening financial position, over the past year we've also seen material improvements in the funding of schemes in the universe that we protect. If this trend continues our expectation is that future claims on the PPF should on average be lower than those in the past.

Despite this encouraging trend, there is still a significant proportion of the DB pensions universe that have insufficient funds to secure PPF levels of compensation and would therefore result in a claim on us if their sponsoring employer was to fail. A real risk also remains that scheme funding could deteriorate again. So we remain cautious and ensure that our approach to funding is flexible enough to allow a change of direction if the risk profile of the universe changes or if our own funding position weakens.

We will test ourselves and our operating model against appropriate regulatory standards and implement any changes necessary to make sure all our systems, processes, people and governance are as expected for a fund of our size. Any actionable changes to our overall investment strategy over this period will be driven by our Board, informed by changes in our forecasts and the wider environment.

The cost associated with managing our investments is the PPF's most significant expense. Our focus therefore continues to be on ensuring our investment costs provide value for money in helping us secure market-beating returns. We'll continue to report our investment performance on a net of fees basis.

Areas of focus	Planned activity
<b>3</b> Review levy methodology	<p>Over the course of the plan we'll conduct a full review of our methodology for calculating the levy to make sure our approach fits with our revised funding strategy and to identify opportunities for simplification. We will gather stakeholder views to inform this including by consulting on any proposed changes to our levy rules.</p> <hr/> <p>To limit the burden on FCF levy payers we'll work closely with trustees of schemes applying to the FCF to make sure the work they undertake is at reasonable cost and safeguards scheme assets; we will also ensure all alternative avenues of redress and recovery are fully explored prior to the settlement of any claim.</p>



**WHAT WE'LL DO TO DELIVER  
OUR STRATEGIC PRIORITIES**

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**STRATEGIC PRIORITY 3**

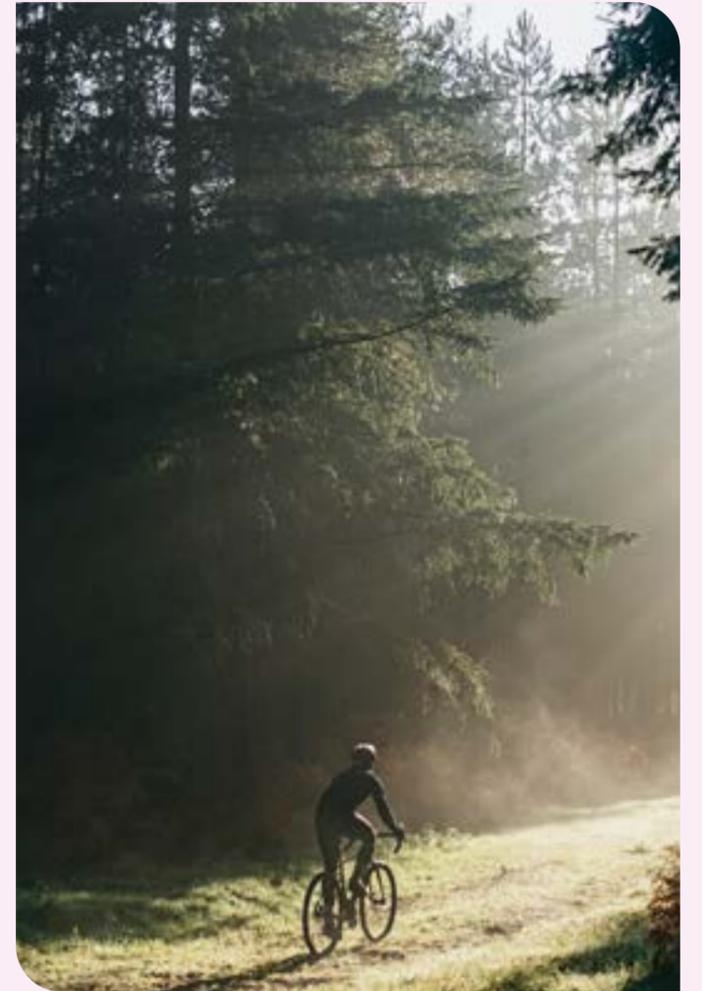
**Making a difference**

Our work has a real impact on people's lives, so whatever we do, we strive to do it well, with integrity and with the future in mind.

