Pension Protection Fund
Annual Report and Accounts 2025/26

For the period 1 April 2025 to 31 March 2026

Annual Report presented to Parliament pursuant to section 119(5) of the Pensions Act 2004 and Accounts presented to Parliament pursuant to paragraph 22(6)(b) of schedule 5 to the Pensions Act 2004.

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HC 352

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Highlights

Members of schemes we protect at 31 March 2025*

8.6m

PPF benefits paid in 2025/26

£1.2bn

PPF members at 31 March 2026

284,742

Of which
202,383 in payment
82,359 deferred

FAS members at 31 March 2026

135,746

Of which
89,805 in payment
45,941 deferred

PPF assets under management at 31 March 2026

£31.5bn

Return on growth assets

7.1%

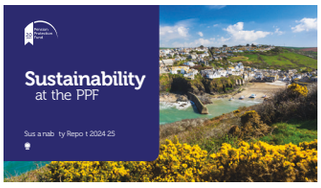
* Figure taken from the scheme data in The Purple Book 2025.

Our reporting suite

Three-year strategy 2025–28

The Purple Book 2025

DEI strategy 2025–28



Sustainability Report 2024/25

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Overview

Our purpose

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.

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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). We work with pensions industry stakeholders and government to make a positive contribution to the UK pensions system.

How we work

Our commitment to public service drives us and our values underpin this. We seek to learn from others, provide excellent service and operate with efficiency and professionalism.

What we do

Pension Protection Fund

We pay compensation to members of eligible DB pension schemes following insolvency of the sponsoring employer, where there are insufficient assets to cover PPF levels of compensation. The levels of compensation we pay are set out in legislation. Our work has a real impact on people's lives, so we act with integrity and with their future in mind.

Broadly, for members who have reached their scheme's retirement age when their former employer becomes insolvent, or retired early due to ill health, we pay 100 per cent of the pension they were due from their scheme at that point, and PPF rates of increase in retirement. For members who haven't yet reached their scheme's retirement age when their former employer becomes insolvent, we pay 90 per cent of the pension they were due from their scheme at that point, and PPF rates of increase in retirement.

We raise the money we need to pay PPF benefits to current and future PPF members, and for the cost of running the PPF, in the following ways:

- **We receive the assets from pension schemes that transfer to us.**
- **We recover the assets that we can from insolvent employers.**
- **We make a return on our investments,** following an investment strategy under the guidance and stewardship of the Board.

In our first 20 years, we also collected a compulsory levy from the pension schemes we protect. We did not charge conventional schemes a PPF levy in 2025/26.

> "We pay compensation to members of eligible DB pension schemes following insolvency of the sponsoring employer, where there are insufficient assets to cover PPF levels of compensation. The levels of compensation we pay are set out in legislation. Our work has a real impact on people's lives, so we act with integrity and with their future in mind."

Financial Assistance Scheme

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.

This Annual Report and Accounts includes the costs of administering FAS but does not include the actuarial liabilities of FAS members, which are included in the Department for Work and Pensions (DWP) Annual Report and Accounts.

Fraud Compensation Fund

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

Our stakeholders

- Our members
- Schemes we protect
- Our colleagues
- Government and regulators
- Our partners
- Financial services industry

Our capabilities

Since we began our journey in 2005, we've developed specialist capabilities to transfer pension schemes efficiently, administer pensions for hundreds of thousands of members with a strong focus on customer service, invest for the long term and manage financial risk effectively. We've transferred more than 2,000 pension schemes to the PPF and FAS. Today, the PPF stands alongside some of the largest pension funds in the UK, with £31.5 billion assets under management and over 400,000 members.

Number of colleagues at 31 March 2026

452

"I love the variety in my role and the opportunities we are given to progress at the PPF. I also love knowing that we are making a difference in our members' lives. Providing security and peace of mind for them in such uncertain times makes me proud to work for this organisation."

Joanne Reeve,
Senior Pensions Administrator
Joanne was highly commended for Administrator of the Year at the Professional Pensions Women in Pensions Awards 2025

Our ICARE values

Our values underpin the culture of the PPF and guide our behaviours.

Chair's statement

A year of progress with purpose

> "Policy developments have moved forward, while the PPF has remained focused on its long-term responsibilities."

We sat down with Kate Jones as her 10-year term on the PPF Board comes to an end, to reflect on a historic year for pensions and her time as Chair.

Q Before we dive into the detail, what has defined this year for the PPF?

It has certainly been dynamic, with significant preparation and close working across our key stakeholders – members, levy payers, industry partners and government – all of whom I want to thank for their support, collaboration and engagement.

It has felt like a year where we have made real progress together in a number of important areas, while staying very focused on our core purpose, protecting members when they need us most.

If I had to identify one defining theme, it would probably be progress with purpose. Important policy developments have moved forward, while the organisation has remained focused on its long-term responsibilities and the practical delivery needed to support them.

The wider pensions landscape continues to evolve underpinned by the important work of the Pensions Commission, which is considering the long-term future of pensions and how we build a strong, fair and sustainable pension system together.

Funding positions across schemes are improving, and new approaches are emerging. Some schemes are well placed for buyout, others are exploring new solutions, and there's a long tail where risks remain more acute.

The PPF operates in a very different landscape to that of 2005, when we were first created, but our role as the backstop to the industry has not changed.

Since 2005, in addition to the major schemes we have onboarded, we have helped many more to secure better outcomes for their members.

Increasingly, schemes are better funded when they enter our assessment period, which means that we're finding ourselves working more closely than ever before with organisations that provide end-game solutions to DB schemes – including insurers and commercial consolidators.

We are pleased to see the growth in end-game choices for DB schemes. Considering member security will always be our focus and we'll continue to take an active role in finding the best solutions for members every time.

Q The Pension Schemes Act 2026 has been a significant piece of work. What does it change in practice for PPF and FAS members?

In many ways, the Act reflects just how much the pensions landscape has evolved since the PPF was first established. The framework created 20 years ago was designed for a very different environment, at a time when the priority was rightly to build confidence in a new institution and ensure strong protections were in place for members in the event of scheme failure.

The most important point now is that the legislation enables improvements which will make a real difference for many members. Inflation increases on payments for pre-1997 service is a change that people have wanted to see for a long time, so the progress made this year is significant.

The move to a zero conventional levy is a similarly significant milestone and says a great deal about how far the PPF has come. For many years, the levy played an important role in helping build the resilience needed to protect members under a wide range of scenarios. That was absolutely the right approach in the earlier years of the organisation. But funding levels across the DB universe are much stronger than they once were, and careful risk management and strong long-term investment performance have helped put the PPF in the position it's in today.

Q There has been a lot of focus on making pensions clearer and more accessible. What changes will PPF members see?

Clarity and accessibility are hugely important. Pensions are inherently complex, but that should never mean they feel remote or inaccessible to the people whose futures depend on them. For many individuals, their pension will be one of the most important financial assets they ever hold.

I have long believed in the importance of better financial education, starting early and continuing throughout people's lives. Anything that gives people greater visibility, understanding and control over their finances is a good thing.

Dashboards, for example, are part of that wider shift. By making information easier to access and easier to understand, they can help people engage earlier, ask better questions and make more informed decisions about retirement. Better transparency and better communication benefit everybody.

Q Looking back over your time as Chair, what do you think the PPF has fundamentally got right?

I think the PPF has always been very clear about its purpose, and that clarity has been one of its greatest strengths. We exist to protect people's pensions at moments when they may otherwise face real uncertainty – that purpose has remained constant, even as the organisation itself has evolved significantly over time.

When I joined the PPF, around its 10-year anniversary, we had just insourced member services and were about to do the same for investment. Fast forward to today, we've been in existence for 21 years and both are now core parts of our business, built to cope with scale.

We've gone from being a relatively unknown part of the system to being a respected voice in the national pensions debate, seen very much as a policy success. That progress has not come from big, dramatic moments. It has come from lots of careful decisions made consistently over time and always taken with a long-term view and the needs of all our stakeholders in mind. Today, we protect millions of people across more than 4,800 schemes and are a trusted and established part of the pensions system.

I'd also point to the culture of the organisation. The combination of expertise, professionalism and genuine commitment to members remains one of the PPF's greatest strengths.

Q How do you see the role of the PPF evolving from here?

Our core role has not changed; we're here to protect members when things go wrong. What has changed is the context in which we operate and the position we now hold within the wider pensions system. Today, we are a financially strong and trusted institution with significant in-house capability and expertise. Increasingly, we can contribute practical insight and experience to wider discussions about the future of pensions.

As our role in the wider system has evolved, we've been able to bring an expert, neutral voice into the broader debate, focused always on protecting our current and future members.

Looking ahead, I think that will continue. Staying absolutely focused on our purpose, but also staying curious, outward-looking, and thinking carefully about what wider innovation and change mean for the protection we provide.

I have always believed in the importance of looking up and out – bringing the best ideas in from outside and sharing our own experience where it can help improve outcomes across the wider system. I think that outward-looking mindset will remain very important in the years ahead, and a commitment to constantly learning and improving.

When people speak of expansion, I think of it as expanding our impact and the role we play as a trusted, expert voice. Working with government and the regulator as a strategic partner, always with the same objective in mind, which is improving outcomes for members.

Q What has serving as Chair of the PPF meant to you?

The PPF is a purpose-driven organisation in the truest sense. Behind every decision we take are people who have worked, saved and planned for later life, and who rely on that income for security. I'm incredibly proud to have played a part in its story.

I have also had the pleasure of working alongside exceptional colleagues and Board members over the past 10 years, whose expertise is matched by a strong sense of public service. I'd like to express my gratitude to them all. Across the organisation, I have consistently seen professionalism, care and a determination to do the right thing. Those qualities are a very large part of what makes the PPF distinctive, and I know they will continue long into the future.

I have particularly valued the opportunity to help the organisation learn from others, share our experience more widely and play an increasingly constructive role across the pensions landscape. And I am also proud of the progress we have made on diversity, inclusion and sustainability, not as separate initiatives, but as part of what good governance and responsible leadership should look like.

My special thanks to the Board and our Executive Committee for ensuring 2025/26 has been another successful year for the PPF. I want to thank Nailesh Rambhai and Michelle Ostermann, who both stepped down from the Board during the year, for their contribution, and to welcome David Sproul and Richard Beaven, who joined the Board in December 2025 and February 2026, respectively. We were also pleased to appoint Richard as Acting Chief Executive in February.

And finally, I welcome Joanne Segars as the new Chair. She inherits a strong organisation with talented people, clear purpose and an important future. I leave with great pride in what has been achieved and real confidence in what comes next.

Kate Jones
Chair

Welcoming **Joanne Segars**

I ve known of the PPF throughout my executive and non executive career in pensions and have long respected what it has achieved and the protection it provides. It s a great honour to now have the chance to play a part in its future as I take over the role of Chair, succeeding Kate Jones who has led a period of significant progress for the organisation. I want to thank Kate for her support during the transition of the Chair role.

As a hugely important part of our pensions ecosystem, protecting the financial futures of millions of pension scheme members, I believe the PPF has an important role to play in working with government and the wider industry to improve long term adequacy for all UK retirees.

This is a pivotal time for pensions, and I m looking forward to working with the Board, Chief Executive, executive team and the great colleagues to ensure we play our part – always keeping members at the heart of our work.

Joanne Segars

Performance report

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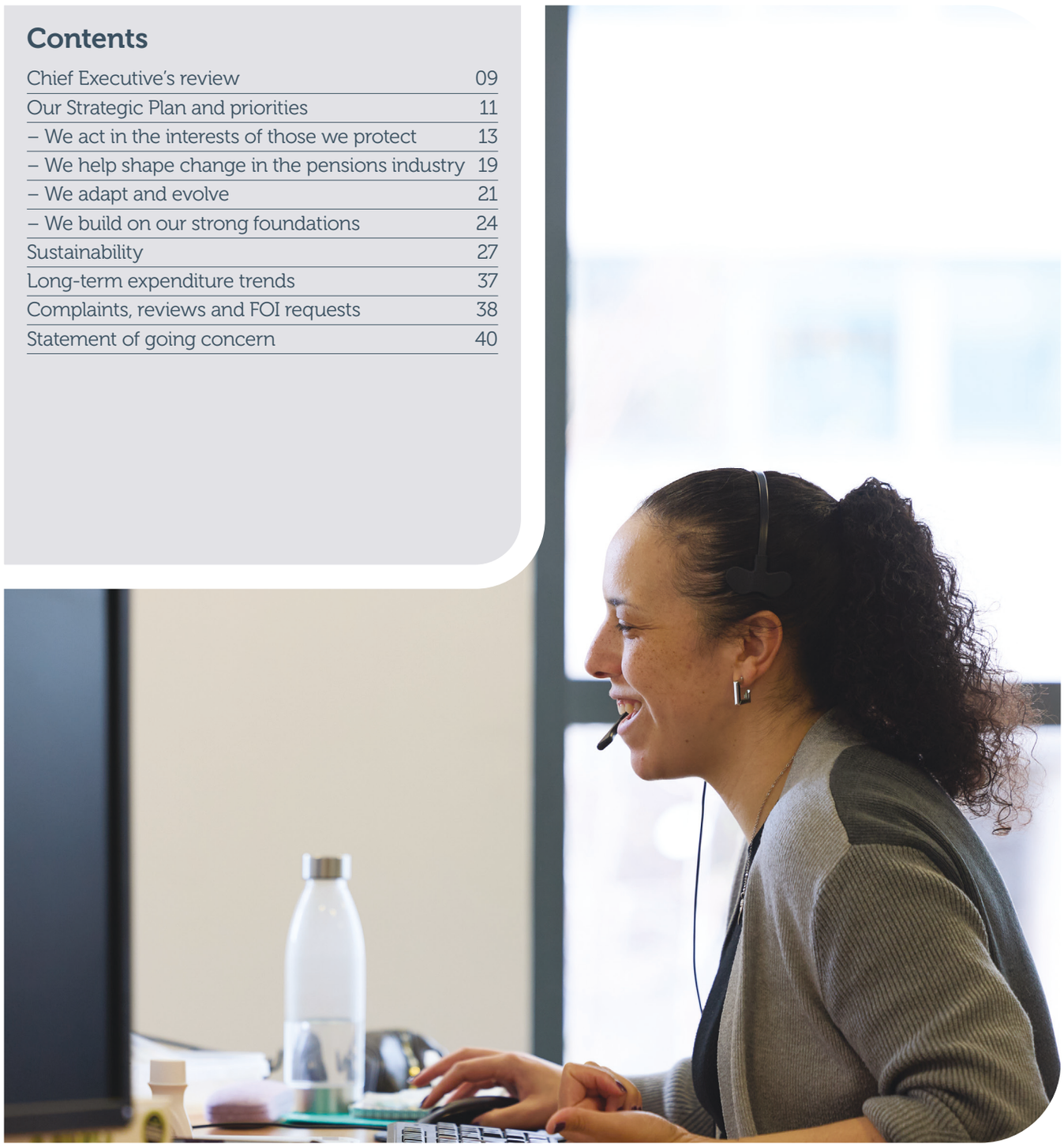

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Chief Executive's review

Strengthening foundations for long-term resilience

> We paid £1.2 billion in compensation to members during the year, delivering on our purpose.

I am proud of the progress we have made in the first year of our 2025–28 strategy, *Delivering security, supporting growth*.

This was a year focused on supporting members, maintaining financial resilience and strengthening the organisation for the future, delivering the majority of our business plan objectives.

Our purpose is to protect the financial futures of our members and the millions of people throughout the UK who belong to DB pension schemes. We paid £1.2 billion in compensation to members during the year. We also completed 37 Fraud Compensation Fund cases, resulting in payments of more than £100 million to help provide restitution for the victims of pension fraud.

We manage the PPF for the long term, providing the backstop for the £1 trillion of liabilities across 4,840 DB schemes. Despite a challenging macroeconomic environment, our growth portfolio delivered a 7.1 per cent return, outperforming our five-year rolling target and adding around £1.3 billion to our future claims and risk reserves.

Our liability-driven investments helped keep our funding position stable as market conditions changed. Our investment team's work was recognised again this year, winning DB Pension Scheme of the Year at the Pensions Age Awards 2026 and the Fixed Income category at the IPE Awards 2025.

We have achieved considerable success in acting in the interests of those we protect. Six measures were included in the Pension Schemes Act 2026 that deliver benefits for PPF and FAS members, and the UK businesses sponsoring DB schemes. Most significantly, it enables us to begin paying inflation-linked increases, up to 2.5 per cent per year, on pre-1997 benefits where members' former scheme rules provided for it. We estimate that this change will benefit more than a quarter of a million PPF and FAS members, which would have reduced our future PPF claims and risk reserves by £1.4 billion to £13.7 billion as at 31 March 2026.

For the schemes we protect, the Act gives us greater flexibility to set the PPF levy to zero. Recognising the Act's progress and the broad support for this shift, we did not charge conventional schemes a PPF levy in 2025/26. And in February, we confirmed we will not charge a conventional levy in 2026/27, reducing costs for sponsoring employers while maintaining our ability to manage risks responsibly. This supports a more efficient DB system, in line with the government's focus on enabling investment and growth in the UK economy.

Chief Executive's review continued

We continued to deliver outstanding levels of customer satisfaction this year, earning a member satisfaction score of 97.4 per cent. The majority of our members use our website to manage their information and make decisions on their retirement, with 67 per cent of our members who retired this year choosing to do so online. This reflects strong operational delivery underpinned by specialist expertise and careful stewardship of public trust.

We continued to play an active role in helping shape change in the pensions industry, particularly in how schemes move through the PPF assessment period after sponsoring employer insolvency. We completed a review of our assessment process for overfunded schemes, identifying ways to make transactions quicker, cheaper and more predictable.

Significant progress has been made as we adapt and evolve the PPF. We undertook a review of our funding framework and strategy, ensuring it continues to evolve considering the changed environment, including the move to a zero PPF levy and the introduction of pre-1997 inflation increases.

I would like to thank Shalin Bhagwan for his significant contribution to this work and for his impact at the PPF over the last three years as he leaves for pastures new at the end of June.

We also continued to invest in technology to improve efficiency and outcomes. Our use of artificial intelligence (AI) is already delivering benefits, saving many hours for an initial cohort of users. We have embedded its use across the organisation: 90 per cent of colleagues now use AI daily in their work and we continue to see productivity gains. All of our AI activities are underpinned by clear governance and strong data protection.

None of this is possible without the commitment and expertise of our people. In April 2026, we completed the development of a new people strategy to support the delivery of our organisational strategy, ensuring we have the skills, leadership capability and culture needed for the future, and reflecting the changing external environment and generational shifts in the workforce. We have strengthened our leadership team with key appointments across HR, Risk and Technology.

We published our 2025–28 Diversity, Equity and Inclusion strategy, stepping up on previous years and extending our focus to include social mobility and LGBTQ+ as core priorities. This reflects our view that people do not all start from the same place or face the same barriers to opportunity, and that broadening access to skills and talent is essential to both our organisational effectiveness and the long-term health of the UK economy.

In parallel, we continue to embed sustainability into our strategy, operations and investment management, recognising our role as a long-term investor and steward of public funds, and contributing to the resilience of the pensions system and the communities we serve. I am delighted that the Board has recommitted to our zero emissions target by 2035.

These achievements demonstrate tangible progress against our strategic priorities: acting in the interests of those we protect, helping to shape change in the pensions industry, adapting and evolving, and building on our strong foundations. In the year ahead, our focus is on delivery: implementing legislative change; deepening digital capability; improving efficiency and service; and maintaining strong investment performance within our risk appetite.

I would like to thank our member groups, levy payers, panel firms, and partners across government, particularly the Department for Work and Pensions (DWP) and HM Treasury for their collaboration. Above all, I want to thank my colleagues at the PPF for their dedication to our purpose, providing peace of mind for those who rely on us.

Finally, I would like to welcome Conor Lawlor, Chief Strategy and Communications Officer, to the PPF and the Executive Committee.

Richard Beaven
Acting Chief Executive

Delivering security, supporting growth

Over the course of our three-year strategy *Delivering security, supporting growth*, our primary purpose is to focus on the following key outcomes:

Outcomes

- Deliver strong investment performance to ensure financial security for those we protect.
- Maintain excellent service, securing high member and levy payer satisfaction levels.
- Partner with government and the pensions industry to help give people greater financial security in retirement, both for the members of the schemes we protect and more widely.
- Inspire our people to achieve these ambitions so that they are engaged and proud of the role we play, and able to contribute to their full potential.

Our strategic priorities

We act in the interests of those we protect

We help shape change in the pensions industry

We adapt and evolve

We build on our strong foundations

We have made excellent progress during the first year of our 2025–28 strategy. Our focus was on putting groundwork in place, including building capability so we could progress against our strategic goals.

We strengthened our foundations, continued to focus on protecting members' interests, and provided high standards of service and value for money. Our policy and legal teams worked closely with the DWP on securing important legislative changes for our members and the schemes we protect.

We didn't charge conventional schemes a PPF levy, which has cut costs for those UK businesses that sponsor schemes. As a member of the Sterling 20 coalition, we shared our deep expertise in UK productive investment to support national growth.

In the next financial year, our focus will shift to implementation and delivery. We remain on track to deliver the goals set out in our strategy and will continue to work collaboratively with our stakeholders as we do so.

To achieve these outcomes, we are working towards a number of goals, grouped under four strategic priorities. Our goals are outlined in our Three-year strategy.

Three-year strategy 2025–28

Key: In progress ● Achieved

Progress on our key performance indicators for 2025/26

	Progress
Investment performance is consistent with targets set by the Board and our long-term investment objectives within our strategic risk budget.	●
PPF and FAS member service satisfaction levels are at 90 per cent or above.	●
We will have finalised 37 FCF cases.	●
85 per cent of our employees feel positive about working at the PPF.	▨

Progress on our initiatives for 2025/26

	Progress
We act in the interests of those we protect	
1. We will continue to actively engage with the DWP to ensure our legislative framework supports the best possible outcomes for members and levy payers; and to consider how the PPF can best support government objectives for the UK pensions system.	●
We help shape change in the pensions industry	
2. Working with insurers, consolidators and panel firms we will have completed a review of the PPF+ (schemes exiting a PPF assessment period overfunded on a s143 basis) process and identified a revised approach that ensures overfunded schemes move through assessment and to an insurer or consolidator in the most efficient way possible.	●
We adapt and evolve	
3. Informed by comparison to relevant partners and peers (across the UK and globally) we will have:	
a) Identified a new target operating model for our strategy, change and communications functions and built new capabilities in planning and stakeholder management.	●
b) Reviewed risk and governance frameworks against best-in-class standards and identified any areas where we can further build on our approach.	●
4. We will have completed the triennial review of our funding framework and strategy, and identified any next steps.	▨
5. We will have identified how we want to obtain and manage scheme data (including insolvency risk information) and engage with schemes if we are not charging a levy. We will have identified the commercial and system changes we need for this and have a clear implementation plan.	●
6. Informed by user and customer experience, we will have identified inefficient processes within the business and developed proposals to drive better outcomes, facilitated by digital, data and technology.	●
7. We will have reviewed our approach to our core systems, seeking opportunities to improve efficiency and user satisfaction. We will have:	
a) Reviewed our approach to enterprise resource planning systems, considered the case for rationalisation and established a plan for safe implementation of change.	●
b) Finalised our approach to the procurement strategy for our pensions administration software.	●
c) Completed the re-tender of our investment portfolio and risk management system services.	●
We build on our strong foundations	
8. We will have developed our new people strategy.	▨
9. We will have extended our measurement of our operational carbon footprint to our supply chain.	▨

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We act in the interests of those we protect

Continued stability

Our purpose is to protect people's futures, providing security in retirement for our members and the 8.6 million people in the UK who belong to DB pension schemes. To enable us to provide this financial security to current and future members, we hold future claims and risk reserves, in line with our robust risk and governance frameworks. These reserves are for future claims from the universe of DB pension funds 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. The growth portfolio protects our future claims and risk reserves, and conservatively builds up additional reserves. The matching portfolio holds assets that behave in a similar way as our liabilities when expectations for future interest rates and inflation rates 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.

Our estimate of the reserves we require to meet future claims and longevity risk are calculated based on our internal models. The money held to back these reserves is invested in our growth portfolio which fluctuates in line with investment performance. Despite significant turmoil in markets at the end of the financial year, our funding position remained robust. Our growth portfolio performed strongly over the year, with a return on assets of 7.1 per cent adding £1.3 billion to our reserves. At 31 March 2026, PPF reserves were £15.1 billion (2025: £14.1 billion). Our assets under management increased from £31.1 billion in March 2025 to £31.5 billion at 31 March 2026.

The value of our current claims liabilities for members that had already transferred to the PPF was £16.4 billion at 31 March 2026 (2025: £17.0 billion). Rises in interest rates over the year meant that both our matching portfolio and current claims liabilities reduced by a similar amount. Both assets and current claims liabilities were further reduced by about £1.2 billion in PPF compensation paid to members during the year.

The total value of claims on the PPF Fund due to schemes entering the PPF in the year was £28.5 million. This was lower than in 2025 (£63.2 million) and lower than the historic average.

The Pension Schemes Act 2026 was passed by Parliament in April 2026, after the end of the 2025/26 financial year. Provisions in the Act will enable us to begin paying inflation-linked increases, up to 2.5 per cent per year, on compensation or assistance payments for service before 6 April 1997 to PPF and FAS members, where members' former scheme rules provided it as of right. We estimate that this change will benefit more than a quarter of a million FAS and PPF members, which would have reduced our future PPF claims and risk reserves by £1.4 billion to £13.7 billion at 31 March 2026.

Funding of the schemes we protect

An increase in interest rates over the year has caused both the assets and liabilities of the schemes we protect to reduce. This means that the aggregate funding position of the universe we protect at 31 March 2026 was slightly stronger than 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 decreased from 26 per cent at 31 March 2025 to 21 per cent at 31 March 2026, with the combined deficit of those schemes in deficit changing from £22 billion to £19 billion[1].

The deficit of the schemes we protect is sensitive to interest rates and inflation. As these schemes are only partially hedged for interest rate/inflation risk, falling rates/rising inflation expectations could result in changes to the deficit of the schemes in deficit. The future outlook depends on how schemes choose to balance their LDI strategies and their return-seeking strategies.

1 Based on data from the Purple Book 2025.

Our investment framework splits our assets into two portfolios:

1. The matching portfolio holds assets that behave in a similar way to our liabilities when expectations for future interest rates and inflation rates 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 future claims and risk reserves, and also conservatively builds up additional reserves.

Investment performance

The matching portfolio is currently 100 per cent hedged for interest rates and inflation. The growth portfolio has once again outperformed our five-year rolling target. Over the last five years it has delivered an annualised return of 6.3 per cent, versus an annualised target of 5.3 per cent. Over the same period, the Investment team delivered an annualised 2.0 per cent per annum outperformance over the Strategic Asset Allocation (SAA) benchmark. All asset classes delivered positive performance over that period, and the main asset class performers were Infrastructure, Private Equity and Public Equity.

The growth portfolio delivered an annual return of 7.1 per cent this year. The asset classes that delivered the highest contributions to the return in this financial year were Public Equity, Infrastructure and Emerging Market Debt. 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 Private Equity

– Overweights in Private Credit and Absolute Return

We are now in the second year of transitioning the growth portfolio to align with the target SAA, which was approved in early 2025. This transition will be completed by the end of September 2026.

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 on 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.

Case study

Haweswater Aqueduct Resilience Programme (HARP)

The PPF's £60 million direct investment into the Haweswater Aqueduct Resilience Programme in August 2025 was a once-in-a-generation project to secure the long-term supply of clean water to 2.5 million people across Greater Manchester and Lancashire. The direct investment, executed entirely by the PPF's in-house investment team, forms part of a wider £3 billion financing package, making HARP one of the largest UK infrastructure deals in recent years.

This investment will both strengthen essential national infrastructure and advance our purpose to protect the financial futures of our members. It demonstrates the strength of our growing internal investment capability, reinforcing our role as a long-term and responsible UK investor that delivers strong, risk-appropriate returns for our members. The project also contributes to the PPF's wider impact, with nearly half of our £31.5 billion portfolio invested in the UK.

Investment awards

- Winner of DB Pension Scheme of the Year, Pensions Age Awards 2026
- Winner of Fixed Income category, IPE Awards 2025
- Highly commended for Public Pension Fund, Equities and Stewardship, IPE Awards 2025

PPF future claims and risk reserves*

£15.1bn

PPF benefits paid

£1.2bn

PPF current claims liabilities*

£16.4bn

Return on growth assets

7.1%

PPF assets under management

£31.5bn

* As at 31 March 2026. This doesn't include the change to inflation increases on pre-1997 service payments.

Case study

Supporting UK productive finance

With around half of our total portfolio invested in the UK, we bring a strong domestic footprint and deep experience in long-term, productive finance. Private markets account for approximately 35 per cent of our overall portfolio, and around seven per cent of our total assets are invested in UK productive finance, including infrastructure, housing and growth equity.

In 2025, we joined Sterling 20, a coalition of the UK's largest pension providers and insurers committed to long-term investment in the nation's infrastructure, innovation and renewable energy sectors. Sterling 20 serves as the delivery group for the Mansion House Accord, turning high-level commitments into practical steps that support UK economic growth. Signatories committed to allocating at least five per cent of default pension funds into unlisted equities and UK private markets.

Our experience in productive finance positions us as a constructive and informed partner within the group. We have shared our expertise with smaller or emerging organisations seeking institutional capital. We have contributed practical guidance on how we assess opportunities, the characteristics that make propositions investible, and the governance standards required to attract long-term investment. These discussions have highlighted where improved collaboration and market structures could help unlock greater flows of capital into the UK over time.

The Pension Schemes Act

It's important that the PPF's legislative framework supports good outcomes for members and the schemes we protect. The Pension Schemes Act 2026 (the Act) marks a significant milestone for the PPF.

We worked closely with the DWP to support the Department in the development of the legislation and as the Act moved through Parliament. We are now focused on implementation of the relevant provisions within the Act, and we are working with our suppliers to assess system and process changes.

Headlines from the Pension Schemes Act 2026

For our members

- PPF and FAS payments for pre-1997 service can increase with inflation, up to 2.5 per cent a year, for eligible members.
- The definition of terminal illness has been extended from six months to 12 months.
- PPF and FAS data can be included on pensions dashboards.

For schemes we protect

- We now have more flexibility to set the PPF levy, supporting a move to a zero PPF levy for conventional schemes.
- The PPF administration levy has been abolished, helping reduce costs for the businesses that sponsor the schemes we protect.
- Schemes can now obtain written actuarial confirmation to retrospectively validate certain rule amendments, reducing uncertainty for schemes. Schemes in the PPF are automatically deemed to have been compliant.

Inflation increases on pre-1997 service payments

Members have repeatedly told us about the impact of rising inflation, and that they would like to see a change to legislation so they can receive inflation-linked increases on compensation for pension benefits accrued before April 1997. The Act enables us to begin paying inflation-linked increases in line with the Consumer Prices Index, capped at 2.5 per cent per year, on pre-1997 compensation to members who had a right to increases on these benefits in their former schemes. We estimate that this change will benefit more than a quarter of a million PPF and FAS members. We can't use the new provision to cover the absence of past pre-1997 increases.

Supporting members with terminal illness

Previously, legislation defined terminal illness for PPF and FAS members as a life expectancy of six months or fewer. The Act extends this to 12 months or fewer, ensuring that members can access support earlier, when it can make the greatest difference.

Inclusion in pensions dashboards

The Act takes the first steps in enabling PPF and FAS data to be available on pensions dashboards, with further regulations needed before we'll be able to connect with the dashboards.

Pensions dashboards are designed to help people engage with their pensions, understand their entitlements and make informed decisions about their financial future. Including PPF and FAS data ensures our deferred members get a complete picture of their future income. This change reflects the PPF's longstanding commitment to excellent customer service and a strong digital experience. We are working on understanding the operational requirements needed to ensure that we can connect the relevant data for our members.

> **The move to a zero levy for 2025/26 is a significant shift for family-run businesses that sponsor DB schemes.**
>
> Many family firms will welcome the stability and breathing space this change provides. The PPF s communication with levy payers on the rules for 2026/27 has been clear, timely and constructive. It has taken care to explain not just *what* is changing, but *why*, which helps businesses plan with much greater confidence.
>
> I also find the PPF s SME (Small and Medium sized Enterprise) Forum particularly valuable. The PPF engages meaningfully with stakeholder concerns, and acts on the feedback it receives. That level of responsiveness makes a real difference to smaller organisations.
>
> **Fiona Graham**
> Chief Operating Officer, Family Business UK

Moving to a zero PPF levy

Up to 2026, legislation placed a 25 per cent limit on increases to the PPF levy we charge schemes year on year. This protected levy payers from sharp increases in the levy but also restricted how low we could allow the levy to fall without damaging our ability to increase it again, should we face a potential funding challenge. As a result of our engagement with policy makers and stakeholders, the Act includes measures which give us greater flexibility to set the levy, enabling us to move to a zero PPF levy for conventional schemes. This means lower costs for the UK businesses that sponsor the 4,800 DB pension schemes that we protect. This will be particularly beneficial for the small businesses that sponsor DB schemes.

Recognising the Act's parliamentary progress during 2025/26 and the broad support among policy makers and stakeholders for this change, and with advice on the management of any legal risk, our Board decided to set a zero PPF levy for conventional schemes in 2025/26. This saved £45 million for DB schemes.

In February 2026, we confirmed that we won't charge conventional schemes a PPF levy in 2026/27. We'll maintain a risk-based Alternative Covenant Schemes (ACS) levy in 2026/27. We've listened carefully to stakeholder feedback and are committed to ensuring the ACS levy remains proportionate to the risks posed.

Abolition of the PPF administration levy

Previous legislation required certain administrative costs of the PPF to be funded via grant-in-aid from the DWP. This included costs in relation to assessment period processes, the levy and the FCF. The DWP funded these payments through the PPF administration levy, which was set by the DWP and collected from schemes by The Pensions Regulator on its behalf.

In 2022, the DWP's departmental review of the PPF recommended that legislation should be amended so that we could cover the relevant administrative costs through the PPF and FCF funds, enabling the PPF administration levy to be abolished. These changes have been included in the Act, which will collectively save the schemes we protect millions.

Reassurance for schemes

The Court of Appeal ruling on the case of *Virgin Media Ltd v NTL Pension Trustees* in July 2024 confirmed that some pension scheme amendments made between 1997 and 2016 are void if they lacked required written actuarial confirmation. This created uncertainty for schemes with missing documentation, which could potentially lead to increased liabilities. The Act includes measures to give affected pension schemes the ability to obtain written actuarial confirmation retrospectively. It also includes a provision that schemes in the PPF are automatically deemed to have always been compliant with the relevant requirements. We continue to consider with our panellists the implications for schemes entering PPF assessment.

Member services improvements

We take pride in delivering the highest level of service to our members. This year we attained a member satisfaction score of 97.4 per cent. Over 91 per cent of member transactions and 67 per cent of retirements were completed on our member website, showing it's the channel of choice for a large proportion of our members.

We carried out user research of our online nomination and bereavement service this year, and used the insights to inform a series of enhancements, including clearer instructions and improved communications about the service. Over the last 12 months, we have reduced the time it takes us to support families through a bereavement. When beneficiaries use our online bereavement claim form, the time it takes for them to receive the first beneficiary payment is reduced by a quarter.

37
FCF cases completed this year

97%
PPF and FAS member service satisfaction level

"This year, we celebrated 10 years since our member services were brought in-house. During that time, we have delivered innovative digital features for our members, including tools to nominate a beneficiary and start payments online. We're extremely proud to have been awarded ServiceMark with Distinction accreditation from the Institute of Customer Service for our work."

Trevor Davis
Director of Member Services

Fraud Compensation Fund claims

We completed 37 FCF claims during the year, including some highly complex cases, resulting in payments of more than £100 million, benefitting over 2,770 people. This progress was enabled by collaboration between colleagues in the FCF team, across the PPF and with our partner agencies.

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. The FCA's Consumer Duty requires firms to act to deliver good outcomes for customers. The Board agreed to consider the Consumer Duty as part of the PPF's strategy, governance, leadership and people policies. The Board reviews the approach and the outcomes delivered annually.

"The PPF is exactly what the name stands for: a protected pension.

Ray and I both worked for the same company, which provided specialist equipment for kilns. Between us, we had over 60 years of service with them. We were lucky. You hear awful things about people who ve worked for decades and lost their pensions entirely. That didn t happen to us, and we re very grateful for that.

We recently used the PPF website to nominate our beneficiaries. The process was easy and straightforward. We even went back in afterwards to double check we d done it correctly, and everything was fine."

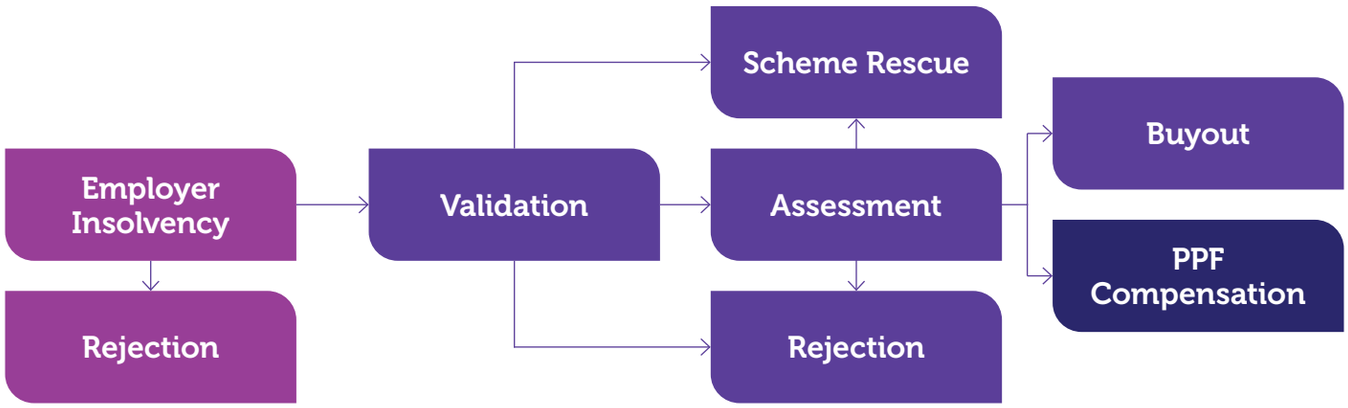
Linda and Ray
PPF members, Crewe

We help shape change in the pensions industry

When the sponsoring employer of an eligible DB pension scheme becomes insolvent, the scheme enters the PPF assessment period. We work with scheme trustees and our specialist panel firms to help them to secure the best possible outcome for their members.

It is in the interest of scheme members for pension schemes to move through the PPF assessment period quickly to provide financial certainty for members. Through 21 years of in-house expertise, collaboration with our advisory panel firms and dedicated development of our processes, the way in which we transition schemes is fast, efficient and benefits from highly competitive fee agreements with our panel firms.

The assessment process



A scheme may be rejected at validation stage if there is no qualifying insolvency event, the employer is not a valid statutory employer, not all relevant employers are insolvent, the scheme type is ineligible, or there is insufficient legal connection between the scheme and the insolvency. If rejected, the trustees retain control of the scheme and it may be rescued, wind up outside of the PPF, or seek re-entry at a later date.

What is a PPF+ case?

A scheme will only transfer to the PPF at the end of the assessment period if the scheme can t afford to secure benefits with an insurance company which are equal to, or more than, what the PPF would pay. Schemes that can afford to secure benefits at PPF compensation levels or higher are called overfunded schemes or PPF+ cases. These schemes will not transfer into the PPF.

The Arcadia Group Pension Scheme agreed a buy-in with Aviva following PPF assessment, securing full scheme benefits for its members.

"The PPF has always shared our strong commitment and ambition to secure the best possible outcome for all our members. The Trustees particularly appreciate the support, guidance, hard work, expertise and reassurance of the PPF and their specialist advisory panel firms. This effective collaboration led us to achieve an incredible outcome for Arcadia scheme members."

Alda Andreotti
Chair of Trustees for the Arcadia Group Pension Scheme

In May 2026, 51 per cent of schemes in assessment were overfunded on a PPF basis. We also monitor and support overfunded schemes that have exited our processes and are trying to complete a buyout. We call these closed schemes. Including closed schemes, 68 per cent of the cases we support are overfunded.

We're committed to working with our specialist panel firms to drive continuous improvement. In 2025/26, we completed a review of our process for transitioning overfunded schemes through the assessment period and on to an insurer or consolidator. We identified core opportunities where we can make PPF+ transactions quicker, cheaper, and better, with the end goal to achieve the best possible outcome for members.

Cost savings for small PPF+ schemes

We focused our initial efforts on small overfunded schemes. They face disproportionate costs which might prevent members receiving benefits with an insurer that are greater than PPF-level benefits.

We held forums and workshops with our specialist panel firms to find ways to streamline the process and help achieve better outcomes for scheme members. Opportunities identified included: the introduction of a standardised PPF process for small overfunded schemes across our panel firms; changes to assessment period tasks; and potential ways to make engagement with insurance companies easier.

Following a successful testing phase to assess the impact of process changes at the start of 2026, we will be trialling process changes for a selection of small overfunded schemes during 2026/27 to further streamline the process.

"

The PPF's customer service is the gold standard in the industry.

One day all pensions admin will be this good. The benefit modeller on the website in particular is excellent. I used it dozens of times to model retirement at different ages before I brought my compensation into payment. I ll receive payments for the rest of my life: that is mega. I m 58 now. The PPF could be paying me for another 35 to 40 years. That s when you realise this is a long term relationship.

"

Richard
PPF member, Berkshire

We adapt and evolve

Embedding a new organisational structure

In the year, there have been changes at senior level. Richard Beaven, Chief Operating Officer, stepped into the role of Acting Chief Executive following Michelle Ostermann's departure. New appointments were made through the year in roles that report into the Executive Committee, including Chief People Officer, Chief Risk Officer and Chief Technology Officer.

This year we reviewed our core systems to make sure we're equipped for the future, and established a plan for safe implementation of changes during 2026/27. We finalised our approach to the procurement strategy for our pensions administration software.

We identified a new target operating model for our strategy, change and communications functions, and built new capabilities in planning and stakeholder management. We have evolved the way we oversee and prioritise initiatives and innovation across the organisation, to give colleagues clearer sight of our priorities and what's coming next. This has strengthened the link between business planning and delivery, so we can focus our time, capacity, and investment on what matters most.

Review of our funding framework and strategy

We undertook a review of our funding framework and strategy, ensuring it continues to evolve considering the changed environment, including the move to a zero conventional PPF levy and the introduction of inflation increases on pre-1997 compensation payments. The Board decided not to charge conventional schemes a PPF levy for 2025/26 and for 2026/27. The commercial and system change implications of this decision have been identified and are in the process of being implemented.

Opportunities, challenges and risks

Managing and understanding our opportunities, challenges and risks is critical to protecting our members and achieving our objectives. Our governance and risk management frameworks ensure that we are adequately assessing risks to the organisation and our members. See pages 57–63 for more detail on our approach to managing our principal and emerging risks.

Risk management was central to the governance oversight of the delivery of our strategic priorities over the year, including moving to a zero conventional PPF levy, planning the implementation of pre-1997 inflation increases, and the review of the funding framework.

Enhancing risk management

During the year, we reviewed our approach to risk management, including legal risk management, against industry peers. This indicated that our risk management framework remains robust and that risk awareness is embedded through the organisation.

Through the year, we developed more tailored risk reporting and strengthened the use of scenario analysis to understand our investment portfolio's resilience to adverse conditions. We also started implementing a new AI solution to digitise and streamline our due diligence process to allow the Investment team to focus more time on higher-value analysis and risk assessment.

We took steps to improve clarity and consistency in our approach to managing model risk. We adapted to changes in model requirements resulting from large projects, for example, the change in legislation on pre-1997 inflation increases, and the modelling supporting the funding framework review.

Disaster recovery

We conduct annual disaster recovery tests to make sure we can restore critical systems and services quickly after a disruption, such as a cyber incident, system outage, flood, fire, or other major operational failure. The tests help us to check that our recovery plans work in practice and that we can get key systems working within the expected timeframe.

In September 2025, a mechanical failure in our Croydon office caused a water leak over a weekend, resulting in significant damage to the floors we occupy. Our emergency response team's swift response prioritised staff welfare and the uninterrupted delivery of Important Business Services. We were able to quickly transition to full homeworking without any impact on our critical activities, or the impact thresholds of our Important Business Services.

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 we received two independently verified certifications:

- Cyber Essentials, a government-backed cyber security certification designed to help organisations protect themselves from common online threats.
- The ISO 27001 framework for the management and structured approach for protecting company information, systems and data.

We completed our network hardware refresh in 2025/26 and we continue to review our technical controls and processes to ensure adequate protection from current and emerging cyber threats. These improvements will further reduce the cyber risks we face and help to mitigate and reduce the effects in the event of a breach.

Our approach to procurement

As a public corporation, we are required to conduct large contract activities through defined processes derived from The Public Contracts Regulations 2015 and The Procurement Act 2023. This year, we retendered the Investment team s portfolio monitoring and risk management system.

> This project was one of our largest and most strategically significant procurements, requiring a fully transparent, proportionate and competitive process, objective evaluation, and robust management of confidentiality and conflicts of interest.

Alongside the regulatory requirements, we coordinated input from many teams across the business to ensure all due diligence requirements were met. By splitting the tender into two lots, we opened it to a wider range of providers, strengthening the level of competition.

The outcome of the procurement has delivered substantial cost savings, enhanced functionality, and improved contractual terms.

Claire Lefort
Senior commercial manager

Utilising technology to drive better outcomes

During the year, we continued to take a structured and responsible approach to the adoption of Artificial Intelligence (AI) across the PPF. We focused on supporting organisational effectiveness while maintaining strong governance, security and assurance.