We've already made great progress across a number of areas, from investing responsibly within our investment assets to delivering ambitious change in how we think about diversity and inclusion. It's important to us that we have a joined up approach to considering this impact spanning right across our business, which influences those we work with and seeks to deliver clear objectives that we can communicate to our members and stakeholders. With this in mind, we intend to publish an organisational sustainability strategy – clearly demonstrating the PPF's commitment to doing the right thing and making a difference.

We have a well-established, Board-approved Responsible Investment strategy that puts ESG at its heart, reflecting the fact that our investments can make a real difference and be influenced by environmental and social factors. We've taken important steps to address some of the key ESG risks facing our portfolio and we'll continue to pursue a market leading approach in this area, evaluating and determining what action we can take to further reduce risks and exploit opportunities, particularly for a globally systemic issue such as climate change. We'll also continue to collaborate with our partners and others in the industry to help define best practice.

Areas of focus	Planned activity
<p><b>1</b> Develop a holistic sustainability strategy</p>	<p>We'll develop and publish a complete sustainability strategy which will include our strategic response to climate change, responsible investment and D&amp;I, aligning it to our other published strategies.</p>
<p><b>2</b> Aim to set the standard in our approach to responsible investment</p>	<p>We'll continue to develop our TCFD report and improve our analysis of climate-related risks. We'll also explore further potential opportunities for sustainable investment in asset classes such as forestry and infrastructure. As we get closer to having a baseline for understanding material ESG and climate-related risks, we'll set ourselves targets and actions so that we're able to manage and act on these risks.</p> <p>We'll continue to develop our stewardship practices in a way that we believe will reduce the thematic risks that our investments are exposed to. This may include implementing bespoke voting policies for some key themes.</p> <p>We'll also seek to achieve continued improvements in transparency and reporting from our fund managers across our pooled funds and segregated mandates.</p> <p>At an industry level, we'll actively support stewardship practices and collaboration with peers to drive long-lasting change in our focus areas.</p>



**WHAT WE'LL DO TO DELIVER  
OUR STRATEGIC PRIORITIES**

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**Environmental**

considers how organisations use energy and manage their environmental impact on the planet

**Social**

examines how an organisation fosters its people and culture, and how that has ripple effects on the broader community

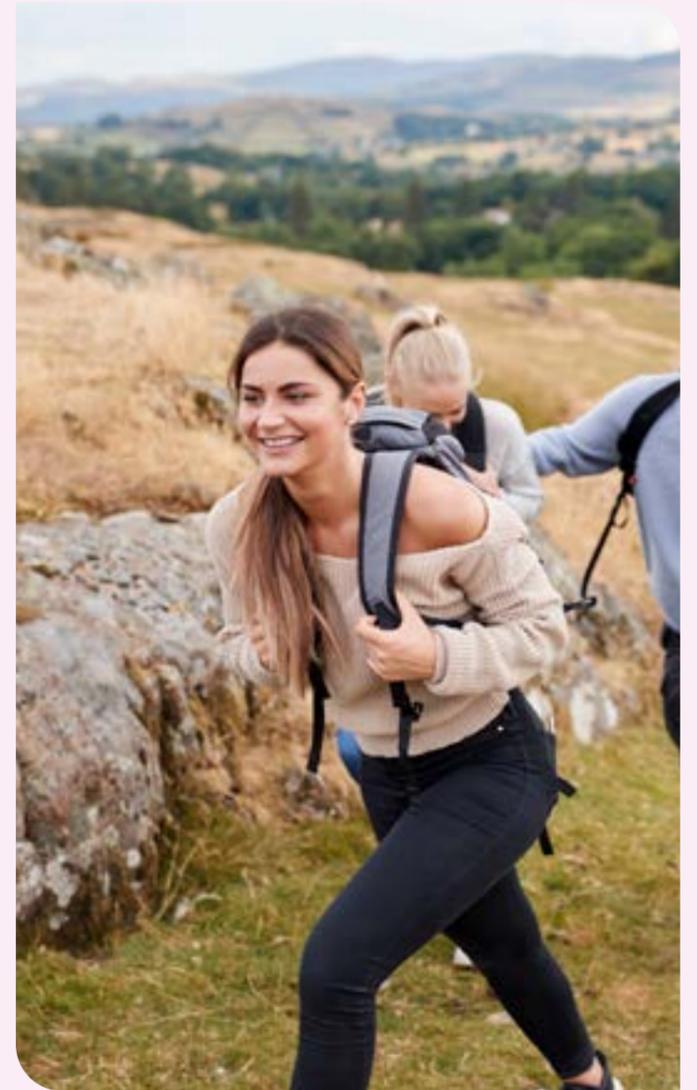
**Governance**

considers an organisation's internal system of controls, practices, and procedures, ensuring transparency and industry best practice