We used a test and learn approach to explore how we can utilise AI to build easy-to-use, time-saving tools for colleagues across the organisation. We tested the capability of a digital agent that can summarise key information found in various internal policy documents, and plan to develop this further in the next year.

We explored how to utilise AI-assisted code generation to allow our developers to be more productive when building software applications. One area we have identified where this can improve efficiencies is in data quality checking when we're onboarding new members.

We've put strong governance in place to ensure senior-level direction, transparency and appropriate challenge. This governance framework supported the test and learn approach, enabling the organisation to explore opportunities, assess risks and build capability in a controlled manner before scaling further. In the year ahead, our focus will move from initial adoption towards deeper integration and value realisation.

Case study

Using AI to support our work

A primary focus of AI activity during the year was the rollout of Microsoft 365 Copilot, an AI-powered productivity assistant. An initial cohort of 68 users embedded it into day-to-day activity, using it in reporting and to summarise meetings and documents. We continued a phased rollout, and at the end of the financial year, over half of our colleagues were using Copilot to enable increased productivity. By May 2026, all colleagues had access to it, and 90 per cent of the organisation was using it daily to support their work.

"The PPF is essential for the members that it protects. For some people, it's absolutely life-changing.

For me, the compensation that I will get from the PPF is a comparatively small part of my other overall retirement income, but for others, the compensation that they will receive is everything over and above what they might have as a state pension.

It can make the difference between a reasonably comfortable, happy retirement and something that would otherwise have been much less comfortable and potentially quite distressing. That makes a massive difference to your retirement plans, and the hopes and dreams that you might have had."

Mark
Deferred PPF member

We build on our strong foundations

Supporting our people

We are proud to have high levels of colleague engagement. Our most recent colleague survey had a response rate of 90 per cent. In the survey responses, 79 per cent of our people agreed that they feel positive about working at the PPF.

Also this year, we began the development of a new people strategy, guided by our 2025-28 strategy, external research on best practice and benchmarks, and internal insights.

The strategy will strengthen and align much of the activity that's already in place within the organisation. In 2026/27 we will launch initiatives covering all aspects of the colleague experience, from talent acquisition and career development to culture and engagement.

79%

of colleagues

feel positive about working at the PPF

Our approach to Diversity, Equity and Inclusion (DEI)

We're proud of the progress we made in delivering against the goals of our first Diversity & Inclusion (D&I) strategy, but we know there's more we can do. Our DEI strategy for 2025-28 builds on the success of our previous D&I strategy, and demonstrates our continued commitment in this area.

Our DEI strategy increases our focus on 'equity'. Central to this approach is a recognition that we don't all start from a level playing field.

People are often impacted by more than one barrier to opportunity, and what might support one person may fail to address the challenges faced by another. We recognise that our colleagues are unique individuals and, therefore, need different support to thrive.

This strategy goes further than we have before to allow us to support more aspects of our identities, focusing on social mobility and LGBTQ+ as priority areas, in addition to gender, ethnicity and diverse ability.

This year, we also appointed our first DEI Lead, a senior role responsible for ensuring that we are progressing against our agreed actions. A DEI Steering Committee with responsibility for overseeing the strategy has also been established, including representation from ExCo members.

Our DEI focus areas

- Gender
- Ethnicity
- Diverse ability
- Social mobility
- LGBTQ+

Our people live our organisational values of integrity, collaboration, accountability, respect and excellence. In addition to our corporate focus areas, there are 10 colleague-led community groups across the PPF where our people connect, support each other and share ideas. These include the Men's Network, Working Families Alliance, Menopause Café, Islamic Circle and Christian Fellowship Group.

When we published our DEI strategy we refreshed our representation targets, signalling our long-term intent for change by developing diverse talent, removing barriers and ensuring everyone has equitable access to opportunity.

Our progress against our representation targets

Focus area	Figures as at 31 March 2026	Our 2028 target
Total women in the PPF	**51.1%**	50%
Female representation in senior management	**45.7%**	50%
Total ethnic minority colleagues in the PPF	**25.4%**	30%
Ethnic minority representation in senior management	**22.9%**	25%
Total black colleagues in the PPF	**9.0%**	9%
Black representation in senior management	**2.9%**	4.4%

We're proud to be a signatory of the Women in Finance Charter, an initiative to help build a more balanced financial services industry. We ensure that we are an employer of choice for women by supporting flexible working wherever feasible, and we work with Career Returners, who support people who have taken extended career breaks return to employment.

Currently, we're working towards an industry-recognised menopause friendly employer accreditation by an external expert panel.

As a signatory of the Race at Work Charter, we are committed to improving equality of opportunity in the workplace. We are focused on driving long-term change in our ethnicity pay gaps by bringing diverse talent into the organisation and supporting development with varied opportunities. We also partner with Investment 20/20 and the 10,000 Interns Foundation to help to bring talented young professionals into our industry.

Our gender pay gaps improved in 2025. The mean gender pay gap fell from 19.0 per cent in 2024 to 16.7 per cent, and the median gender gap fell from 17.8 per cent in 2024 to 14.8 per cent.

Our ethnicity pay gaps increased slightly in 2025, with the median pay gap rising from 10.0 per cent in March 2024 to 12.1 per cent in March 2025, and the mean pay gap rising from 7.4 per cent to 8.1 per cent.

Our Diversity pay gap report 2025 provides more detail on our pay gaps.

Case study

Our internship programme

We hire interns from the 10,000 Interns Foundation, which develops programmes offering paid work experience to people from under-represented groups. From June to July 2025, we hosted six interns across our Technology, Investment, Risk, Legal and Compliance teams.

They gained valuable exposure to real-world challenges in these business areas, and also attended coaching sessions, and presentation skills and CV workshops. One participant gave feedback that their internship was integral to their success in securing a training contract, and another accepted a permanent role at the PPF after their internship.

"The support of the PPF has made a profound difference to young people in Croydon. From inspiring educational opportunities, fundraising events to delivering thousands of Christmas gifts, the kindness and dedication of the people at the PPF continues to bring lasting impact to vulnerable children."

Reedham Children's Trust

Giving back to our local community

We want to use our skills and experience to make a genuine impact. Colleagues can take up to five volunteering days annually to lend their skills to charities and mentoring schemes. This year, our colleagues carried out more than 300 volunteering days across local food banks, donation hubs, youth centres and community gardens.

Colleagues also took part in skills exchange volunteering opportunities, such as supporting at Money Ready's financial education workshops in schools and hosting students from the Investment 20/20 programme to help inspire the next generation to consider a career in our sector. Our colleagues also organised events to raise funds for our local charity partner, Reedham Children's Trust, which provides support for vulnerable and disadvantaged children.

Advancing our carbon measurement capabilities

We recognise that the majority of our environmental impact sits beyond our direct operations. During the year, we completed work to extend the measurement of our operational carbon footprint to include our supply chain.

We appointed an independent sustainability specialist to undertake a comprehensive programme to strengthen our understanding of our operational emissions. We also created a new Corporate Sustainability Lead in-house role, responsible for ensuring that our organisational sustainability goals are aligned with the core business operations and translated into realistic targets.

"I've always been very happy whenever I've spoken to anyone at FAS.

Everyone I ve dealt with has been knowledgeable, polite, and clear about what they re talking about. I worked at Clement and Foster for around 18 years. We printed materials for major financial institutions and insurance companies in the City. It was a very good pension scheme, and at one point I thought I might be able to retire at 55 or 60 based on the projected value. When the company became insolvent and the scheme wound up, that changed. The FAS provides a top up that I would miss."

John
FAS member

Sustainability

Serving our members includes a duty to invest responsibly and sustainably. In 2023, we launched our Sustainability strategy, where we made the commitment to help catalyse the growth of a more sustainable pensions industry. We remain committed to this strategy and have been sharing what we're learning and doing with others.

This year we published our first Sustainability Report, bringing together our reporting on our responsible investment, climate change and operational sustainability actions in one combined publication.

We support the Task Force on Climate-related Financial Disclosures (TCFD), a globally recognised framework that helps companies disclose the financial risks and opportunities associated with climate change. Find information on our climate-related governance, strategy, risk management, and metrics and targets across the business and for our investments on page 28.

We support the government's Greening Government Commitments. Our ambition is to achieve net zero for our operations by 2035. Find information on our energy and water consumption, travel emissions and waste data from the year on page 34.

Task Force on Climate-related Financial Disclosures (TCFD) summary and progress report

As a long-standing supporter of the Task Force on Climate-related Financial Disclosures (TCFD), we are committed to reporting on our climate-related governance, strategy, risk management, and metrics and targets across the business and for our investments.

Our dedicated Sustainability Report shares an in-depth view of this information. The content included here summarises our progress and outcomes for 2025/26. We will publish further details in our 2025/26 Sustainability Report in 2026/27.

Governance

Board Oversight

The PPF continues to establish strong climate governance to manage sustainability and climate-related risks and opportunities. The Board continues to have oversight over the 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 addressed through our sustainability goal: *Demonstrating excellence in responsible investment (RI).* The Investment Committee is responsible for approving our RI framework, principles and policies.

The Investment Committee regularly reviews our investment-related climate change and stewardship policies, and is updated regularly on climate-related risks and management within our investments. 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 activities. Sustainability is a factor when considering operational risk and developing new strategic objectives and goals for the business. Operational risks related to sustainability are identified, recorded, and managed within appetite, with material exposures managed appropriately.

Led by the Chief Investment Officer, 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.

> "We are committed to reporting on our climate-related governance, strategy, risk management, and metrics and targets across the business and for our investments."

Risk management and strategy

Risk management

We continue to consider climate change to be an emerging risk for the PPF as an organisation, with the potential to impact the value of our investments and cause physical disruption to our operations and supply chain, thereby affecting critical business services. We have 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 and strategy in our investments

The TCFD section within our Sustainability Report contains more details on our strategy for identifying and managing climate-related risks and opportunities within our investments, and how we integrate these considerations across all organisational processes.

We believe our Climate change policy and strategy 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.

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 line with the Greening Government Commitments, we implemented a Climate Change Adaptation Strategy (CCAS). The CCAS is part of our broader risk management framework and operational resilience protocols. 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.

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. 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. Regular reporting to committees on operational and material risks that we face includes any risks which may have climate change factors as a contributory cause.

Metrics and targets

This section focuses on our investments' financed emissions, as the most material emissions category for our organisation. Our operational emissions are shown on page 34.

Public Equity

In our Public Equity portfolio[1], year-on-year, the total financed emissions increased by 17 per cent and the Weighted Average Carbon Intensity (WACI) increased by three per cent. The normalised financed emissions, which is a preferred metric to use when comparing year-on-year portfolio emissions, increased by six per cent.

Total financed emissions increased primarily due to adding new companies within the Public Equity portfolio. Although the new holdings are associated with lower emissions on a like-for-like basis, their larger combined market value resulted in a higher overall financed emissions total.

If we isolate the change driven exclusively by underlying company emissions performance, total financed emissions increased by two per cent. This contrasts with last year where company level emissions decreased. The increase in underlying company emissions performance is primarily attributable to one company which expanded the scope of activities included within its emissions reporting, providing a more comprehensive assessment of its emissions performance.

Despite the year-on-year increase, the 2025 total financed emissions remain approximately 75 per cent lower than the 2020 baseline year. This reduction is predominantly driven by changes in portfolio composition over the years, largely reflecting a change to the equity benchmark in 2021.

PPF carbon footprint Public Equity: Scope 1 & 2 Metrics	2025	2024	2020 (Baseline Year)	Changes from 2024 to 2025 (%)	Changes from 2025 to 2020 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO_2e)	197,613	168,806	797,637	17%	-75%
Financed carbon emissions (tCO_2e/$m invested)	52	49	122	6%	-57%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO_2e/$m revenues)	90	87	243	3%	-63%
Equity benchmark average carbon intensity[2] (tCO_2e/$m revenues)	61	73	300	-16%	-80%
Market value of the fund's equities covered by carbon data ($m)	3,969	3,470	6,528	14%	-39%
Proportion of the fund's equities for which data is available	96%	97%	97%	-1%	-1%

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

2 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.

Source: Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission. PPF portfolio holdings as at 31 December 2025.

Corporate Credit

The Corporate Credit portfolio[1] recorded another year-on-year reduction in financed emissions, despite an increase in overall market value. Total financed emissions fell by six per cent, while normalised financed emissions declined by 16 per cent. This continues the structural downward trajectory observed since 2020, leaving the portfolio's financed emissions 36 per cent below the baseline year.

The majority of this reduction was driven by changes in portfolio holdings. When isolating only those companies whose year-on-year movement results predominantly from changes in their reported emissions, we find that the net change is dominated by a single issuer.

This company achieved a material reduction in emissions, primarily through improved operational performance, and accounts for a large proportion of the emissions-driven change at the portfolio level.

The top five contributors to total financed carbon emissions are all included in the Climate Watchlist. This ensures that these top contributors continued to be engaged on their climate strategy.

PPF carbon footprint Corporate Credit: Scope 1 & 2 Metrics	2025	2024	2020 (Baseline Year)	Changes from 2024 to 2025 (%)	Changes from 2025 to 2020 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO_2e)	230,801	244,628	361,360	-6%	-36%
Financed carbon emissions (tCO_2e/$m invested)	26	31	58	-16%	-56%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO_2e/$m revenues)	80	71	328	13%	-76%
Corporate credit benchmark average carbon intensity (tCO_2e/$m revenues)	196	193	257	2%	-24%
Market value of the fund's Corporate Credit covered by carbon data ($m)	9,393	8,004	6,214	17%	51%
Proportion of the fund's Corporate Credit for which data is available	96%	98%	90%	-2%	7%

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1 For our aggregate liquid credit holdings, we 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.

UK Credit

In the UK Credit portfolio[1], we saw a year-on-year decrease of nearly a third in total financed emissions. This is predominantly driven by the change in EVIC for a key entity. The change is also reflected in normalised carbon emissions which saw a year-on-year decrease of 19 per cent.

As a more concentrated portfolio, three contributors to financed emissions represent 27 per cent of total financed carbon emissions.

The contributors are all included within our Climate Watchlist and have committed to net zero targets. Two of the underlying companies are covered by our external stewardship provider and one is covered directly by PPF.

Data coverage within the UK Credit portfolio remained consistent at 95 per cent year on year, providing a stable basis for interpreting changes in financed emissions.

PPF carbon footprint UK Credit: Scope 1 & 2 Metrics	2025	2024	2020 (Baseline Year)	Changes from 2024 to 2025 (%)	Changes from 2025 to 2020 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO_2e)	50,505	75,725	102,249	-33%	-51%
Financed carbon emissions (tCO_2e/$m invested)	29	36	51	-19%	-43%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO_2e/$m revenues)	113	121	156	-7%	-28%
Market value of the fund's UK Credit covered by carbon data ($m)	1,825	2,087	2,012	-13%	-9%
Proportion of the fund's UK Credit for which data is available	95%	95%	67%	0%	41%

Source: Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission. PPF portfolio holdings as at 31 December 2025.

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.

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

Targets related to our Climate Watchlist

The Climate Watchlist Companies (CWCs) were updated in early 2025 to reflect changes in the portfolio. The watchlist represents more than 70 per cent of material financed emissions for our public markets' holdings.

We continue to target at least 80 per cent disclosure across our CWCs. However, we have seen CDP disclosure rates declining with 68 per cent of CWCs reporting to CDP in the 2025 disclosure cycle, compared with 85 per cent in the prior year for our original Watchlist, reflecting a broader shift in market sentiment around public climate issuers' reporting. Notwithstanding this, when including CWCs that disclose emissions through alternative channels and demonstrate a PCAF[1] Score of 1 for their reporting, our overall disclosure coverage remains higher at 87 per cent. As a result, we remain above our 80 per cent target despite the detraction in CDP participation. We continue to participate in CDP's Non-Disclosure Campaign to encourage greater transparency and standardisation on corporate emissions from issuers.

1 PCAF (Partnership for Carbon Accounting Financials) provides a standardised methodology for measuring and disclosing financed greenhouse gas emissions. PCAF assigns data quality scores from 1 (highest quality, based on verified, asset level emissions data) to 5 (lowest quality, based on estimates using proxy or sector average data)

Being accountable for minimising our own environmental impacts

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. We are taking steps as an organisation to achieve net zero for our own operations by 2035. Scope 3 financed emissions from our investments are considered separately and reported in our annual Sustainability Report.

As the PPF considers climate change to be an emerging risk, and not a principal risk, we continue to focus our metrics and target reporting on disclosure of our emissions.

All electricity used in both our offices is sourced from 100 per cent renewable tariffs, which have been in place in both offices since October 2019. This means our operational Scope 1 and Scope 2 market-based greenhouse gas emissions are effectively zero.

We have seen a reduction in the amount of energy consumed over the last five years as a result of changes made to our offices, including the more efficient servicing of solar panels at our Croydon office.

Our location-based emissions have reduced since last year due to our Croydon office being closed for repairs for several months because of a water leak.

Business travel is an essential element of our business, particularly when carrying out required due diligence of our investments and key suppliers. The number of domestic and international business flights taken in the year is lower than last year. Colleagues strive to visit multiple locations within the same international trip to make these visits as efficient as possible.

Despite there being a significant leak in the Croydon office, our overall water use was similar to last year as the office remained closed for several months. Our waste to landfill increased this year due to fixtures and fittings being damaged beyond repair by the leak.

We encourage colleagues to dispose of food waste in labelled bins in both our offices. The food waste collected is used to create green energy at anaerobic digestion plants. This is the first year we have reported on total food waste sent to anaerobic digestion plants.

Greenhouse gas emissions

Energy consumption – Scope 2

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total location-based emissions (gross tonnes of CO_2e)	275.1	261.9	228.7	181.2	130.2	153.6	139.6
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	782,897
Total energy expenditure £	301,626	267,565	269,212	366,225	392,849	315,937	230,058

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.

6 Energy consumption in 2025/26 were impacted by a leak in our Croydon office during the year.

7 The lower emissions figure is primarily driven by a reduced electricity conversion factor for 2025/26.

Travel emissions – Scope 3

CO_2e emissions from business travel

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Domestic by air tonnes CO_2e	2.2	–	0.7	0.8	2.6	2.2	0.9
Domestic by other means tonnes CO_2e	12.9	0.2	1.2	3.7	3.3	3.9	2.9
International by air tonnes CO_2e*	45.2	–	0.4	48.7	59.5	135.1	53.4*
International by other means tonnes CO_2e	–	–	–	–	–	0.5	0.7
Total CO_2e emissions from business travel (tonnes CO_2e)	60.3	0.2	2.3	53.2	65.4	141.7	57.9

* Excludes 34.9 tonnes of CO_2e emissions from travel paid for by third parties (2024/25: 34.3 tonnes).

Distance travelled by air

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total distance travelled by air (km)*	233,667	–	10,024	241,839	231,009	474,553	281,652*
Domestic (km)	16,635	–	5,571	6,208	16,067	13,448	6,480
International Business (km)*	185,527	–	–	204,241	155,171	384,852	237,769*
International Economy (km)	31,505	–	4,453	31,390	59,771	76,253	37,403

* Excludes 192,285 km of travel paid for by third parties (2024/25: 100,091km).

Number of flights

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Domestic (no. of flights)	29	–	18	11	28	23	12
International (no. of flights)*	57	–	4	62	66	116	79*

* Excludes 38 flights paid for by third parties (2024/25: 8 flights).

Expenditure on business travel

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total expenditure on business travel (£)*	118,321	1,286	7,550	91,112	79,432	132,130	134,165*

* Excludes £68,492 worth of expenditure reimbursed by third parties (2024/25: £36,117).

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.

4 Flights reimbursed by third parties have been excluded from the values in the tables where travel is on request by the third party.

Waste

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total waste (tonnes)	25.4	10.6	17.2	26.1	25.8	20.4	28.8
Total waste recycled – municipal (tonnes)	17.9	8.7	13.5	18.4	20.0	15.9	11.6
Total waste recycled – other	–	–	–	–	–	–	4.3
Total waste incinerated with energy recovery (tonnes)	7.5	1.8	2.8	3.9	5.4	4.3	3.9
Total ICT waste recycled, reused or recovered (tonnes)	–	0.1	0.9	3.6	0.4	0.2	1.9
Total waste sent to landfill (tonnes)	–	–	–	0.2	–	–	4.5
Total food waste sent to anaerobic digestion (tonnes)	–	–	–	–	–	–	2.6
Total waste expenditure* (£)	8,492	8,369	8,862	11,114	9,224	6,795	8,845*

* Expenditure excludes the cost of such exceptional waste relating to the leak in our Croydon offices which is not separately identifiable from the quotations provided by third parties.

Notes

1 All of the waste is municipal except where stated.

2 Waste recycled – other in 2025/26 relates to a leak in our Croydon office during the year.

3 Data on non-confidential waste comes from building managers.

4 Data on confidential waste comes from the supplier and is estimated based on number of bins collected; since the start of 2025/26 the collection has been reduced from weekly to biweekly.

5 ICT waste relates to obsolete equipment.

6 Waste to landfill in 2022/23 relates to the closure of a data centre; in 2025/26 this relates to a leak in our Croydon offices during the year.

7 Estimates are used where data is not available.

8 Currently indirect waste is not measured. An assessment of indirect waste and its materiality will be carried out in 2026/27 to allow it to be disclosed in future years should it be considered material.

Finite resource consumption/water

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total water consumption (m^3)	3,228.3	966.5	898.4	1,401.8	1,587.5	2,035.3	2,213.6

Notes

1 Data comes from building managers.

2 Water consumption in 2024/25 and 2025/26 were impacted by leaks in our Croydon office during the year.

3 Estimates are used where data is not available.

4 Currently indirect water use is not measured. An assessment of indirect water and its materiality will be carried out in the current year to allow it to be disclosed in future years should it be considered material.

Other emissions

Currently other scope 3 emissions are not fully measured. An assessment of other Scope 3 emissions and their materiality will be carried out in the current year to allow them to be disclosed in future years should they be considered material.

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

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Investment expenses	330.4	223.5	174.2	219.2	220.1

Operating expenses

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
PPF	48.7	54.6*	54.2*	61.1*	61.7*
PPF Administration Fund	13.3	14.9*	13.7*	14.6*	14.4*
FAS Administration Fund	8.3	7.7	6.8	7.0	7.2
Total operating expenses	60.3	77.2*	74.7*	82.7*	83.3*

* Excludes recovery of VAT (see note 11).

Operating costs have not increased significantly compared to inflation over the last five years. The increase in 2025/26 has been driven by increases in staff costs due to increases in headcount, wage inflation and increases in employers' National Insurance, offset by a reduction in short-term staff and contractors due to less project activity.

The reduction in the PPF Administration Fund in 2025/26 also reflects the impact of not raising a conventional levy.

Information on investment expenses can be found on page 103.

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 (0.2 per cent). The total number of complaints is slightly higher than for 2024/25. The following tables provide an analysis of the complaints received and dealt with during the year ended 31 March 2026.

Complaints

	PPF 2025/26	FAS 2025/26	PPF 2024/25	FAS 2024/25
Complaints brought forward from previous year	13	1	21	2
Complaints received	480	153	462	160
of which:				
– resolved at stage one	431	135	412	146
– resolved at stage two	32	16	40	11
– resolved at stage three	13	1	12	4
– resolved at stage four	7	–	6	–
– were carried forward	10	2	13	1

Complaint categories*

	PPF 2025/26	FAS 2025/26	PPF 2024/25	FAS 2024/25
Process	127	38	99	31
Website	120	34	82	34
Legislation	71	14	64	22
Entitlement	59	28	69	34
Poor communication	53	23	59	26
Other	185	59	220	60

* Complaints can have multiple categories.

The increase in process and website complaints is largely attributable to activity related to the nomination process introduced in September 2024. In the reporting period members were either nominating or completing their annual validation, both for the first time. While this has led to a higher volume of complaints, it is important to note that these represent a small proportion of the overall users of the nomination process, with the majority of members successfully completing the process without issue.

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

Freedom of Information (FOI) requests

	2025/26	2024/25
FOI requests received	61	54
of which:		
– we fully disclosed the information	37	30
– we partially disclosed the information	9	11
– we did not hold the information	1	2
– the request was withdrawn	–	2
– we declined to disclose the information	11	6
– 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 (2024/25: 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

	2025/26	2024/25
Review decisions issued	–	50
of which:		
– the scheme was found to be levied correctly	–	1
– we agreed with some or all of the scheme's appeal	–	49

Non-levy-related reviewable matters*

	2025/26	2024/25
Review decisions issued	18	27
Decisions made by the Reconsideration Committee	8	12

Maladministration complaints*

	2025/26	2024/25
Formal complaints of maladministration considered	17	15
of which:		
– maladministration was found to have occurred	5	4
– maladministration was found to have occurred in part	6	2
– no maladministration was found to have occurred	6	9
Three of these cases also involved a reviewable matter (2024/25: two).		
Maladministration decisions made by the Reconsideration Committee	7	1
of which:		
– maladministration was found to have occurred	–	1
– maladministration was found to have occurred in part	3	–
– no maladministration was found to have occurred	4	–

* 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 (2024/25: three).

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 the DWP which, together with levies collected, is expected to be sufficient to cover the potential claims known as at 31 March 2026.

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.

The Pension Schemes Act 2026 has abolished the PPF Administration Levy from 1 April 2026, which has historically been used by the DWP to finance its payments of grant-in-aid for the PPF Administration Fund. The DWP has paid the final accumulated levy funds to the PPF as grant-in-aid for the 2026/27 year. These are expected to fund administrative expenses for the majority of the year, with all ongoing Administration Fund costs being funded by the Protection Fund.

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.

As at 31 March 2026 the FCF has insufficient liquid funds and prospective levy income to meet expected claims payments. We have obtained a loan facility from the DWP which we expect will enable us to ensure a continuation of claims payments.

Richard Beaven
Acting Chief Executive

3 July 2026

Accountability report

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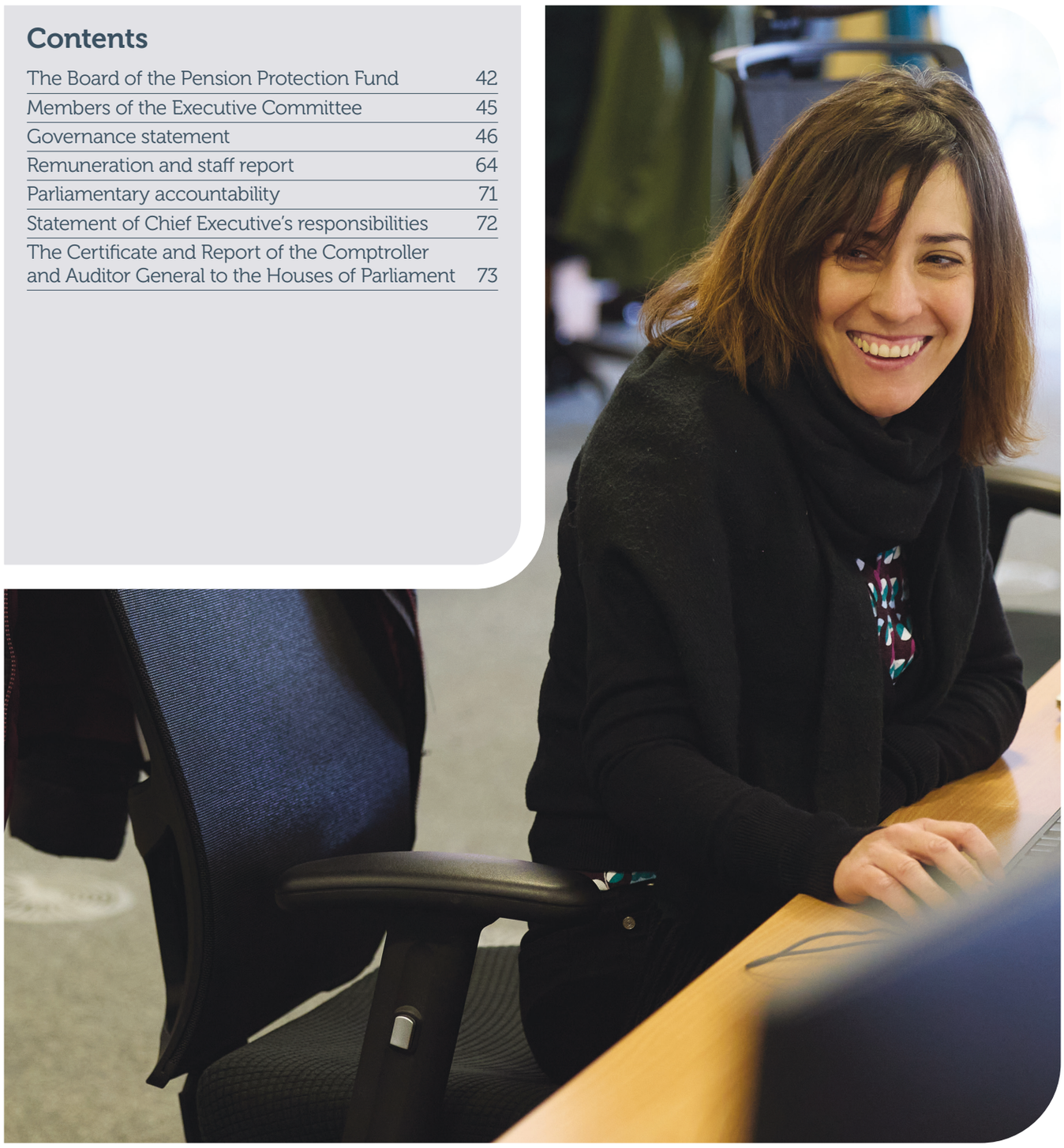

The Board of the Pension Protection Fund

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

Kate Jones CBE
Chair of the Board 2021-2026

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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 (now Money Ready).

Working with senior executives in multiple sectors across the UK, Kate is also the co-founder of executive coaching business & become. Kate was awarded a CBE in June 2026 for services to pensions and financial education.

Joanne Segars
Chair of the Board from July 2026

Joanne has nearly 40 years of experience in the pensions and investment sectors. She chairs now:pensions, a DC master trust responsible for 2.5 million members, and the independent governance committee at Legal & General. She is also a member of the pension fund governing board at CERN in Switzerland and is a trustee and deputy chair of the Royal Photographic Society.

Until October 2025 Joanne chaired LGPS Central Limited, the asset manager for eight local authority pension funds.

Joanne chaired the joint expert panel on the Universities Superannuation Scheme (USS) and was the pensions expert to the review of Transport for London's pension arrangements. She was the chief executive of the Pensions and Lifetime Savings Association, and has held public policy roles on pensions at the Association of British Insurers and the Trades Union Congress (TUC).

Joanne was awarded an OBE for services to pensions in 2003.

Richard Beaven
Acting Chief Executive and Chief Operating Officer

Richard Beaven joined the PPF in March 2025 as Chief Operating Officer and was appointed to the Board as an Executive Director on 19 February 2026. Following the departure of the previous Chief Executive, he was made Acting Chief Executive in addition to his role as Chief Operating Officer with effect from 27 February 2026.

Before joining the PPF, Richard was the Managing Director of an insurance broking business, running day-to-day operations and accountable for a programme of acquisitions. Prior to this, he held several senior positions at firms in the financial services sector, including Global Head of Change at Thomson Reuters, Operations director at Lloyds Banking Group and Chief Operating Officer at Brightside Insurance.

Richard previously served on the board of LGBTQ+ rights charity, Stonewall.

Chris Cheetham
Senior Independent Director

NE RA I

During his executive career, Chris Cheetham 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. He is Trustee of the BT Pension Scheme and a Director of People's Investments Limited (The People's Pension).

The Board of the Pension Protection Fund continued

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

David Atkinson
Non-executive Board Member

NE **RA** I

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 background, David is also a non-executive director at Mizuho International plc, Mizuho Bank Europe NV, and Credit Suisse UK Limited.

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

Sonia Gogna
Non-executive Board Member

NE **RC** I

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.

She has an MBA from London Business School, a master's in Actuarial Mathematics and a bachelor's degree in Economics.

Sonia is also Chair of the Children's Investment Fund Foundation GP Board, a $6 billion subsidiary of CIFF focused on children and climate change. In addition, Sonia serves as a non-executive director of Local Pensions Partnership Investments.

Liz Woolman
Non-executive Director

NE RA **R** RC N

Liz is an 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 the charity Friends of High Weald Churches.

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

Simon Gadd
Non-executive Board Member

NE RA R RC

After a 39-year career at Legal & General across many roles, Simon has retired from his executive career and now acts purely in a non-executive capacity. This includes as 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.

The Board of the Pension Protection Fund continued

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

Jim Gallagher
Non-executive Board Member

NE R RC I

Jim is an experienced non-executive director, having been a board member for some of the country's largest pension and life assurance companies. 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 chairs the think tank Our Scottish Future. He has been a Trustee of the Royal Society of Edinburgh, Scotland's National Academy, 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.

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 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.

David Sproul
Non-executive Director

NE R RC

A Chartered Accountant by background, David brings more than 30 years' experience in leadership roles across the financial and professional services sector, with a strong consumer and service focus.

He previously served as Global Deputy Chief Executive of Deloitte, following eight years as Chief Executive and Senior Partner of Deloitte UK and North West Europe, where he led the organisation's globalisation and transformation initiatives.

David is currently Chair of Pennon Group and of Starling Bank, a non-executive director of Safanad, chair of the board of governors at the University of Hertfordshire, and a senior adviser to Bridgepoint Group.

Members of the Executive Committee

Richard Beaven
Acting Chief Executive and Chief Operating Officer

Shalin Bhagwan
Chief Actuary

Kirsty Bowman-Vaughan
Chief of Staff

Dana Grey
Chief Governance, Risk and Legal Officer

Barry Kenneth
Chief Investment Officer

Conor Lawlor
Chief Strategy and Communications Officer

Sara Protheroe OBE
Chief Customer Officer

Other members during 2025/26

Michelle Ostermann
Chief Executive

Katherine Easter
Chief Operating Officer

Governance statement

Committee structure as at 31 March 2026

Board

Non executive Committee
Chair: Kate Jones
Chris Cheetham
David Atkinson
Simon Gadd
Jim Gallagher
Sonia Gogna
David Sproul*
Liz Woolman

Risk and Audit Committee	Remuneration Committee	Reconsideration Committee	Investment Committee	Nomination Committee	Decision Committee
Chair: David Atkinson	Chair: Liz Woolman	Chair: Sonia Gogna**	Chair: Chris Cheetham	Chair: Kate Jones	Chair: Kate Jones

* David Sproul appointed 1 December 2025.

** Sonia Gogna appointed 1 September 2025.

Board and committee attendance

	Board	Non-executive Committee	Risk and Audit Committee	Remuneration Committee	Reconsideration Committee	Investment Committee	Nomination Committee	Decision Committee
Total No. of meetings	9	6	5	5	7	4	9	0
Executives								
Richard Beaven*	1/1							
Michelle Ostermann**	6/8		4/5^	5/5^		4/4	2/2^	
Sara Protheroe	9/9		4/5^		7/7^		2/2^	
Non-executives								
Kate Jones	9/9	6/6		5/5^			9/9	
Chris Cheetham	8/9	6/6	5/5			4/4		
David Atkinson	9/9	6/6	5/5			4/4	5/5^	
Simon Gadd	9/9	6/6	5/5	5/5	1/2		3/3^	
Jim Gallagher	9/9	6/6		5/5	6/7	3/4	2/2^	
Sonia Gogna	9/9	6/6			7/7	4/4	1/1^	
Nailesh Rambhai**	2/3		2/2		2/2			
David Sproul*	3/3	4/4		1/1	2/3		1/1^	
Liz Woolman	9/9	6/6	5/5	5/5	7/7		9/9	
Co-opted members								
Diane Franklin					7/7			
Robert Groves						4/4		
Helen Norris				5/5				
Tim Palmer			5/5					

* David Sproul and Richard Beaven were appointed to the Board on 1 December 2025 and 19 February 2026 respectively.

** Nailesh Rambhai and Michelle Ostermann stepped down from the Board on 31 August 2025 and 26 February 2026 respectively.

^ Attended as a non-member.

Report on Board activities

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

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 2026/27 Business Plan and the Budget were agreed. The Board was kept informed of progress against the 2025/26 Business Plan and received regular financial updates.

The Board received the annual review of the Sustainability strategy and an update on the progress of the Responsible Investment strategy. The Board also approved the Diversity, Equity, and Inclusion strategy.

The Board approved the triennial review of the Funding strategy and monitored progress of the PPF's Funding strategy. The Board also considered the 2026/27 levy and agreed a levy of zero for 2026/27. The Board also approved the key features of the autumn levy consultation and, in January 2026, the final levy determination. Further to this, the Board also approved the ACS levy estimate.

Legislation sets a cap of the lower of CPI inflation or 2.5 per cent on the annual increase applied to compensation linked to post-1997 service. The Board has a discretion to vary this annual increase. The Board considered whether to use this discretion for the increases to be applied from January 2026. Having considered all relevant factors, the Board concluded it was not appropriate to do so. The Board further discussed the government's consideration of pre-1997 indexation and noted the importance of this issue to members.

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 briefed the Board on investment performance and on markets, particularly during times of increased market volatility. The Board approved the 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 received an update on the Bauer judgment and noted the implications for the PPF. The Board also received an update on the progression of work relating to the use of artificial intelligence.

The Board approved the Senior Managers and Certification Regime's (SMCR) Responsibilities Map and Statement of Responsibilities.

The Board approved the 2024/25 Annual Report and Accounts following recommendation from the Risk and Audit Committee. The Chairs of the Board Committees provided regular updates on the activities of Board Committees over the year.

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

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 reviewed progress on actions from the 2024 Board Performance Review and further discussed findings from the 2025 Board Performance Review.

A number of formal Board training sessions took place, to help support Board members to deliver their role. Further information on these topics can be found on pages 49–51.

Board committees and sub-committees

Non executive Committee	
Roles and responsibilities	The Non-executive Committee functions are set out in s.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.
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

Risk and Audit Committee	
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.
Issues covered	– Reviewed and recommended to the Board the approval of the 2024/25 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 Long-Term Risk Model (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 – 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: Cultural Cohesion, Supplier Service, Scheme Services, Cyber Threat, Information Security, Investment strategy, and Investment Liability Benchmark – Received regular updates on regulatory development and emerging risks

Remuneration Committee	
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.
Issues covered	– Considered and approved Executive Board member objectives for 2025/26 – Considered Executive Committee members' objectives for 2025/26 – Undertook half-yearly and yearly performance reviews of the Executive Board members, discussed their pay and approved bonus payments, based on performance against the objectives set – Reviewed and provided oversight to the Chief Executive's half-yearly and yearly performance reviews of the executive committee – 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 2025 Diversity Pay Gap Report – Received and discussed benchmarking outcomes for all staff in the context of salary market information received and discussed proposals for remuneration of newly created Executive Committee roles based on benchmarking data and other relevant market information – Received an annual compliance oversight report – Received a report and discussed insight from the annual employee survey – Received and considered the development of the Remuneration Governance Framework and Authorities Matrix

Reconsideration Committee	
Roles and responsibilities	The Reconsideration Committee is established under the Pensions Act 2004 to reconsider reviewable matters and relevant complaints in prescribed circumstances (all as defined in the Pensions Act 2004). 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.
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 13 non-levy review cases: six to reviewable matters; five to maladministration; and two reviewable matters and maladministration.

Note
In addition to its consideration of individual cases, the Committee identified and recommended a number of process improvements over the course of its deliberations. These included improvements to the clarity and currency of information available on the website, as well as the request for, and confirmation of, appropriate staff training on specific issues arising from cases considered.

Investment Committee	
Roles and responsibilities	The Board has authorised the Investment Committee to discharge certain investment functions on its behalf.
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 foreign exchange and credit – 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 – Received updates on the evolution of the HAIL portfolio – Reviewed the investment operations – Undertook a contractual review of the Custodian – Considered a deep dive on crypto/stablecoin – Reviewed and approved the Investment assumptions – Reviewed and approved the PPF Minimum Standards Policy; the Climate Change Policy; and 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 2025/26

Nomination Committee	
Roles and responsibilities	The Board has authorised the Nomination Committee to discharge the following functions on its behalf: – Succession planning at Board level – Identifying and nominating candidates to fill Board vacancies, as and when they arise, for the approval of the Board – 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
Issues covered	– Recruitment and appointment of David Sproul and Richard Beaven – Formation of a recruitment panel for the non-executive and executive Board member appointments, including inviting Board members and external panellists to sit on the panel – Reappointment of Jim Gallagher and Sara Protheroe – Reappointment of co-opted member, Robert Groves – 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 – Commencement of the recruitment process for the Chief Executive Officer

Decision Committee	
Roles and responsibilities	– The Decision Committee takes decisions on matters that are normally delegated to the Chief Executive which they refer 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.
	– The Decision Committee did not meet during the year.

Governance framework

During 2025/26, the Board had eight non-executive members, including the Chair, until 31 August 2025, when non-executive member, Nailesh Rambhai, stepped down from the Board. The Board operated with seven non-executive members until 1 December 2025, when non-executive member, David Sproul, joined the Board.

On 19 February 2026, Richard Beaven was appointed as an executive member of the Board bringing the number of executive members to three. On 26 February 2026, Michelle Ostermann stepped down as Chief Executive, and, therefore, also from the Board. Richard Beaven was appointed as Acting Chief Executive in addition to his role as Chief Operating Officer with effect from 27 February 2026.

The Board structure at the end of the reporting period comprised eight non-executive members (including the Chair) and two executive members. One executive member was serving as Chief Executive, and another was serving as Chief Customer Officer. A recruitment activity to appoint a permanent Chief Executive was underway.

Board members' attendance at Board and committee meetings is set out on page 46.

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.

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 set out on pages 49–51. The Board's governance framework is compliant with the requirements of the Pensions Act 2004.

The Pensions Act 2004 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).

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 s.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.

Account of corporate governance

The Board is committed to maintaining high standards of corporate governance and has due regard to 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.

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.

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 Pensions Act 2008 and in regulations made under those Acts. 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 non-executive directors/Board events. The Board operates in accordance with its Board Manual which sets out 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 Director of Compliance.

External stakeholder engagement

The Board recognises the importance of engaging 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 Contact Centre to better understand the types of conversations that are taking place with members.
- Increased engagement with members on indexation, including through our own Member Forum, campaign groups such as the Pensions Action Group and Deprived Pensioners Association, and directly with individual members. We've regularly shared member feedback with government.
- Engaging regularly with industry stakeholders to ensure levy payer views were taken into account in our decision-making. Throughout the year, we had regular dialogue with industry trade bodies, actuarial consultancy firms, and through our Small and Medium Enterprise (SME) Levy Forum comprising schemes, advisors and industry experts.

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 through 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.

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 2025 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 the 2025 review highlighted that the Board and its Committees continued to operate effectively during the year, with no material issues or concerns raised.

The 2025 report recognised the strong performance in several areas, including the quality of Board discussions on the PPF's three-year strategy. The Board's oversight of legislative changes in the Pension Schemes Bill received high ratings, as well as the composition and skills of the Board.

The main areas arising from the 2025 review which the Board plans to focus on in 2026 include focusing on the Funding strategy; managing Board transition, particularly the change of Chair; maintaining strengthened relationships between non-executives and management; and increasing focus on succession planning and people oversight.

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 2026.

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.

The Board and its Committees are supported by a dedicated secretariat led by the Chief Governance, Risk and Legal Officer who is a qualified legal professional.

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.

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 2025/26.

Significant control issues

We have had no significant control issues in 2025/26.

The risk and control environment

Our approach to managing risk is aligned with the guidance set out in HM Treasury's Orange Book: Management of Risk – Principles and Concepts. It also emulates recognised good practice, to the extent it is appropriate, for regulated financial services firms, including the guidance issued by the Risk Coalition for board risk committees and risk functions. The Risk function undertakes formal self-assessments against these.

Risk management is embedded in our day-to-day activities across the organisation and informs decision-making at all levels.

Our enterprise-wide framework provides a consistent and disciplined approach to the identification, assessment, management and escalation of risks. Our risk universe sets out all material risk types that could influence the achievement of our strategic objectives. Accountability is clearly defined, with each material risk type assigned to an Executive Committee member in accordance with the PPF's adoption of the Senior Managers and Certification Regime (SMCR).

The Board sets clear risk appetite parameters, which guide decision-making and articulate the level of risk the organisation is prepared to take in pursuing its objectives. These statements ensure that senior managers understand where risk may be taken and where mitigation is required. Regular reporting to the Board provides visibility of current risk exposures and the organisation's position relative to risk appetite.

Our Oversight and Assurance Approach delivers a coordinated and proportionate programme of oversight and assurance across the PPF, providing decision-makers with reliable assurance and supporting effective management of risk. As part of this approach, we have identified our Important Business Services — paying members, servicing members and making investments — where disruption could cause detriment to members or affect the PPF's viability. For each service, we have mapped key dependencies and potential sources of disruption, assessed the impact of disruption, and defined maximum tolerable disruption periods. These assumptions have been tested through externally facilitated simulation exercises, which stress tested our response plans, workarounds and service mapping against severe but plausible scenarios, in line with regulatory best practice.

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.

We recognise the importance of effective compliance and ethical standards. The Compliance and Ethics function supports the Board and senior management in overseeing compliance with applicable legal, regulatory and internal requirements.

Our compliance framework covers key statutory and regulatory obligations, including pensions legislation, financial crime, data protection, freedom of information and modern slavery. We have also adopted standards aligned to those applicable to an FCA-regulated asset manager and the accountability principles of the Senior Managers and Certification Regime, applied proportionately to the PPF.

We operate a risk-based Compliance and Ethics programme combining ongoing monitoring with targeted reviews and assurance activity. The programme is supported by mandatory and role-specific training. During the year, 14 compliance reviews were completed with no material or significant findings. A review of the Senior Managers and Certification Regime provided assurance that the arrangements in place remain appropriate and aligned with regulatory expectations.