As ESG issues and action against climate change take a global spotlight, it's important that we embed material ESG considerations not just in our investment decisions, but also for our whole organisation. Therefore, over the course of this plan we'll establish a new strategy to monitor and manage our impact on the environment directly, and indirectly through our contracts with suppliers where we can.

Part of making a difference is our diverse and inclusive culture. We want people to feel respected, appreciated and valued for their differences and individuality. We already promote, support and embed diversity across all levels of the organisation and we continue to drive to meet the ambitious targets set in our 2020 diversity and inclusion (D&I) strategy. We want to be a leader in this area, recognised externally as achieving real change both at the organisational level and in the industries we are part of.

Areas of focus	Planned activity
<p><b>3</b> Drive forward our diversity and inclusion strategy</p>	<p>Year-on-year, we'll strive to achieve an increase in our representation across all under-represented groups.</p> <p>Through our staff survey, 85 per cent of our staff will agree that we are a diverse employer that supports inclusion.</p>
<p><b>4</b> Reduce our own environmental footprint as an organisation</p>	<p>By 2023 we'll establish a baseline of our own environmental impact and publish targets to reduce impacts over the period to 2025 (reflecting best practice standards).</p> <p>Over the course of the plan, if required, we'll take necessary action, to reduce our impacts in line with these targets. We'll also look to ensure that our suppliers are aligned to our values.</p>
<p><b>5</b> Influencing others to do the right thing</p>	<p>We'll continue to set aspirational commitments for ourselves and those who work on our behalf.</p>
<p><b>6</b> Corporate social responsibility</p>	<p>We'll continue to provide and support volunteering and fundraising opportunities in the local community alongside sharing our employees' knowledge and experience with local schools and colleges. We'll also continue to support our annual organisational charity of choice.</p>



STRATEGIC PRIORITY 4

## Transforming how we work

The pandemic brought home two truths. The first – that digitalisation has been and continues to be a key priority for the PPF because it makes possible new ways for members to get what they need from us. The second – that our unique culture really does work best when we combine a public ethos with a commercial culture.

On the first, we've made great progress in developing key parts of our technology to enable us to run our business efficiently and effectively. We're continually evolving our technology and digital solutions, to improve the experience for our members, levy payers and employees. We continue to enhance our self-service and online functionality to empower our members and levy payers, which allows them to communicate and get information in an easy and effective way, that suits them. Our technology and digital services will allow us to work in a modern and efficient way, enhancing job satisfaction and introducing tools that allow people to focus on value-adding tasks rather than routine processing.

There is a specific set of outcomes that we want digital to achieve over the period of this plan. We'll make use of automated digital processes to enhance our customer experience, improve efficiency, reduce cost and significantly reduce the risk and inefficiency associated with manual data management. We'll ensure that everything we do demonstrates best practice in information, data and cyber security.

Areas of focus	Planned activity
<p>1 Completing our move to cloud-based services</p>	<p>We'll complete our move to a cloud-based file system over the course of 2022, which will enhance our ability to collaborate securely with internal and external stakeholders, supporting our flexible working model.</p>
<p>2 Develop and implement a data strategy</p>	<p>Following our 2021/22 pilot to develop a data platform to pool key data from disparate systems and allow rapid automation of key reports, we'll review the outcomes and consider next steps. This will include how best to extend the data platform to the rest of the organisation and how to improve our interactions with our stakeholders.</p>
<p>3 Best practice data exchanges with our stakeholders</p>	<p>We'll establish data interfaces with our partners and key suppliers that are in line with best practice, moving away from manual data exchanges to digital transactions and building a foundation that will allow for future integration with other platforms.</p> <p>We'll enable our data to be available for use on pensions dashboards.</p>