Principal risks

We monitor 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.

We set 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.

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

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 meet our purpose to pay compensation to eligible members.

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/inflation rate 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 page 14.

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, resulting in deviations beyond 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, 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 69–70.

8. Capacity/Capability

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 for all staff on all key conduct areas.
- Our Compliance and Ethics team monitors/tests compliance with our policies.
- We have a formal diversity and inclusion strategy.

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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 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 on the next page.

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 pages 21–22.

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, on the previous page.

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 22.

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

Our principal risks are reviewed regularly, and there were no changes during the year.

Our exposure to reputation management risk improved during the year, reflecting positive policy developments. These included our ability to reduce the conventional levy to zero and to pay indexation to some members on pension benefits accrued before 1997.

These changes mean we need to update some of our processes, which has increased our delivery of change risk. The changes also affect other areas, such as claims, investment strategy and the liability benchmark. We are confident these risks are manageable and remain within our risk appetite.

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 further 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 monitor a wide range of emerging investment risks across economic, market, geopolitical, and other external risk drivers.
- Investment risk scenario analysis is used to explore the potential impact of severe but plausible stress events across these risk drivers, supporting our understanding of vulnerabilities and resilience.
- We remain alert to developments that could affect the assumptions underpinning our base case and reflect relevant insights in our ongoing investment risk assessment and oversight activities.
- 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 identified all suppliers based overseas.
- We have identified how many members we have in different countries overseas.

2. Artificial Intelligence (AI)

Definition: There is a risk that AI could be misused or applied without appropriate controls, leading to misinformation, or poor quality decision-making, or increased security threats (for example, malicious actors using AI to enhance cyber attacks).

This matters because unstructured use may introduce uncertainty around data ownership, data quality, ethical use, and potential bias.

How we are monitoring/responding:

- We have prohibited the use of any non-approved AI tools such as open source or internet-based AI tools or ChatGPT on PPF devices, as they have not been through our security and governance checks.
- All staff are required to read and sign our Generative AI Acceptable User Standard, ensuring clarity on safe and appropriate use.
- Staff wishing to use Microsoft Copilot, which is our approved, secure, closed environment AI platform, must first complete the training attestation covering responsible use and key risks.
- We are working closely with our security partners and technology suppliers to strengthen monitoring and maintain robust safeguards as the AI landscape evolves.
- We have established an AI Steering Committee, chaired by the Chief Operating Officer, to oversee governance, prioritisation, and responsible adoption of AI across the PPF.

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.

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 2026 and up to the date of signing of this ARA. It is consistent with HMT guidance. The Internal Audit Plan approved by RAC includes audits of specific element of our system of internal control. The overall opinion by the Head of Internal Audit for 25/26 is that the control environment provides reasonable assurance that controls are adequate and in place to mitigate key risk and are generally operating effectively.

Review of effectiveness of the system of internal control

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

As Acting Chief Executive*, I have responsibility for reviewing the effectiveness of the system of internal control. My review has been informed by a wide range of assurance sources across the governance framework and reflects activity and oversight throughout the year ended 31 March 2026.

My assessment has been informed by the following sources:

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.

The opinion of the Head of Internal Audit on the overall adequacy and effectiveness of our framework of governance, management of risk and control.

Oversight provided by Risk and Audit Committee, Executive Committee and Asset and Liability Committee which play a key role in maintaining challenge, oversight and visibility over business performance, risk and compliance.

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.

* During the reporting period, the organisation had a change of Chief Executive, with the Acting Chief Executive serving as the Temporary Acting Accountable Officer for this Annual Report and Accounts. The review therefore reflects continuity of governance across both tenures, supported by structured transition arrangements and the organisation's Three Lines model.

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, where necessary, 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 is not performance-related and there is no provision for compensation if a contract was terminated.

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 was the Chair of the global pension industry association, International Centre for Pension Management. 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 2026	Salary (in bands of £5,000) £'000	Bonus[1] (in bands of £5,000) £'000	Benefits-in-kind[2] (to nearest £100) £'000	Defined benefit pension benefits[3] (to nearest £1,000) £'000	Total (in bands of £5,000) £'000
Executive directors					
Michelle Ostermann, Chief Executive (to 26 February 2026)	450–455[4] (305-310)[5]	70–75	1.0	108	630–635
Richard Beaven, Acting Chief Executive (from 19 February 2026 as Executive Director and from 27 February 2026 as Acting Chief Executive)	30–35 (270-275)[5]	5–10	0.1	–	35–40
Sara Protheroe, Chief Customer Officer	175–180	45–50	1.1	59	285–290
Non-executive directors					
Kate Jones, Chair	55–60	–	–	–	55–60
Chris Cheetham	20–25	–	–	–	20–25
David Atkinson	20–25	–	–	–	20–25
Simon Gadd	15–20	–	–	–	15–20
Jim Gallagher	15–20	–	–	–	15–20
Sonia Gogna	15–20	–	–	–	15–20
Nailesh Rambhai (to 31 August 2025)	5–10 (20-25)[5]	–	–	–	5–10
David Sproul (from 1 December 2025)	5–10 (15-20)[5]	–	–	–	5–10
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 Includes a payment in lieu of notice period in line with the terms of her contract.

5 Full-year equivalent.

* Subject to audit.

Directors' salary and pension entitlements* continued

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	Defined benefit pension benefits[3] (to nearest £1,000) £'000	Total (in bands of £5,000) £'000
Executive directors						
Michelle Ostermann, Chief Executive	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 (to 1 November 2024)	90–95 (155-160)[4]	5–10	0.7	–	92	195–200
Non-executive directors						
Kate Jones, Chair	55–60	–	–	–	–	55–60
Chris Cheetham	20–25	–	–	–	–	20–25
David Atkinson	20–25	–	–	–	–	20–25
Simon Gadd (from 1 September 2024)	10–15 (15–20)[4]	–	–	–	–	10–15
Jim Gallagher	15–20	–	–	–	–	15–20
Emmy Labovitch (to 30 June 2024)	5–10 (20–25)[4]	–	–	–	–	5–10
Sonia Gogna (from 1 September 2024)	10–15 (15–20)[4]	–	–	–	–	10–15
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.

Directors' pension benefits*

	Total accrued pension at pension age as at 31 March 2026[2] (in bands of £5,000)	Real increase in pension at pension age (in bands of £2,500)	Cash equivalent transfer value as at 31 March 2026	Cash equivalent transfer value as at 31 March 2025	Real increase in CETV	Employer contribution to partnership pension account (to nearest £100)
	£'000	£'000	£'000	£'000	£'000	£'000
Michelle Ostermann Chief Executive (to 26 February 2026)	10–15	5–7.5	**212**	106	79	–
Richard Beaven, Acting Chief Executive (from 19 February 2026 as an Executive Director and from 27 February 2026 as Acting Chief Executive)	–	–	**–**	–	–	4.9
Sara Protheroe, Chief Customer Officer	55–60[1]	2.5–5	**1,147**	1,048	33	–

1 Plus a lump sum of £130,000–£135,000.

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.

* Subject to audit.

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.

	Total remuneration (in bands of £5,000)	Salary and benefits-in-kind (in bands of £5,000)	Bonus (in bands of £5,000)
	£'000	£'000	£'000
Highest paid Board member			
2025/26	**395–400**	**325–330**	**70–75**
2024/25	370–375	315–320	50–55
% change	**6.3**	**2.1**	**31.5**
Average employee			
2025/26	**85–90**	**70–75**	**15–20**
2024/25	75–80	65–70	10–15
% change	**6.7**	**6.1**	**9.7**

Year ended 31 March 2026	25th percentile	Median	75th percentile
Employee total remuneration	**£42,603**	**£60,922**	**£91,366**
Employee salary element	**£39,300**	**£56,988**	**£84,077**
Ratio to total remuneration of highest paid Board member	**9.3**	**6.5**	**4.4**

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

In 2025/26, seven employees (2024/25: six) 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 £1,075,000–£1,080,000 (2024/25 Salaries: £15,000–£20,000 to £345,000–£350,000; 2024/25 Bonuses: £0–£5,000 to £960,000–£965,000).

The increase in the total remuneration of the highest paid Board member is largely influenced by an increased performance-related bonus in the year, with salary and benefits-in-kind increasing marginally compared to the average employee and total remuneration increasing slightly less than an average employee. There were slight increases to employee total remuneration ratios at the 25th and 75th percentiles, while the median remained flat. The increases are influenced by the bonus paid to the highest paid Board member.

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, 2023/24 and 2024/25.

* 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:

	2025/26		2024/25	
	Average no. employees	Staff costs £m	Average no. employees	Staff costs £m
Permanent employees and fixed-term contracts	**459**	**53.4**	451	49.6
Short-term, seconded and temporary staff	**9**	**0.9**	6	1.7
Total	**468**	**54.3**	457	51.3

Sickness, absence and staff turnover

The number of days we lost to sickness during the year averaged 5.2 days per person (2024/25: 4.1 days). This included long-term absences of more than 28 days, of which we had 17 employees absent for more than six months for serious health issues. Excluding long-term absences, we lost 4.0 days per person (2024/25: 3.1 days).

Staff turnover was 15.5 per cent in 2025/26 and 11.5 per cent in 2024/25.

Staff composition

As at 31 March we had:

	2026		2025*	
	Men	Women	Men	Women
Total employees	**221**	**231**	219	249
Senior management	**38**	**32**	34	38
Other management	**36**	**33**	39	32

* Restated due to a change in policy relating to the definition of senior management

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 2026, we had 26 employees who consider themselves to have a disability or long-term health condition.

We published our Diversity Pay Gap Report in March 2026. Our median gender pay gap stood at 14.8 per cent on 31 March 2025, down from 17.8 per cent on 31 March 2024 (2020 baseline: 15.7 per cent). We are a signatory to the Women in Finance Charter. This is the sixth year we have voluntarily published our median ethnicity pay gap, which stood at 12.1 per cent on 31 March 2025. This is an increase from 10.0 per cent on 31 March 2024. We signed the Race at Work Charter in December 2019. This is the fourth year we have reported on our median disability and long-term health condition pay gap, which was 1.4 per cent, an increase on -3.1 per cent in 2024 (2022 baseline: 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 24–25.

* 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 2025 and 31 March 2026. Six were subject to off-payroll legislation and determined as in-scope of IR35 and two were subject to off-payroll legislation and determined as out-of-scope of IR35.

There were three off-payroll engagements as of 31 March 2026 for more than £245 per day, two of which existed for less than a year and one which existed for between one and two years.

Of the eight individuals who held senior manager roles with significant financial responsibility during the year, one was undertaken as an off-payroll engagement for part of the year.

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	2026	2025
£0–£25,000	**1**	1
£25,000–£50,000	**–**	1
£50,000–£100,000	**1**	1
£100,000–£200,000	**–**	–
£200,000–£250,000	**–**	1
Total number of exit packages	**2**	4
Total cost	**£101,023**	£384,188

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 2025/26 (2024/25: 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 £1.5m (2024/25: £3.3m). The amount spent on consultancy was £nil (2024/25: £nil). The net decrease is due to reduced requirements for contingent labour 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 their responsibilities.

Losses and special payments*

One of our core responsibilities 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.

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

We typically charged interest on late payment of PPF levies. Under certain circumstances we waived this interest.

The losses were:

	2025/26 £	2024/25 £
Member payments written off	117,291	270,951
Member payments waived	1,114,392	1,121,519
Interest on underpaid compensation – following Hampshire judgment	120,406	675,006
Interest on underpaid compensation – on transfer of a specific scheme	–	176,505
Interest on underpaid compensation – other	9,642	13,273
HMRC charges and interest	1,053,714	4,821,932
Waived interest on late levy payments	1,772	31,117
Total	**2,417,217**	**7,110,303**

The HMRC charges and interest were higher than normal in 2025/26 and 2024/25 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 2026 is estimated at £9 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.

* Subject to audit.

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 Acting 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.

Richard Beaven
Acting Chief Executive*

3 July 2026

* During the year, the organisation had a change in Chief Executive, with the Acting Chief Executive serving as the Temporary Acting Accountable Officer for this Annual Report and Accounts.

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 2026 under the Pensions Act 2004.

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

- Consolidated Statement of Financial Position as at 31 March 2026;
- Consolidated Statement of Comprehensive Net Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in 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 2026 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 (2024). 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 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 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.

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

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.

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

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, employment law, pensions legislation and tax.

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

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

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 obtained an understanding of the controls over the existence of investment holdings and transactions, agreed investment holdings to independent third-party confirmations and agreed investment and cash reconciliations to independent evidence and bank statements;
- I performed substantive testing over a sample of schemes in assessment; and
- I reviewed all income and expenditure streams for any irregularities or non-compliance with laws and regulations.

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

6 July 2026

National Audit Office
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Victoria
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Financial statements

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Financial review[1]

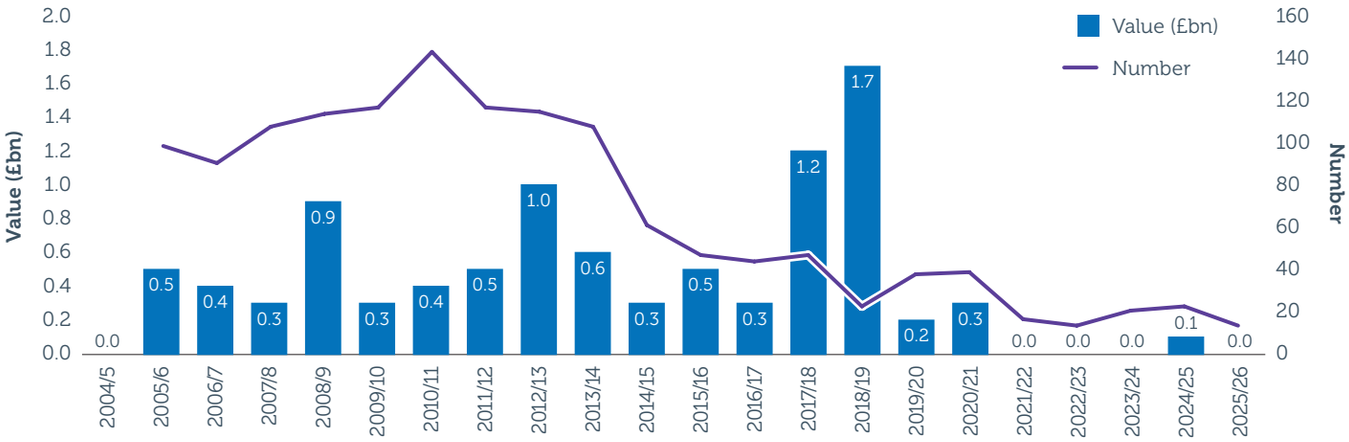
Summary

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 £13.9bn to £14.9bn. The enactment of the Pension Schemes Act 2026 in April 2026 has the effect of decreasing consolidated reserves by £1.4bn due to the introduction of Pre-1997 indexation. This would have decreased consolidated reserves as at 31 March 2026 from £14.9bn to £13.5bn if Royal Assent had been received at this date. As Royal Assent was received after this date, the decrease in consolidated reserves is a non-adjusting post balance sheet event, in accordance with IAS 10.

The increase in reserves over the year was mainly influenced by a return of £1.3bn from assets in the PPF growth portfolio. 14 new schemes entered assessment, reducing our reserves by £28.5m. The following chart shows the progression of claims since the inception of the PPF:

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 reasonably attributable to offences involving dishonesty and has seen a rise in cases following pensions liberation. There have been 109 claims to date and these are being assessed over a number of years. The net cost of claims in 2025/26 was £38m (2024/25: £100m) and the fund's reserves reduced by £1m in the year to net liabilities of £134m.

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.

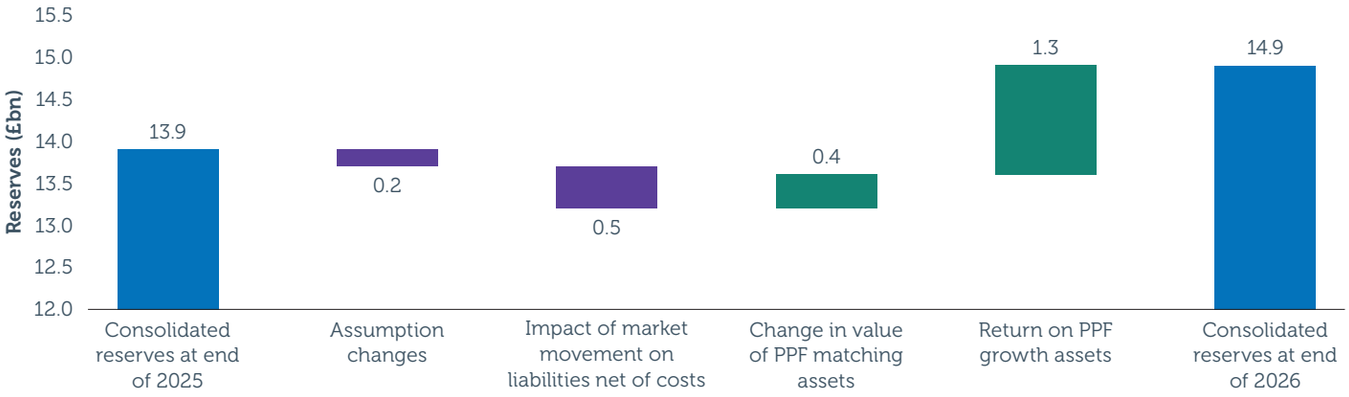
The report from the Comptroller and Auditor General on pages 73–76 confirms that there are no matters that need to be brought to the reader's attention.

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 £1.0bn in the year. Assumption changes for mortality and expenses together with data and other changes have reduced reserves by £0.2bn. Falling gilt yields during the year acted to increase our liabilities by £0.5bn in the year. However, our hedging programme meant that asset values increased by £0.4bn. The return on our PPF growth assets was around £1.3bn.

A net operating deficit of £20.4m arose this year, compared to last year's net operating surplus of £79.3m. This is due to the PPF's decision not to charge a conventional levy in 2025/26. Operating expenses this year and in the future will be funded from the PPF's investment returns.

The Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position sets out the details, at 31 March 2026, 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.

Consolidated reserves at 31 March 2026

	Consolidated Statement of Financial Position excluding claims provisions for SIA £m	Claims provisions for SIA £m	Total £m
Net assets of the Administration Funds	2.0	–	2.0
Net assets of the FCF	(134.1)	–	(134.1)
Net assets of the PPF	31,569.6	1,011.5	32,581.1
Total	**31,437.5**	**1,011.5**	**32,449.0**
Actuarial estimates of liabilities of the PPF	(16,419.2)	(1,096.8)	(17,516.0)
Total consolidated reserves	**15,018.3**	**(85.3)**	**14,933.0***

Over the year, our actuarial liabilities, including those schemes included in the provision for SIA, have decreased from £18.1bn to £17.6bn. Market movements and other changes have acted to increase liabilities by £0.6bn. Scheme movements increased liabilities by £0.1bn. 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.

* The introduction of Pre-1997 indexation after 31 March 2026 would have reduced total consolidated reserves by £1,394.6m to £13,538.4m as at that date.

Consolidated Statement of Comprehensive Net Income

For the year ended 31 March	Notes	2026 £m	2025 £m
Operating income			
Income from protection levies	3	–	102.5
Income from fraud compensation levies	3	38.0	37.0
Income from grants	3	21.3	20.5
Total operating income		**59.3**	**160.0**
Operating expenses			
Staff costs	11	(54.3)	(51.3)
Other costs	11	(25.4)	(29.4)
Total operating expenses		**(79.7)**	**(80.7)**
Net operating (deficit)/surplus		**(20.4)**	**79.3**
Investment activities			
Net investment income	5	1,049.6	575.4
Change in value of investments	5	789.2	(364.4)
Investment expenses	5	(220.1)	(219.2)
Net investment return		**1,618.7**	**(8.2)**
Claims activities			
Current year claims for compensation	2	(67.8)	(173.1)
Revaluation of claims for compensation	2	5.0	61.2
(Losses)/Gains on actuarial liabilities	1	(546.3)	833.8
Net cost of claims		**(609.1)**	**721.9**
Other income and expenditure	13	**(2.5)**	**(11.3)**
Comprehensive net income for the year		**986.7**	**781.7**

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 85–115 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March	Notes	2026 £m	2025 £m
Assets			
Operating cash		99.7	96.7
Investment assets	4a	45,700.3	42,575.4
Levy receivables		0.9	1.2
Transfer-in receivables		2.9	2.8
Other assets		23.5	22.7
Total assets		**45,827.3**	**42,698.8**
Liabilities			
Investment liabilities	4a	(14,141.3)	(11,375.7)
Loan to the FCF	4d	(104.4)	(54.2)
Other liabilities		(49.0)	(89.8)
Actuarial liabilities	1	(16,419.2)	(16,981.3)
Claims provisions	2	(180.4)	(251.5)
Total liabilities		**(30,894.3)**	**(28,752.5)**
Total assets less total liabilities		**14,933.0**	**13,946.3**
Represented by:			
Total levy and tax payer funds		**14,933.0**	**13,946.3**

The Board of the PPF approved the financial statements on 17 June 2026 and authorised the Chief Executive to sign this Consolidated Statement of Financial Position on the same date.

Richard Beaven
Acting Chief Executive

3 July 2026

The accounting policies and notes on pages 85–115 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 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**
Total recognised net income for 2025/26	986.5	0.2	986.7
Balance at 31 March 2026	**14,933.8**	**(0.8)**	**14,933.0**

The accounting policies and notes on pages 85–115 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March	Notes	2026 £m	2025 £m
Cash flows from operating activities			
Net operating (deficit)/surplus		(20.4)	79.3
Purchase of property and equipment		(0.1)	(0.2)
Depreciation, amortisation and impairment charges	11	0.1	0.1
Movement in current liabilities		(3.5)	64.6
Movement in receivables		(0.1)	(1.5)
Net cash (outflow)/inflow from operating activities		**(24.0)**	**142.3**
Cash flows from investing activities			
Cash flows from net investment sales/(purchases)		(1,820.5)	(2,243.7)
Cash flows from net investment return		2,204.3	1,688.9
Net gains on cash equivalents		12.0	50.7
Net cash inflow/(outflow) from investing activities		**395.8**	**(504.1)**
Cash flows from claims activities			
Cash receivable from schemes transferring into the PPF		36.7	160.3
Compensation payments to members of the PPF	1	(1,174.0)	(1,198.5)
FCF paid claims	2	(107.6)	(86.5)
Net cash outflow from claims activities		**(1,244.9)**	**(1,124.7)**
Cash flows from financing activities			
FCF loans received		47.6	54.1
Net cash inflow from financing activities		**47.6**	**54.1**
Net decrease in cash and cash equivalents in the year		**(825.5)**	**(1,432.4)**
Cash and cash equivalents at beginning of the year		**1,763.1**	**3,195.5**
Cash and cash equivalents at end of the year		**937.6**	**1,763.1**
Cash and cash equivalents comprise the following:			
Operating cash		99.7	96.7
Cash at fund managers	4a	2,259.8	2,491.8
Net repurchase agreements	4a	(1,300.8)	(666.3)
Net unsettled trades	4a	(121.1)	(159.1)
		937.6	**1,763.1**

The accounting policies and notes on pages 85–115 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, manage 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 10 Events After the Reporting Period
- 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 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. The impact of IFRS 18 on the Public Sector is still being assessed by HMT, and a decision has not yet been taken on an implementation date. 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.

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'.

Consolidated Statement of Cash Flows continued

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 2026 the PPF estimated the value of existing liabilities to pay compensation to members at £16.4bn.

During the year, the PPF paid members compensation of £1.2bn. After the Actuarial Valuation as at 31 March 2026 was completed, a net actuarial loss of £0.5bn to the Consolidated Statement of Comprehensive Net Income was recognised to increase the estimated liabilities to pay compensation to members.

The enactment of the Pension Schemes Act 2026 in April 2026 has the effect of increasing actuarial liabilities by £1.3bn due to the introduction of pre-1997 indexation. This would have increased actuarial liabilities as at 31 March 2026 from £16.4bn to £17.7bn. As Royal Assent was received after this date, the increase in actuarial liabilities is a non-adjusting post balance sheet event, in accordance with IAS 10.

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 117.

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.

Paying compensation continued

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: 75% of the gilt yield, plus 25% 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, 2025 version, with mortality rate scaling factor of 95% for men
Future improvements in life expectancy	CMI 2024 model (core form, except for addition to initial improvements, 'A', of 0.25%), 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 131, the method used to compute an appropriate discount rate and Appendix S4 which illustrates the more material sensitivities to those assumptions.

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

Actuarial liabilities

	2026 £m	2025 £m
Opening value of actuarial liabilities	16,981.3	18,826.2
Actuarial liabilities of schemes which transferred to the PPF during the year	65.6	187.4
Actuarial losses/(gains)	546.3	(833.8)
Benefits paid to members	(1,174.0)	(1,198.5)
Total actuarial liabilities	**16,419.2**	**16,981.3**

The minimum amount of the total actuarial liabilities expected to be settled within 12 months is £1,433.5m (2025: £1,415.2m).

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

Actuarial losses/(gains)

The analysis of change has been determined by aggregating actual experience observed over each month of the year. Actuarial losses/(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:

	2026 £m	2025 £m
Change due to the passage of time	619.6	800.5
Change in liabilities due to change in market yields	(331.9)	(1,596.0)
Change in assumptions*	198.3	(5.7)
Data changes and other experience	60.3	(32.6)
Total actuarial losses/(gains)	**546.3**	**(833.8)**

* 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:

	2026		2025	
	£m	%	£m	%
Nominal yields are 1.0% lower per year than assumed*	1,901.3	11.6	2,063.8	12.2
Inflation is 1.0% higher per year than assumed	349.4	2.1	414.5	2.4
Inflation is 1.0% lower per year than assumed	(449.1)	(2.7)	(537.5)	(3.2)
Average life expectancy is one year longer than assumed*	599.4	3.7	653.9	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 twice the figure presented above.

Paying compensation continued

2. Provisions for claims on the PPF and the FCF

The Consolidated Statement of Financial Position shows **total provisions of £180.4m for claims from pension schemes**, with £85.3m being for the PPF (see page 91) and £95.1m for the FCF (see page 93).

The Consolidated Statement of Comprehensive Net Income shows cost **of current year claims of £67.8m**, £28.5m being the PPF and £39.3m being the FCF. There is also a net **decrease to the values of claims previously recorded of £5.0m**, with decreases of £4.0m for the PPF and £1.0m for the FCF.

The enactment of the Pension Schemes Act 2026 in April 2026 has the effect of increasing PPF claims provisions by £136.1m due to the introduction of pre-1997 indexation. This would have increased PPF claims provisions as at 31 March 2026 from £85.3m to £221.4m. As Royal Assent was received after this date, the increase in claims provisions is a non-adjusting post balance sheet event, in accordance with IAS 10.

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 an act of dishonesty has occurred and sufficient information has been provided to reliably estimate the amount of loss.

Accounting policy

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.

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: 75% of the gilt yield, plus 25% 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, 2025 version, with mortality rate scaling factor of 95% for men
Future improvements in life expectancy	CMI 2024 model (core form, except for addition to initial improvements, 'A', of 0.25%), 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:

	2026		2025	
	£m	Number of schemes	£m	Number of schemes
Claims provisions at start of year	**93.7**	**47**	**112.5**	**43**
Current year claims for compensation				
Protected liabilities	156.6		454.9	
Scheme assets including recoveries	(128.1)		(391.7)	
Total current year claims for compensation*	**28.5**	**14**	**63.2**	**23**
Revaluation of claims for compensation				
Release of provision for schemes no longer considered probable for entry	(8.4)	(9)	(51.0)	(7)
Revaluation of provisions brought forward from previous year end	(12.0)		(4.0)	
Change in provisions for schemes transferring into the PPF during the year	16.4		3.3	
Revaluation of claims	**(4.0)**		**(51.7)**	
Release of provisions for claims transferred to the PPF	**(32.9)**	**(14)**	**(30.3)**	**(12)**
Claims provisions at end of year	**85.3**	**38**	**93.7**	**47**

* 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 £34.3m (2025: £27.0m).

Paying compensation continued

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:

	2026 £m	2025 £m
Total estimated actuarial liabilities for SIA	1,096.8	1,137.3
Total assets owned by SIA	(1,011.5)	(1,043.6)
Total net deficits of SIA	**85.3**	**93.7**

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.

	2026		2025	
	£m	%	£m	%
Nominal yields are 1.0% lower per year than assumed*	19.3	22.6	31.5	33.6
Inflation is 1.0% higher per year than assumed	(8.7)	(10.2)	(6.4)	(6.8)
Inflation is 1.0% lower per year than assumed	11.4	13.4	1.7	1.8
Average life expectancy is one year longer than assumed*	56.5	66.2	48.0	51.2

* 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.

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 twice the figure 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 2026, net of the value of related scheme assets, was estimated as £67.3m (2025: £96.5m). For the impact of enactment of the Pension Schemes Act 2026 see Note 16 – Events after the reporting period.

It should be noted that although £67.3m is our best estimate of the contingent liabilities for possible claims as at 31 March 2026, 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 2026 there is a 2.5 per cent chance that the number could be higher than £229.7m and a 2.5 per cent chance it could be lower than £8.8m.

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 Bill (now 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 this Act removes the obligation to pay any Bauer supplement for members of schemes that have already transferred to the PPF or were in the PPFs 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.

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.

An unquantified contingent liability was disclosed in prior years relating to the Virgin Media Limited v NTL Pension Trustees II decision, handed down by the Court of Appeal in July 2024. This 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 Pension Schemes Act 2026, which received Royal Assent in April 2026, treats all schemes transferred to the PPF before April 2026 as having met the section 37 requirements and as such has removed any associated liability to the PPF.

Claims on the FCF

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

	2026		2025	
	£m	Number of schemes	£m	Number of schemes
Claims provisions at the start of the year	**157.8**	**38**	**151.3**	**57**
Current year claims for compensation	39.3	14	109.9	26
Paid claims	(107.6)[1]	(36)	(86.5)[1]	(36)
Movement in claims recoverable	–	–	(0.9)[2]	–
Movement in outstanding claims	6.6	–	(6.5)	(9)
Revaluation of claims	(1.0)	–	(9.5)	–
Claims provisions at the end of the year	**95.1**	**16**	**157.8**	**38**

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 provisions expected to be settled within 12 months is £95.1m (2025: £155.4m).

Contingent liabilities for possible claims on the FCF

At 31 March 2026 there were 16 claims (2025: 38) in assessment for which we have concluded that it is probable that losses due to acts of dishonesty 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 £3.5m (2025: £32.5m).

Components of paid claims for which we have not yet been able to reliably estimate have been included in contingent liabilities and amount to £nil (2025: £0.6m). We have received a further seven claim applications amounting to £14.1m, 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 56 potential claims with estimates (before any recoveries) totalling £76.8m but there is uncertainty as to their eligibility and to the validity of the amounts claimed.

Contingent liabilities for the FCF total £94.4m (2025: £163.6m).

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 £101.5m to £38.0m**. Since no conventional protection levy was raised in 2025/26, the majority of levy collected relates to the FCF.

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:

	2026 £m	2025 £m
Risk-based levies in respect of the current year	–	85.2
Scheme-based levies in respect of the current year	–	19.2
Total protection levies in respect of the current year	**–**	**104.4**
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**
Income from fraud compensation levy	**38.0**	**37.0**
Total income from levies	**38.0**	**139.5**

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

Income from grants
The Consolidated Statement of Comprehensive Net Income shows that **income from grants increased by £0.8m to £21.3m**. Grants were received from the DWP to fund PPF and FAS operational expenses. Grants from the DWP relating to the PPF were 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:

	2026 £m	2025 £m
Levy payer funds	14.0	14.0
Tax payer funds	7.3	6.5
Total	**21.3**	**20.5**

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.

Funding compensation continued

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.

Classification of financial instruments at 31 March 2026

	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	42,909.5	(13,746.8)	**29,162.7**	2,790.8	(394.5)	**31,559.0**
Cash at bank	–	–	**–**	99.7	–	**99.7**
Levy receivables	–	–	**–**	0.9	–	**0.9**
Transfer-in receivables	–	–	**–**	2.9	–	**2.9**
Other assets	–	–	**–**	1.2	–	**1.2**
Loan to the FCF	–	–	**–**	–	(104.4)	**(104.4)**
Other liabilities	–	–	**–**	–	(32.6)	**(32.6)**
Total	42,909.5	(13,746.8)	**29,162.7**	2,895.5	(531.5)	**31,526.7**

* Of the financial assets measured at fair value through profit and loss, £20,834.9m have been designated at initial recognition.

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.

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 £45.7bn and investment liabilities of £14.1bn**, a net investment portfolio of £31.6bn. The Consolidated Statement of Comprehensive Net Income shows a **net investment gain (income and gains less investment expenses) of £1.6bn**.

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 on the next page. 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.

Funding compensation continued

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

	2025 £m	Assets transferred from SIA £m	Net purchases/ (sales) £m	Net gains/ (losses) £m	Other movements £m	2026 £m
Annuities	278.7	2.5	–	(10.5)	–	270.7
Corporate bonds	8,734.0	–	884.0	10.3	(1,044.0)	8,584.3
Index-linked corporate bonds	297.1	–	(30.6)	15.0	–	281.5
Government bonds	8,328.5	–	263.5	(237.8)	(49.9)	8,304.3
Index-linked government bonds	186.9	–	51.9	6.5	(78.8)	166.5
Other debt	3,472.9	–	(63.2)	118.6	(30.0)	3,498.3
Public equity	1,798.6	–	114.3	263.5	(23.2)	2,153.2
Private equity	1,962.4	–	(87.0)	86.0	–	1,961.4
Absolute return strategies	1,905.5	–	(17.8)	181.0	–	2,068.7
Investment property funds	1,340.4	–	23.1	43.2	(4.3)	1,402.4
Investment property held directly	393.9	–	1.0	(1.3)	–	393.6
Infrastructure	1,394.0	–	185.9	114.4	–	1,694.3
Timberland and farmland	1,011.3	–	(116.3)	22.4	–	917.4
	31,104.2	**2.5**	**1,208.8**	**611.3**	**(1,230.2)**	**31,696.6**
Other investment assets						
Unsettled trades	58.6					246.6
Derivatives	6,278.3					7,170.9
Cash at fund managers	2,491.8					2,259.8
Repurchase agreements	2,394.7					4,042.0
Accrued income	247.8					284.4
Total investment assets	**42,575.4**					**45,700.3**
Other investment liabilities						
Unsettled trades	(217.7)					(367.7)
Derivatives	(8,074.8)					(8,404.0)
Repurchase agreements	(3,061.0)					(5,342.8)
Interest payable	(22.2)					(26.8)
Total investment liabilities	**(11,375.7)**					**(14,141.3)**
Net investment portfolio	**31,199.7**					**31,559.0**

Other movements include calls and redemptions (£1,153.8m), proceeds from mergers and takeovers (£75.7m) and other transactions (£0.7m). Assets transferred are in specie movements from schemes coming into the PPF.

Cash at fund managers includes £1,197.8m (2025: £1,355.0m) managed in-house.

The amounts of the net investment portfolio expected to be recovered or settled within 12 months are assets of £7,320.9m and liabilities of £6,112.7m (2025: assets of £5,641.2m and liabilities of £3,786.1m).

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		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	
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
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

Funding compensation continued

Description of asset	Level	Basis of valuation	Inputs and sensitivities affecting valuations
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 2026

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Annuities	–	–	270.7	270.7
Corporate bonds	–	6,756.0	1,828.3	8,584.3
Index-linked corporate bonds	–	151.1	130.4	281.5
Government bonds	–	8,304.3	–	8,304.3
Index-linked government bonds	–	166.5	–	166.5
Other debt	147.5	567.5	2,783.3	3,498.3
Public equity	2,125.5	20.4	7.3	2,153.2
Private equity	–	–	1,961.4	1,961.4
Absolute return strategies	–	1,307.1	761.6	2,068.7
Investment property funds	93.3	317.2	991.9	1,402.4
Investment property held directly	–	–	393.6	393.6
Infrastructure	–	–	1,694.3	1,694.3
Timberland and farmland	–	–	917.4	917.4
Derivatives	(8.0)	(1,046.7)	(178.4)	(1,233.1)
Repurchase agreements	–	(1,300.8)	–	(1,300.8)
Total	**2,358.3**	**15,242.6**	**11,561.8**	**29,162.7**

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**

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

Level 3 financial instruments

	2026 £m	2025 £m
Balance at start of year	11,203.7	11,538.0
Losses included in the Statement of Comprehensive Net Income	250.7	(94.8)
Purchases and assets transferred in	2,136.7	1,385.7
Sales	(2,080.6)	(1,620.3)
Transfers into Level 3	118.8	1.6
Transfers out of Level 3	(67.5)	(6.5)
Balance at end of year	**11,561.8**	**11,203.7**

Transfers into Level 3 during the year relates to Public Equity reclassified from Level 1 and Other debt, Corporate bonds, Public equity and Absolute Return Strategies reclassified from Level 2.

Transfers out of Level 3 during the year relate to Corporate bonds and Property funds reclassified to Level 2. There were transfers of Public equity from Level 2 to Level 1.

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

Funding compensation continued

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 date 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 2026, the Board owned 22 (2025: 22) commercial properties in the UK, with a total fair value of £393.6m (2025: £393.9m). Rental income recognised was £26.7m (2024/25: £20.6m). 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:

	2026 £m	2025 £m
Not later than one year	21.6	19.8
Later than one year but not later than five years	75.4	69.5
Later than five years	108.2	128.4
Total	**205.2**	**217.7**

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 2026 was £104.4m (2025: £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.

	2026			2025		
	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	1,647.3	1,510.5	**3,157.8**	1,561.7	(2,771.1)*	**(1,209.4)***
Financial liabilities held at fair value through profit and loss	(644.8)	(710.0)	**(1,354.8)**	(1,072.3)	2,436.5*	**1,364.2***
Financial assets held at amortised cost	47.1	(10.2)	**36.9**	86.0	(29.0)	**57.0**
Financial liabilities held at amortised cost	–	(1.1)	**(1.1)**	–	(0.8)	**(0.8)**
Total investment return	**1,049.6**	**789.2**	**1,838.8**	**575.4**	**(364.4)**	**211.0**
Investment expenses						
Fund management fees			**(188.9)**			**(210.9)**
Custody charges			**(1.8)**			**(1.8)**
Other investment expenses			**(29.4)**			**(6.5)**
Total investment expenses			**(220.1)**			**(219.2)**
Net investment return			**1,618.7**			**(8.2)**

* Reanalysis of gains from assets to liabilities totalling £2,490.8m.

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 total return on assets in the growth portfolio for 2025/26 was 7.1 per cent, the matching portfolio also contributed a positive return, aligning to movements in the actuarial liabilities.

Investment expenses mainly comprise management fees which are driven by the levels of assets under management, and performance fees which depend on managers exceeding certain returns. While management fees remained consistent with last year, performance fees decreased primarily relating to the Private Equity and Absolute Return portfolios. Other investment expenses increased due to increased tax withheld on realised investment gains.

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:

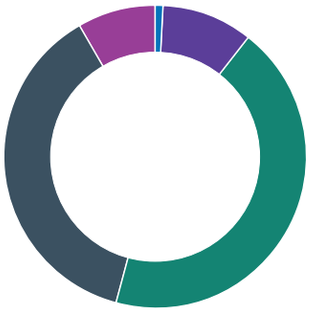
- counterparties to derivative contracts and repurchase arrangements are subject to overall exposure limits and, where credit quality requires, are subject to increased collateral requirements;
- investment management agreements require fund managers to deal with the highest-rated counterparties consistent 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.

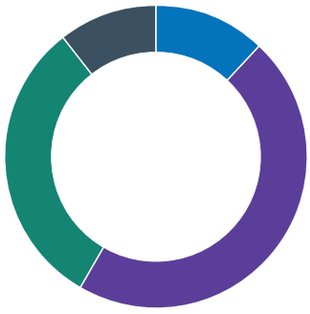
As at 31 March 2026, the rating distribution of the fixed income investment portfolio (excluding UK gilts and derivatives) was as follows:

Fixed Income Portfolio Allocation (£8.7bn)
by Rating Category



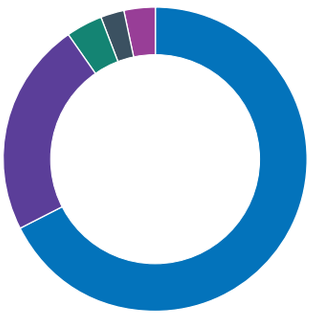
AAA	0.9%
AA	9.9%
A	43.6%
BBB	37.3%
Below BBB or not rated	8.3%

Fixed Income Portfolio Allocation (£8.7bn)
by Asset Type



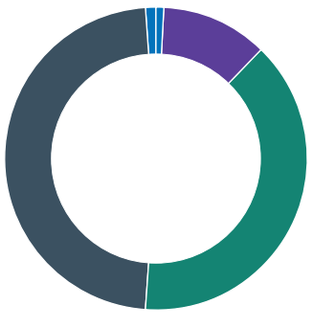
Global credit	12.2%
Hybrid assets	46.3%
Short duration IG credit	31.1%
Emerging market debt	10.4%

Fixed Income Portfolio Allocation (£8.7bn)
by Region



Europe, inc. UK	67.6%
North America	22.9%
Latin America	3.7%
Middle East & Africa	2.6%
Asia	3.2%

Hybrid Asset Allocation (£4.0bn)
by Rating Category



AAA	1.0%
AA	11.4%
A	38.7%
BBB	48.0%
Below BBB or not rated	0.9%

A one basis point move in credit spread across the Fund's fixed income portfolio results in a change in market value of approximately £5.3m, 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 £31.5bn (2025: £31.2bn) under a number of scenarios would change by:

	2026		2025	
	£m	%	£m	%
Nominal yields are 1.0% lower per year than assumed*	1,961.8	6.2	1,945.7	6.2
Inflation is 1.0% higher per year than assumed	603.2	1.9	493.0	1.6
Inflation is 1.0% lower per year than assumed	(603.3)	(1.9)	(493.0)	(1.6)
Return-seeking (growth) assets fall by 20%*	(3,518.2)	(11.1)	(3,254.3)	(10.4)

* 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.

Asset class[1]

	2026 £m	Actual %	Tolerance range
Matching portfolio			
UK bonds	9,359.0	70.0%	
Hybrid assets	4,016.4	30.0%	
Total matching portfolio	**13,375.4**	**100.0%**	
Growth portfolio			
Cash	515.3	2.9%	0%–9%
Public equity	1,854.5	10.5%	3%–13%
Fixed income EMD	901.0	5.1%	0%–10%
Fixed income IG credit	1,053.8	6.0%	1%–11%
GBP Short Duration credit	2,695.0	15.3%	10%–20%
Absolute return strategies	1,761.3	10.0%	5%–15%
Alternatives	8,824.2	50.2%	45%–60%
Total growth portfolio	**17,605.1**	**100.0%**	
Total assets allocated per SIP	**30,980.5**		

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.

Financial risk management continued

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 2026, the exposure and therefore sensitivity to each major currency is illustrated by the following table.

Residual unhedged currency exposure

	2026 £m	2025 £m
US dollar	1,096.4	501.5
Euro	865.9	943.1
Australian dollar	263.0	261.8
Danish Krone	(77.0)	(25.2)
South Korean Won	57.7	53.6
Other currencies	76.5	306.0
Total	**2,282.5**	**2,040.8**

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
2026	1,433.5	4,517.1	10,468.6	**16,419.2**
2025	1,415.2	4,596.3	10,969.8	**16,981.3**

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
2026	375.4	1,495.2	905.1	5,628.3	**8,404.0**
2025	485.2	1,080.1	875.3	5,634.2	**8,074.8**

Collateral arrangements

At 31 March, the following was in place with counterparties:

Collateral pledged	2026 £m	2025 £m
Cash delivered as collateral for traded positions including repurchase agreements	927.3	926.7
Securities delivered as collateral for traded positions including repurchase agreements	961.5	1,418.8
Total assets provided as collateral with counterparties	**1,888.8**	**2,345.5**

Collateral held	2026 £m	2025 £m
Cash held as collateral for traded positions including repurchase agreements	370.9	210.2
Securities held as collateral for traded positions including repurchase agreements	0.9	9.5
Collateral received from counterparties on securities lending	278.5	273.2
Total assets received as collateral from counterparties	**650.3**	**492.9**

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:

	2026	2026 £m	2025	2025 £m
Denominated in US dollars	$2,938.5m	2,228.3	$2,516.0m	1,949.3
Denominated in euros	€998.4m	872.4	€551.9m	461.8
Denominated in sterling	£428.7m	428.7	£401.2m	401.2
Total		**3,529.4**		**2,812.3**

Capital can be called at any time once an obligation is agreed but, in reality, calls are made over a period of years.

Financial risk management continued

9. FCF financial risks

The PPF has current liquid funds of £64.4m (2025: £83.1m). 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. £101.7m of this loan facility has been drawn down as at 31 March 2026. The loan will be repaid from levy income.

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 2025/26 are summarised as follows:

	PPF £m	PPF Administration Fund £m	FAS Administration Fund £m	2026 £m
Staff costs				
Wages and salaries	28.6	7.4	3.5	39.5
Social security costs	4.0	1.2	0.5	5.7
Other pension costs	5.7	1.7	0.8	8.2
Short-term, seconded and temporary staff	0.6	0.2	0.1	0.9
Total staff costs	**38.9**	**10.5**	**4.9**	**54.3**
Other costs				
Member payroll services	0.5	–	0.2	0.7
Staff-related and recruitment	1.4	0.4	0.3	2.1
Advisory and other professional services	5.9	1.8	0.2	7.9
Statutory audit costs	0.3	–	–	0.3
Accommodation and general office	3.4	0.6	0.5	4.5
IT and telephony	11.2	1.1	1.1	13.4
Depreciation and amortisation charges	0.1	–	–	0.1
VAT recovered	(2.8)	(0.8)	–	(3.6)
Total other operating expenses	**20.0**	**3.1**	**2.3**	**25.4**
Total operating expenses	**58.9**	**13.6**	**7.2**	**79.7**

Statutory audit costs were £313,300 (2025: £305,100).