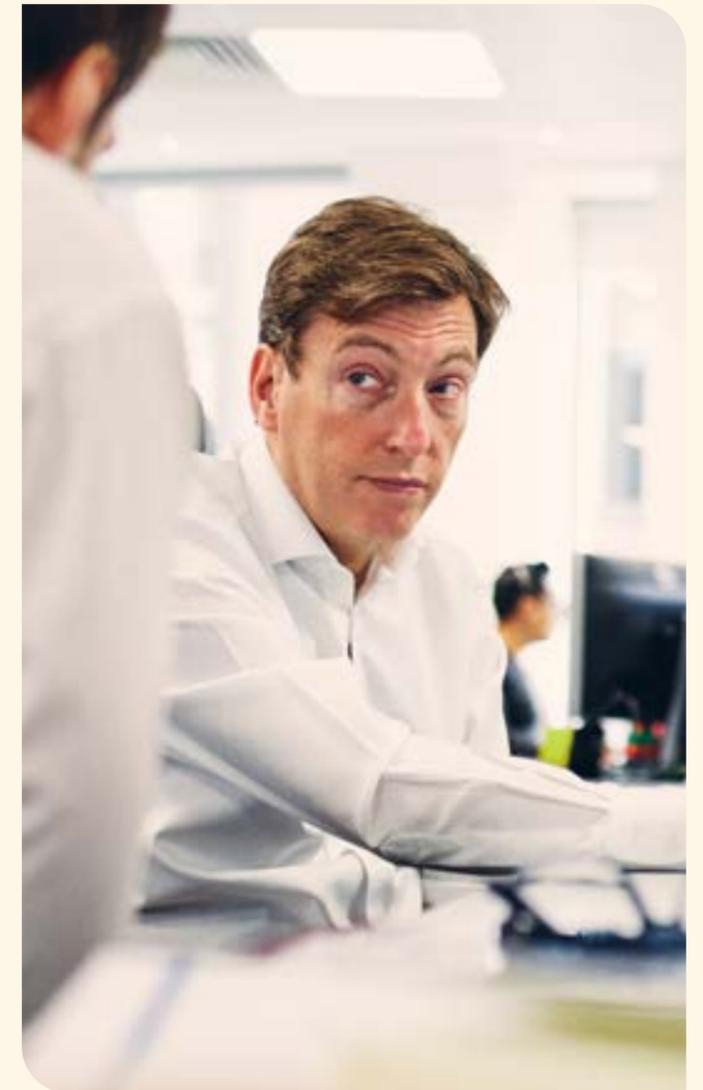
**WHAT WE'LL DO TO DELIVER  
OUR STRATEGIC PRIORITIES**

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As the pandemic started, all our people were able to work from home immediately because of our best in class IT transformation, without compromising on the quality of the service we offered our members. As we begin to transition to hybrid working, we'll continue to focus not only on the technology, but also on the support we provide our staff so that they feel enabled to work in a way that suits them and delivers great outcomes for the PPF.

We recognise that as we evolve, the culture of the organisation evolves with it. Establishing the right culture and capability will be key to the pace of change we see and we'll make sure our people feel involved, informed and ready to support our stakeholders along the digital journey.

Areas of focus	Planned activity
<p><b>4</b> Making the best use of digital technology to transform and evolve business processes</p>	<p>We'll identify the challenges faced by the organisation and where digitalisation can best help deliver better, more efficient and effective outcomes. Following this, we'll identify and progress specific digitalisation initiatives across all areas of the business.</p> <p>We'll continue with improvements to reduce our technical footprint as part of our wider sustainability strategy, including 'bring your own device', lowering our datacentre presence and virtual desktops.</p>
<p><b>5</b> Developing our approach to hybrid working</p>	<p>We'll iteratively create and implement an informal hybrid working approach which is focused on delivery and achieves great outcomes for our members, stakeholders and colleagues.</p>
<p><b>6</b> Continued focus on information, data and cyber security</p>	<p>We'll make sure our third-party products and services continue to meet our needs.</p> <p>We'll ensure that we work with industry-recognised security services and partners that will test our resilience against cyber-attack, leading to continued improvement and enhancements where needed.</p>





Pension  
Protection  
Fund

Renaissance  
12 Dingwall Road  
Croydon  
CR0 2NA

T: 020 8406 2107

[www.ppf.co.uk](http://www.ppf.co.uk)

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employees for allowing their photos  
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