Operating the business continued

	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
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***

* Advisory and other professional services includes investment related deal costs (£1.1m) which are now included in Other investment expenses in 2025/26. On this basis total operating expenses would have been £79.6m.

Information on the staff numbers and exit packages can be found in the Remuneration and Staff Report on pages 64–70.

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: https://www.gov.uk/government/publications/public-service-pensions-2020-actuarial-valuation-reports.

During the year ended 31 March 2026, employer contributions of £7.6m (2024/25: £7.3m) were payable to the DB section of the PCSPS at 28.97 per cent of wages and salaries (2024/25: 28.97).

Employer contributions for the year ended 31 March 2026 are expected to be approximately £9.4m. 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 £560,000 (2024/25: £467,000) 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 (2024/25: 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 2026 were £685,000 (2025: £671,000).

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	2026 £m	2025 £m
PPF		
Net operating (deficit)/surplus	(58.9)	42.9
Net investment return	1,615.1	(12.5)
Net cost of claims	(570.8)	822.3
Net other income and expenses	–	(11.2)
Net comprehensive income	**985.4**	**841.5**
FCF		
Income from levies	38.0	37.0
Investment return	3.3	4.0
Net cost of claims	(38.3)	(100.4)
Net other income and expenses	(2.5)	(0.1)
Net comprehensive income/(expense)	**0.5**	**(59.5)**
Administration Funds		
Income from grants	21.3	20.5
Interest income	0.3	0.3
Operating expenses	(20.8)	(21.1)
Net comprehensive income/(expense)	**0.8**	**(0.3)**
Consolidated net comprehensive income	**986.7**	**781.7**

Consolidated Statement of Financial Position

For the year ended 31 March	2026 £m	2025 £m
Total assets less total liabilities		
PPF	15,065.1	14,079.7
FCF	(134.1)	(134.6)
Administration Funds	2.0	1.2
Consolidated Statement of Financial Position	**14,933.0**	**13,946.3**

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.

Operating the business continued

13. Other income and expenditure

Other income and expenditure consists of the following items:

For the year ended 31 March	2026 £m	2025 £m
Impairment loss on loan to a scheme in assessment	–	(11.2)
Interest payable on FCF loan	(2.5)	(0.1)
Total	**(2.5)**	**(11.3)**

14. Subsidiaries

A small proportion of the Board's investment portfolio is held through subsidiaries. As at 31 March 2026 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)

These subsidiaries do not operate separately from the PPF's overall investment management processes. The relevant assets, liabilities, income and expenses of all investment subsidiaries are fully consolidated and recorded within the appropriate asset classes in the PPF's accounting records.

Also FCF Recoveries Limited (a company registered in the United Kingdom) was incorporated during 2025/26.

All subsidiaries are 100 per cent owned by the Board and have either a 31 March year end or a 30 September period end.

The PPF also has holdings in other entities for investment purposes. These are registered in the United Kingdom, Cayman Islands, Delaware USA, Luxembourg, Ontario Canada, Republic of Ireland and Texas USA.

15. Related party transactions

£21.3m (2024/25: £20.5m) 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 was ultimately funded by the PPF Administration Levy, which was set by the DWP and collected by TPR.

The FCF has a loan facility payable to the DWP with a balance including accrued interest of £104.4m as at 31 March 2026 (2025: £54.1m). 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

In April 2026 the Pension Schemes Act 2026 received Royal Assent. The Act enables the PPF to pay pre-1997 indexation for members of schemes which provided mandatory or statutory pre-1997 increases.

The Act has the effect of decreasing consolidated reserves by £1.4bn, reflecting additional actuarial liabilities of £1.3bn and additional claims provisions of £0.1bn, as at 31 March 2026. In addition, contingent liabilities for possible claims on the PPF would increase from £67.3m to £176.8m as at 31 March 2026. This is a material, non-adjusting post balance sheet event.

The Act also removes potential obligations on the PPF related to the Virgin Media Limited v NTL Pension Trustees II decision, handed down by the Court of Appeal in July 2024, by treating all schemes transferred to the PPF as having met the requirements of section 37 of the Pension Schemes Act 1993.

There have been no other material events after the reporting date.

The financial statements were authorised for issue by the Acting Chief Executive on the date the Comptroller and Auditor General certified them. The financial statements do not reflect events after this date.

Actuarial reports

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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 future claims and risk reserves to:

a) protect against longevity risk;

b) protect against future claims risk; and

c) provide additional security for our members.

While the PPF has obligations to pay compensation to both existing and future claims, the 'liabilities' in the context of my reports only relate to the present value of the compensation due to members who have transferred to the PPF or schemes that entered assessment on or before 31 March 2026. Further, in the provisions, which feature in my supplementary report, I only include schemes that I consider probable to transfer to the PPF. I make no allowance for compensation that may fall due in respect of schemes that enter assessment after 31 March 2026.

At 31 March 2026 our total assets, across both transferred schemes and those in assessment, were £15.1 billion greater than our total liabilities (as at 31 March 2025, this difference was £14.1 billion).

This figure does not include any allowance for indexation to PPF compensation for pension accrued prior to April 1997, as set out in the Pension Schemes Act 2026 (hereafter referred to as 'pre-1997 indexation'). Given the timing of the Act receiving Royal Assent, no formal adjustment can be made to our numbers as this change is a non-adjusting post balance sheet event, in accordance with accounting standard IAS 10. However, if pre-1997 indexation were included, the difference between our assets and liabilities would be £13.7 billion. I have outlined the results with pre-1997 indexation at the end of this summary for information.

Long-term interest rates increased over the year, reducing our liabilities by around two per cent, but our liability hedging programme means that changes in our liabilities in response to 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 the return on our growth portfolio of assets of £1.3 billion. This was offset to a small extent by some updates to financial and demographic assumptions, which led to an increase in liabilities of £0.2 billion.

Over the year, 20 schemes entered PPF assessment. Of these schemes, it is expected that eight will ultimately transfer. For those schemes that entered assessment over the year, the shortfall of assets compared with liabilities is around £29 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)	31,569.6	1,011.5	**32,581.1**
Liabilities (£m)	16,419.2	1,096.8	**17,516.0**
Assets less liabilities (£m)	**15,150.4**	**(85.3)**	**15,065.1**
Number of records in respect of members receiving compensation*	210,282	17,168	**227,450**
Number of records in respect of deferred members*	85,341	6,468	**91,809**

* 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.

Results incorporating pre-1997 indexation

The following table replicates the previous results summary table, except in the version here I include the impact of pre-1997 indexation.

	Transferred schemes	Schemes in an assessment period	Total
Assets (£m)	31,569.6	2,184.8	**33,754.4**
Liabilities (£m)	17,677.7	2,406.2	**20,083.9**
Assets less liabilities (£m)	**13,891.9**	**(221.4)**	**13,670.5**
Number of records in respect of members receiving compensation	210,282	24,107	**234,389**
Number of records in respect of deferred members	85,341	19,842	**105,183**

As at 31 March 2026, allowance for the introduction of pre-1997 indexation would increase our transferred scheme liabilities, and liabilities of schemes already in our provisions, by £1.4 billion. Appendix M5 – Pre-1997 indexation includes more information on how I calculated this figure.

Further, as a result of the introduction of pre-1997 indexation, 24 additional schemes could come onto the provisions, as I believe they may ultimately transfer to the PPF. This would lead to an increase in both liabilities and assets by £1.2 billion. Appendix S6 – Pre-1997 indexation for provisions contains more information about how I have calculated these additional assets and liabilities.

The actuarial valuation of the Pension Protection Fund as at 31 March 2026 (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 2026 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 2026. It should be read alongside my supplementary report, dated 19 June 2026, 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, but the Accounts Direction also states that the discount rate used to discount future cash flows and liabilities should be that advised by the PPF's appointed actuary. When taken together, the Accounts Direction and IAS 37 mean that the valuation of both assets and liabilities should provide a true and fair assessment. The methodology I have used for the valuation as at 31 March 2026 is broadly the same as that adopted for the valuation as at 31 March 2025.

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 'General Actuarial Standards'. 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 2026
Job title: Chief Actuary
Qualification: Fellow of the Institute and Faculty of Actuaries
Employer: The Board of the Pension Protection Fund

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 associated 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's household 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 for increasing payments to the 50 per cent minimum level arising from the *Hampshire v PPF* case. 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. The Pension Schemes Act 2026 provides that schemes in the PPF were automatically deemed to have always been compliant with the requirements for relevant scheme changes and therefore I have included no additional liabilities in my calculations. In addition, schemes that were in a PPF assessment period at the point the Act was passed also have a mechanism to retrospectively confirm that relevant scheme rules changes were compliant.

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 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. 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. The implementation of the *Bauer* judgment presents significant operational complexity and we are working with the DWP to address the challenges.

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 2025 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 2025. 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 2025 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 2026, are set out in the following table:

Member status	Number of records	Compensation, £m p.a.
Receiving compensation	210,282	1,040.3
Deferred	85,341	302.9

Pre-1997 indexation

I have made no allowance for the additional pre-1997 indexation to PPF compensation, as specified in the Pension Schemes Act 2026. Further details of pre-1997 indexation, and its liabilities, can be found in Appendix M5 – Pre-1997 indexation.

Future amendments to starting compensation and level of compensation increases

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 2026 is broadly the same as that adopted for the valuation as at 31 March 2025.

Assets

The value of the PPF assets is taken from the PPF's accounts for the financial period ending 31 March 2026.

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 2026, 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

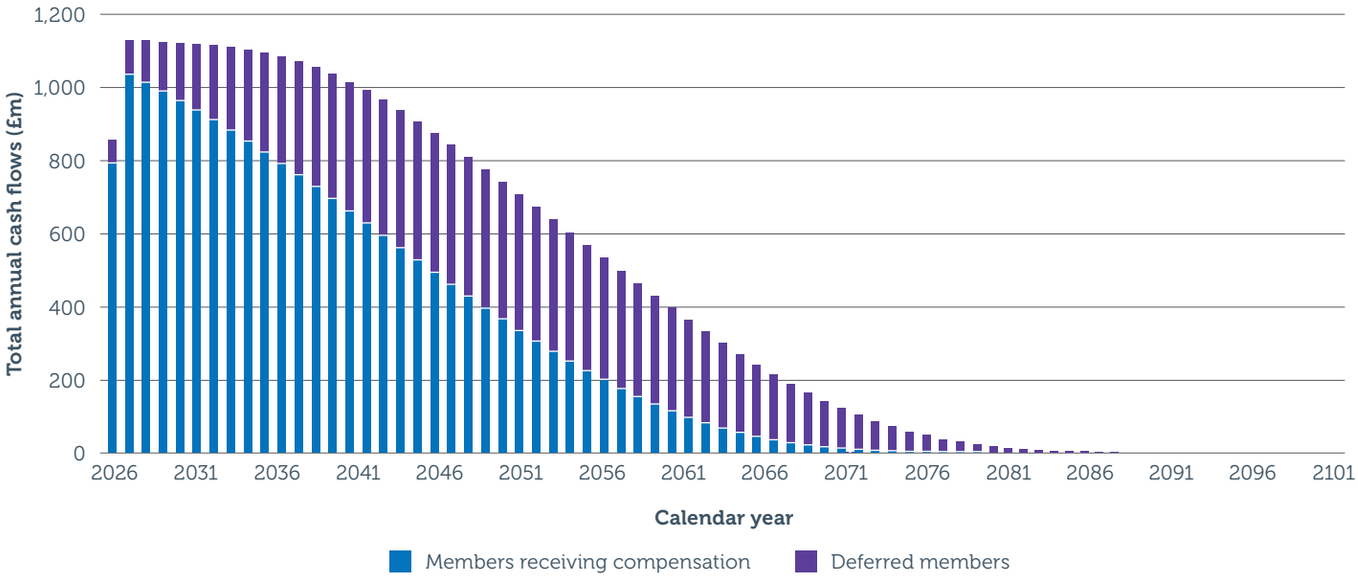
– the chances compensation will be paid out to dependants after member deaths.

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, using a risk-free discount rate, 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 chart below summarises the expected future payments (and associated expenses) to all members who had transferred to the PPF by 31 March 2026 (note that calendar year 2026 excludes payments made before 31 March 2026). These cash flows 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. Pre-1997 indexation does not feature in these cash flows.



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 is considered appropriate 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 2026	31 March 2025
Discount rate	A full curve, consisting of: 75% of the gilt yield, plus 25% 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, 2025 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 2024 model – core form, except for: – addition to initial improvements, 'A', of 0.25%, and – no overlay (so the impact of the COVID-19 pandemic is stripped out). Long-term rate 1.5% p.a.	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.

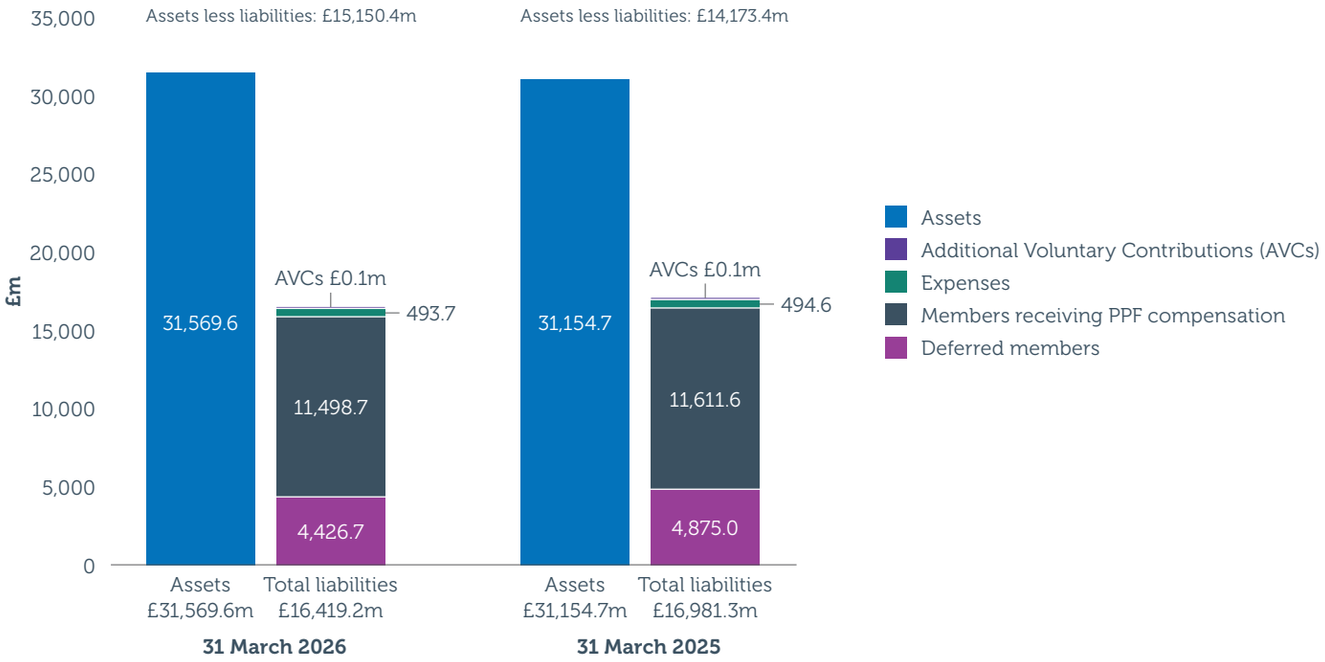
The assumptions are generally the same as used last year in terms of their derivation, although their values have changed with market conditions and the emergence of new data and information. In particular, discount rates and expected inflation have increased over the year.

More details are in 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.



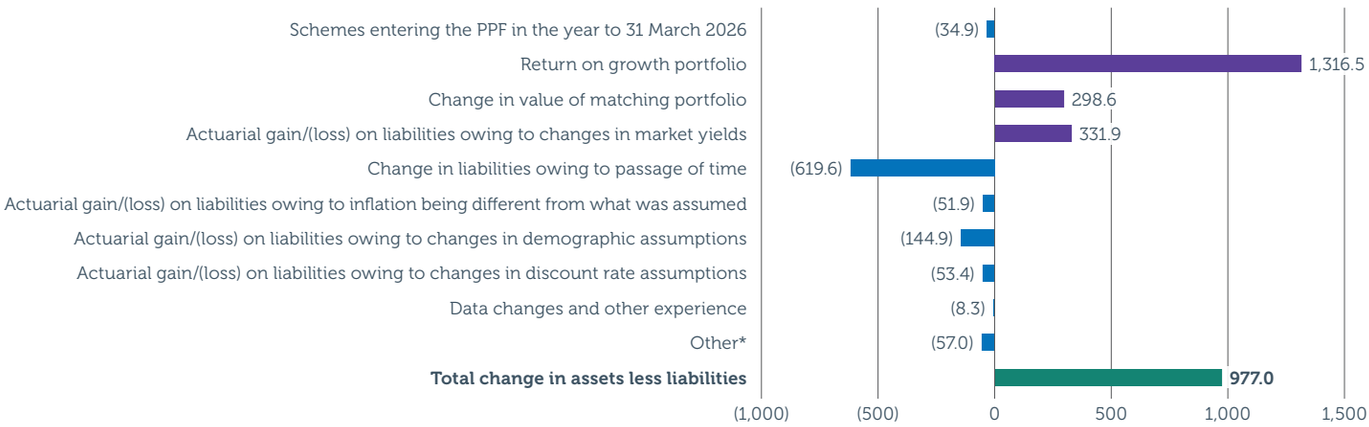
The liabilities of £16,419.2 million do not include pre-1997 indexation. If pre-1997 indexation were included, the liabilities would be £17,677.7 million and assets less liabilities would be £13,891.9 million. Appendix M5 – Pre-1997 indexation contains more information about how I calculated the liability figure with pre-1997 indexation.

Over the year to 31 March 2026 assets increased by £414.9 million and liabilities decreased by £562.1 million.

The increase to assets largely resulted from an increase in our growth portfolio of £1,316.5 million and an increase in our matching portfolio of £298.6 million. Liability values increased by £619.6 million for the effect of one fewer year of discounting in the present value calculation, and by £198.3 million following updates to our financial and demographic assumptions (other than for changes in market conditions), but decreased by £331.9 million for changes in market conditions – particularly higher bond yields at 31 March 2026 compared to 31 March 2025. Both increases to assets and liabilities were offset by benefits paid out, which amounted to £1,174.0 million over the year.

The net impact is an increase in the difference between assets and liabilities in respect of transferred schemes, between 31 March 2025 and 31 March 2026, of £977.0 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 year, the total item is £57.0 million and consists solely of a decrease in assets, mostly from non-investment expenses.

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 owing 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 £85.3 million. Therefore, had these schemes transferred to the PPF on the calculation date the aggregate difference between assets and liabilities would have reduced to £15,065.1 million. If pre-1997 indexation were included, my supplementary report to the Board would show the shortfall to be £221.4 million, and so the aggregate difference between assets and liabilities for both transferred schemes and schemes currently in assessment and expected to transfer would be £13,670.5 million.

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:

- As pre-1997 indexation is considered to be a non-adjustable post balance sheet event, I have not included it in the main results. The introduction of this indexation will increase the PPF's transferred scheme and provision liabilities, along with our claims expectations for the years ahead. While I have quoted the estimated impact of pre-1997 indexation throughout the report, the exact cost will depend on the transitional regulations put into force, as this will specify the approach for schemes in assessment and the indexation awarded to post-1988 GMP for members whose former schemes didn't award non-discretionary pre-1997 indexation, but provided GMP.
- The Pension Schemes Act 2026 introduced measures that, once secondary legislation is in place, will make it easier to release surpluses from occupational defined benefit pension schemes. Pension scheme trustees will be able to modify scheme rules to permit surpluses from schemes which are ongoing, even where the rules would not otherwise permit this. In addition, the threshold for releasing surpluses can be changed from buyout to a low-dependency funding basis, which should permit higher surpluses to be released. The impact on the PPF will be to increase claims risk since it will be possible for schemes to be in surplus on a low-dependency funding basis but subsequently see a decline in funding that brings them underneath PPF levels of compensation. However, the additional claims risk is expected to be relatively small in the broader context of our funding risk.
- 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 £3.6 billion, reducing assets less liabilities from £15.1 billion to £11.5 billion.
- 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.

The actuarial valuation of the Pension Protection Fund as at 31 March 2026 (transferred schemes only) – continued

- 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 (subject to the Board's power to alter these limits):
  - an annual limit on inflationary increases in payment to compensation accrued post-1997 and, following the Pension Schemes Act 2026, relevant compensation accrued pre-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. Impacts of medical advances, e.g. cancer treatments, weight loss drugs (e.g. GLP-1 drugs) and slow ageing drugs (senolytics), could result in significant changes to life expectancy. 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.
- 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.
- We are alert to climate risk – both physical and transition – as it relates to our economic environment and the potential impact stemming from changes to this on our assets and liabilities as well as those of the schemes we protect. We recognise that climate risk may also impact life expectancy. At this stage it is difficult to quantify this risk but we continue to develop our existing processes to monitor and understand it.
- I have not included any allowance for potential additional increase to 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 set in legislation, any additional compensation would increase our current liabilities and forecasts of future claims.

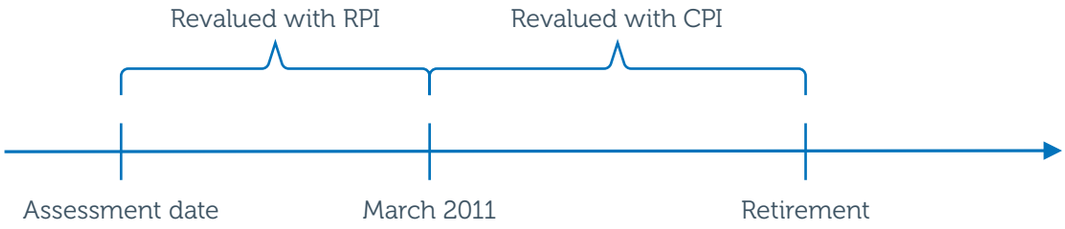
The calculated liabilities will also be sensitive to the assumptions used. The choice of assumptions requires a degree of judgement. To help illustrate the likely impact on our funding position if different assumptions were used, my supplementary report shows the results using a number of different assumptions. 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 when their former scheme came into assessment	
Members receiving an ill-health pension when their former scheme came into assessment	
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[1].

Compensation increases in payment

As the liabilities in this report do not include pre-1997 indexation, this appendix also excludes it. Appendix M5 – Pre-1997 indexation shows what the below table would be were pre-1997 indexation included.

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	PPF 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)

1 The switch from RPI to CPI in March 2011 happened in accordance with The Pension Protection Fund (Revaluation Amendments) Regulations 2011.

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. This is reflected in our member data and needs no additional allowance in the valuation of the liabilities.

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 eligible children. An eligible child is one who is a member's biological child (born or unborn at the date of the member's death), an adopted child, or child who was financially dependent upon the member at the time of the member's death and who is: under 18, or over 18 and under 23 and in qualifying education, or over 18 and under 23 and has a qualifying disability.

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 page 16 for more information on indexation.

Appendix M2

Membership data

Owing to the timescales involved in the production of this report, I had to obtain a data extract at a date before the effective date of the valuation. This is similar to the process adopted for the valuation as at 31 March 2025. This year the effective date of the data is 10 February 2026, which covers all schemes that transferred to the PPF before 31 March 2026 (no schemes transferred in March).

I have made adjustments to ensure that the data is consistent with the valuation date 31 March 2026 and that the accuracy of the valuation results is not materially affected.

The following tables summarise the member data used in the valuation:

Deferred members

		31 March 2026			31 March 2025		
		Male	Female	Total / average	Male	Female	Total / average
Deferred members	Number	54,682	30,659	**85,341**	59,354	32,865	**92,219**
	Average age (unweighted)	57.7	56.6	**57.3**	57.1	55.9	**56.6**
	Total compensation (£m p.a.)	222.6	80.3	**302.9**	240.9	85.1	**326.0**

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 2026			31 March 2025		
		Male	Female	Total / average	Male	Female	Total / average
Members receiving compensation (excl. dependants)	Number	124,995	48,792	**173,787**	124,555	48,011	**172,566**
	Average age (unweighted)	72.9	73.2	**72.9**	72.5	72.9	**72.6**
	Total compensation (£m p.a.)	778.3	139.9	**918.2**	774.8	135.5	**910.3**
Dependants receiving compensation (excl. children)	Number	3,925	32,119	**36,044**	3,834	31,684	**35,518**
	Average age (unweighted)	76.8	78.7	**78.5**	76.4	78.4	**78.2**
	Total compensation (£m p.a.)	6.0	115.5	**121.5**	5.8	113.7	**119.5**
Children receiving compensation	Number	230	221	**451**	244	243	**487**
	Average age (unweighted)	16.5	16.6	**16.5**	16.5	16.8	**16.7**
	Total compensation (£m p.a.)	0.3	0.3	**0.6**	0.3	0.3	**0.6**
All members receiving compensation	**Number**	**129,150**	**81,132**	**210,282**	**128,633**	**79,938**	**208,571**
	Average age (unweighted)	**72.9**	**75.2**	**73.8**	**72.5**	**74.9**	**73.5**
	Total compensation (£m p.a.)	**784.6**	**255.7**	**1,040.3**	**780.9**	**249.5**	**1,030.4**

The figures in the tables above 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 include no PPF compensation cap and all Hampshire uplifts that have been applied to members.

Suspended payments and member deaths incurred but not reported

There are 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, and hence we'll be understating our liabilities by not including these members in the data we've valued.

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, as last year, made no allowance for either.

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 2025 valuation assumption, if different.

Valuation date	31 March 2026	31 March 2025 (if different)
Discount rate	A full curve, consisting of 75% of the gilt yield, plus 25% 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	
CPI inflation	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.	
Baseline life expectancy	Club Vita life expectancy curves, 2025 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 2024 model – core form, except for: – addition to initial improvements, 'A', of 0.25% p.a., and – no overlay so the impact of the COVID-19 pandemic is stripped out, Long-term rate 1.5% p.a.	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.
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) – 85% (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	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 3.1% of the liabilities	An allowance of 3.0% of the liabilities
Impact of the *Hampshire* and *Hughes* court judgments	No additional allowances	

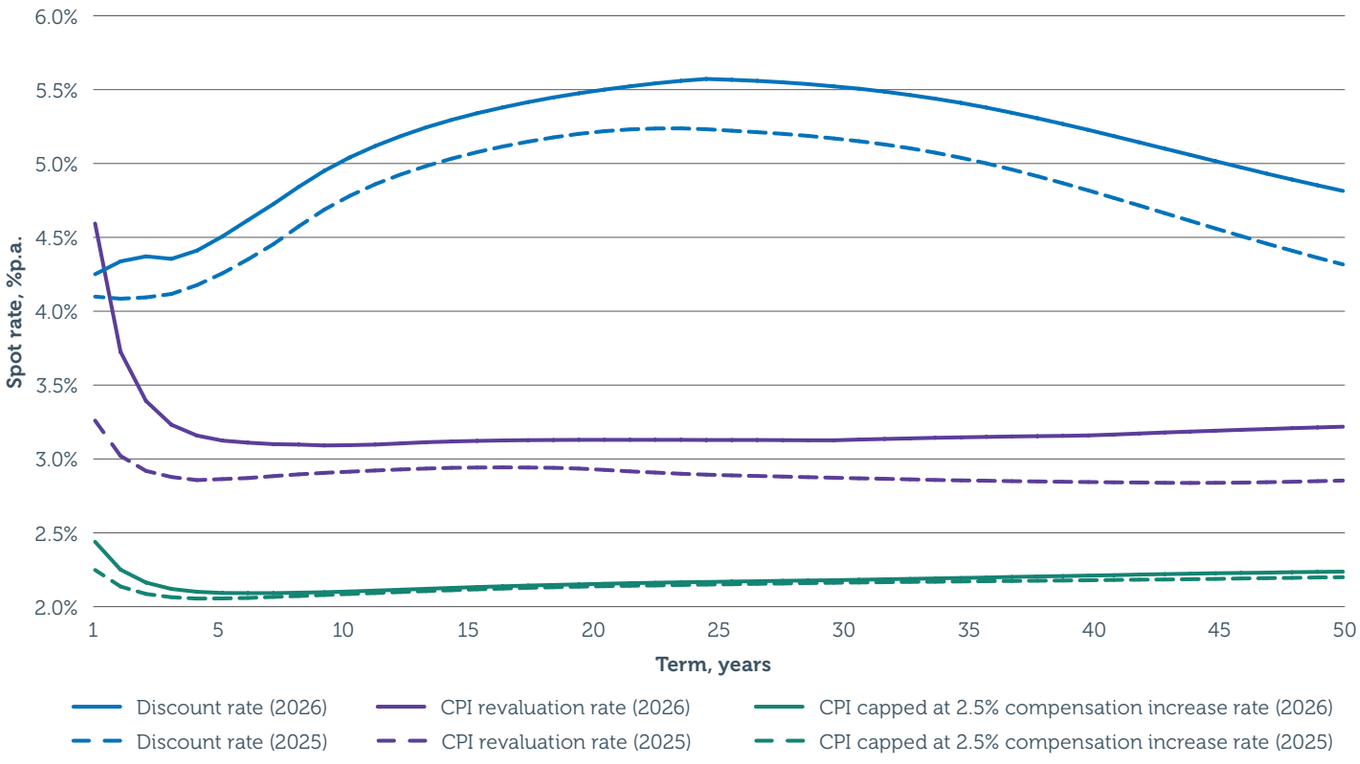
Valuation date	31 March 2026	31 March 2025 (if different)
GMP equalisation	No allowance needed. There are no members for whom we have not yet equalised for GMP	
Levels of compensation, revaluation in deferment and increase in payment	No other change from current legislation	

I give further information on these assumptions below.

Financial assumptions

In general, I have applied the same approach to setting the financial assumptions as for the actuarial valuation at 31 March 2025. 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 2026. The figures as at 31 March 2025 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 75 per cent gilts and 25 per cent swaps. The discount rate for each term is a blend of 75 per cent of the gilt yield and 25 per cent of the SONIA-based swap yield at that term. This is an update from last year when the notional portfolio consisted of 80 per cent gilts and 20 per cent swaps.

Inflation and compensation increases

For the RPI inflation assumptions I have used a curve of RPI inflation swap yields as at 31 March 2026.

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 2026		31 March 2025	
			Men	Women	Men	Women
Median life expectancy	Members currently receiving compensation	Now	21.6	23.9	21.5	23.8
	Dependants of members currently receiving compensation	Now	20.1	23.4	19.8	23.3
	Members due to receive compensation	In 25 years' time	23.5	26.2	23.3	26.2
	Future dependants of members due to receive compensation	In 25 years' time	22.5	25.4	22.2	25.6
Minimum life expectancy	Members currently receiving compensation	Now	15.7	17.1	14.2	18.4
	Dependants of members currently receiving compensation	Now	15.7	17.1	14.2	18.4
	Members due to receive compensation	In 25 years' time	19.8	22.6	19.2	21.5
	Future dependants of members due to receive compensation	In 25 years' time	18.2	20.0	16.7	21.2
Maximum life expectancy	Members currently receiving compensation	Now	24.8	26.1	24.5	25.3
	Dependants of members currently receiving compensation	Now	23.1	25.7	22.1	25.0
	Members due to receive compensation	In 25 years' time	26.7	28.1	26.5	27.5
	Future dependants of members due to receive compensation	In 25 years' time	25.3	27.8	24.4	27.1
Range of life expectancies that covers 75% of compensation	Members currently receiving compensation	Now	19.8–23.9	21.7–25.6	19.6–23.5	21.5–25.0
	Dependants of members currently receiving compensation	Now	18.7–22.5	21.7–24.6	17.8–21.9	20.6–25.0
	Members due to receive compensation	In 25 years' time	21.5–24.7	25.1–27.4	22.0–25.0	24.6–27.3
	Future dependants of members due to receive compensation	In 25 years' time	21.1–24.3	23.3–26.6	20.3–24.2	23.4–26.5

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 2021, 2022, and 2023 (with 2022 therefore being the 'central year' of the baseline mortality). For 2021, which included 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 2025 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 2026, I have adopted the CMI_2024 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.
- No overlay, so that the impact of the COVID-19 pandemic is not counted in both the base mortality and future improvement assumptions.

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, plus the possible impact of new drugs and treatments (both existing and future possibilities) 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 3.1 per cent of liabilities.

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 2025 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 the 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.

Appendix M5

Pre-1997 indexation

Framework

The Pension Schemes Act 2026 received Royal Assent and passed into law in April 2026. One aspect of this Act is to amend the annual increase payable by the PPF for compensation linked to pension accrued prior to 6 April 1997. The annual increases apply to members:

- whose former pension schemes, or sections thereof, awarded non-discretionary increases to pre-1997 pension in excess of GMP, or
- whose former pension schemes, or sections thereof, did not award non-discretionary increases to pre-1997 pension in excess of GMP, but did provide post-88 GMP.

No indexation is granted to members whose former scheme did not provide non-discretionary indexation on pre-1997 pension, nor post-1988 GMP.

As the first increases to pre-1997 compensation are yet to happen and are prospective only, in calculating liabilities that include pre-1997 indexation I have not needed to make any changes to the starting data extracts obtained shortly before the effective date of the valuation.

Approach to valuing pre-1997 indexation

The data, assumptions, and methodology I've used to value pre-1997 indexation 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.

Compensation increases

From 1 January 2027 onwards (expected to be 2028 for post-1988 GMP-only increases), compensation in payment is increased on 1 January each year in line with the below table. Prior to 1 January 2027, all compensation in respect of service before 6 April 1997 received no increases in payment.

Compensation in respect of service	Former scheme benefits (prior to transfer)	PPF compensation increases
Before 6 April 1997	No post-88 GMP[1] nor any non-discretionary indexation on excess pension	Nil
	Post-88 GMP but no non-discretionary indexation on excess pension	CPI up to a maximum of 2.5% a year (with a minimum of nil), applied to a proportion[2] of the member's pre-1997 compensation
	Non-discretionary indexation on excess pension	CPI up to a maximum of 2.5% a year (with a minimum of nil)
After 5 April 1997	Any	CPI up to a maximum of 2.5% a year (with a minimum of nil)

This indexation is calculated as the change in the CPI in the year to the month of May that precedes the 1 January on which the compensation increase is awarded, with an annual maximum of 2.5 per cent and minimum of zero. This is the same indexation that applies to PPF compensation for pension accrued after 5 April 1997.

To determine which schemes, or sections of schemes, may be eligible for indexation on pre-1997 compensation, I have used the former schemes' trust deed and rules (as provided on transfer to the PPF) to identify the former scheme benefits that were due prior to entry to PPF assessment.

1 Guaranteed Minimum Pension accrued after 5 April 1988. A pension scheme would have provided this if it was contracted out of the Additional State Pension (SERPS/S2P) between 6 April 1988 and 5 April 1997.

2 Expected to be determined by upcoming government regulations – yet to be drafted.

Assumptions

One further financial assumption is needed in the calculation of liabilities with pre-1997 indexation as at 31 March 2026. For members whose former schemes offered post-1988 GMP, but no non-discretionary increases in payment on excess pension, I have assumed that 10 per cent of their pre-1997 compensation will receive increases in payment. The actual proportion of pre-1997 compensation to be assumed will be finalised in forthcoming government regulations.

In Appendix M3 – Assumptions I detail how expenses have been calculated. I do not expect the introduction of pre-1997 indexation to materially impact expectations of future per-member costs, and therefore the total expense allowance is unchanged. However, when expressed as a percentage of liabilities, the expense allowance would change from 3.1 per cent to 2.9 per cent of liabilities.

Supplementary report: actuarial liabilities and provisions of the Pension Protection Fund as at 31 March 2026

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 2026.

This report mainly deals with schemes in PPF assessment as at 31 March 2026 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 the 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 'General Actuarial Standards'. 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 2026
Job title: Chief Actuary
Qualification: Fellow of the Institute and Faculty of Actuaries
Employer: The Board of the Pension Protection Fund

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 2026. This is covered in my main report to the Board dated 19 June 2026.

I have used recent individual member data for one large scheme included in the provisions in this valuation. This scheme makes up 46 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 (including benefits paid) and, where not already included in the s179 valuations, 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. The method I used to do this is broadly consistent with the 2025/26 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 where we have individual member data, the latest asset valuation, where applicable, 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 at or 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.

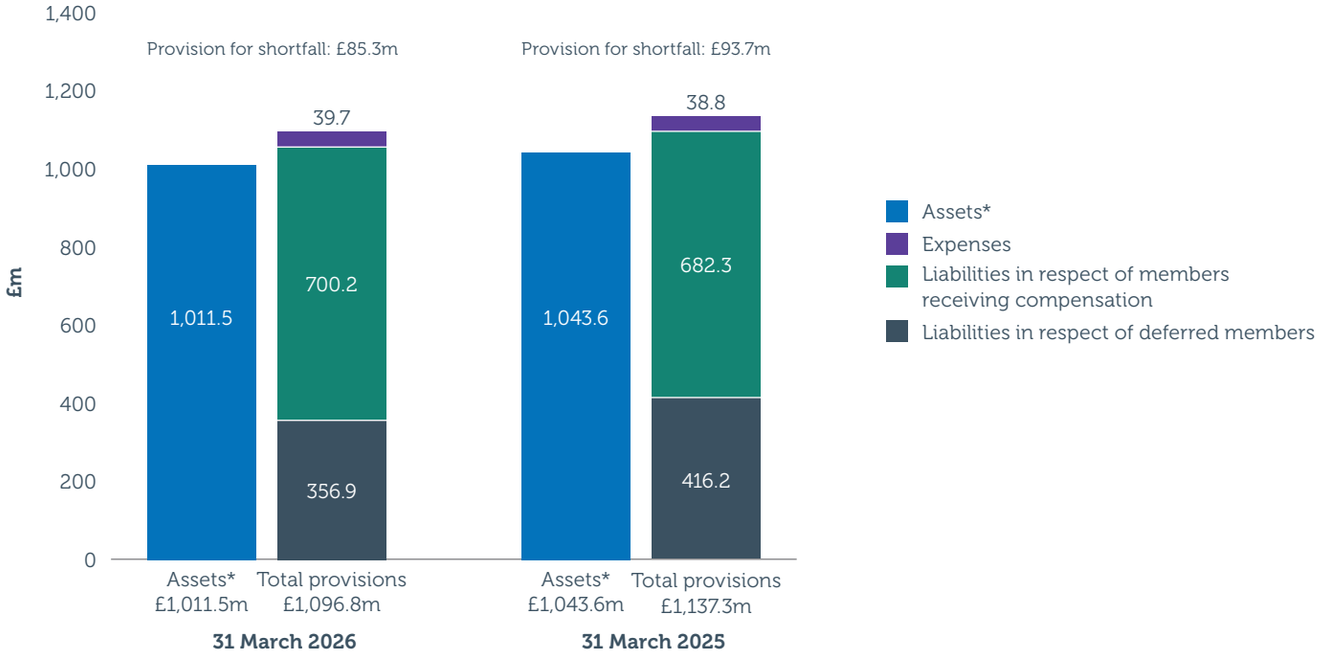
1 See section 2 of my main report for further information relating to the requirements of these judgments.

3. Results for schemes in PPF assessment

This section does not include any allowance for pre-1997 indexation in the main figures presented.

Provisions

Thirty-eight schemes were included in the provisions as at 31 March 2026. 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.



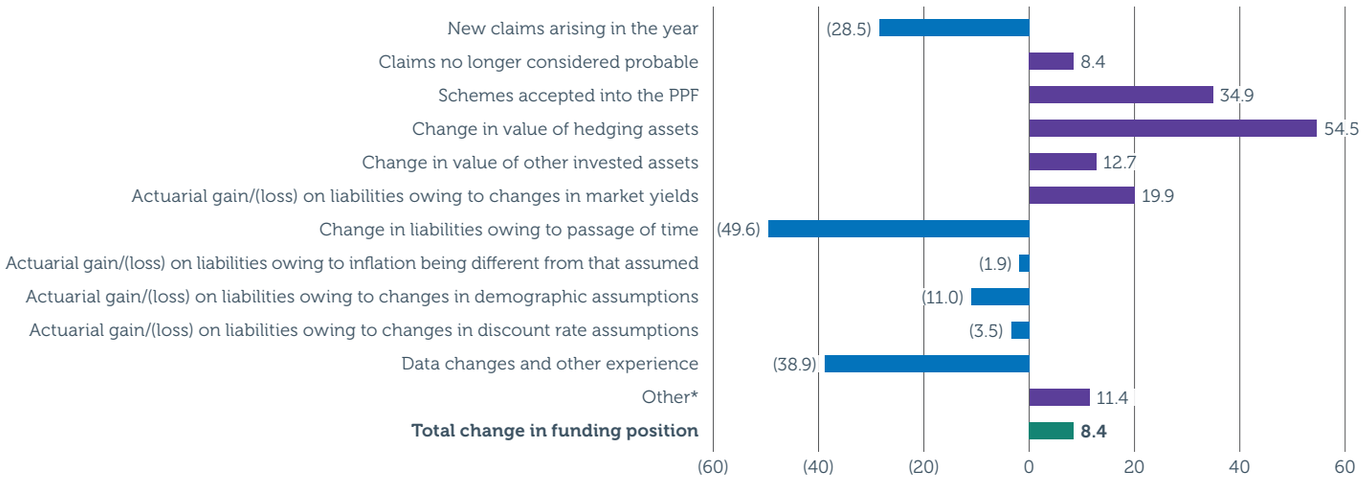
* Includes anticipated recoveries of £33.1 million (2025: £27.3 million) prior to asset restriction. Asset restriction has been applied for some schemes that are marginally underfunded on the PPF entry basis, but where the assets exceed liabilities on the basis used for the purpose of this valuation. 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 £30.7 million.

Each of the assets, liabilities, and shortfall for the provisions have decreased over the year. Asset and liability values both decreased as a result of benefits paid over the year (which for provisions is a figure I've estimated) of around £100 million. Other factors leading to changes in the provisions over the year include:

- new schemes claiming on the PPF over the year, with an aggregate shortfall of £28.5 million,
- increases to liability values of £14.5 million from updated financial and demographic assumptions,
- a positive change in other (non-hedging) invested assets, of £12.7 million, and
- some new anticipated recoveries.

The shortfall of assets compared to liabilities has decreased from £93.7 million as at 31 March 2025 to £85.3 million as at 31 March 2026.

A full analysis of this change over the year is set out in the following chart (figures are in £ million).

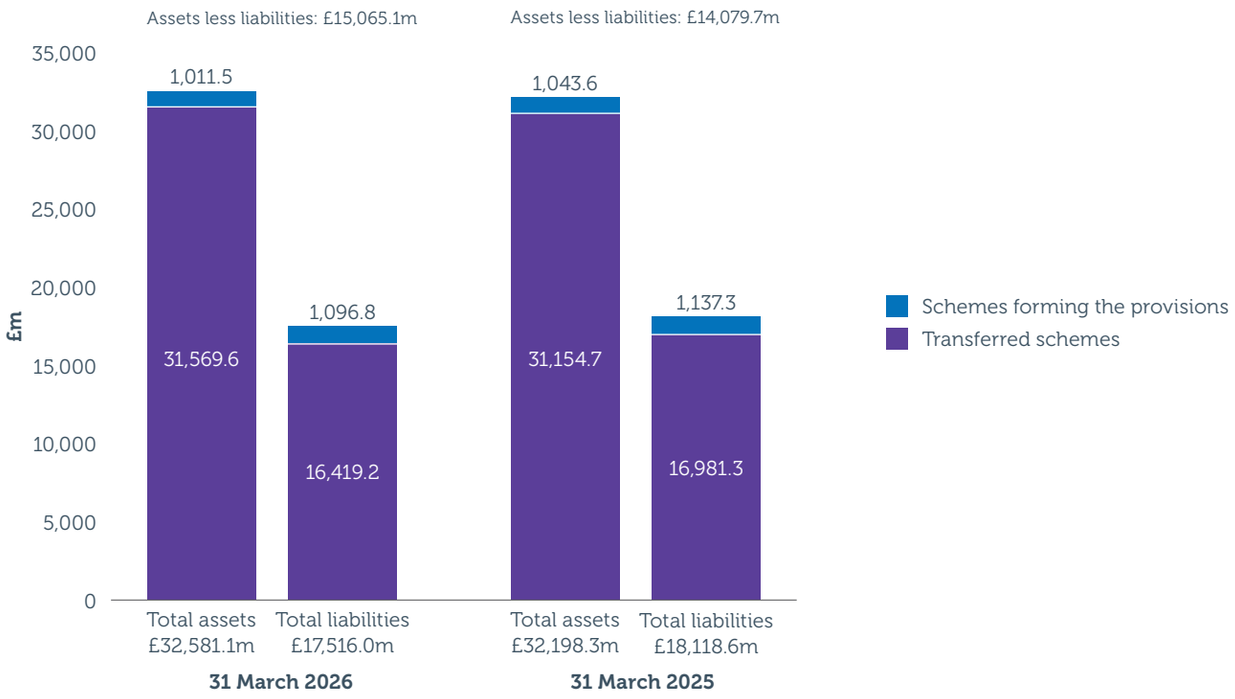


* Includes such items as expenses and recoveries.

If pre-1997 indexation were included, I estimate that the shortfall of assets compared to liabilities would increase from £85.3 million to £221.4 million as at 31 March 2026. This would be in respect of both the thirty-eight schemes already in the provisions, and additional schemes that I would include in the provisions because of the likely impact of including pre-1997 indexation in their liabilities. Appendix S6 – Pre-1997 indexation for provisions contains more information.

Actuarial liabilities and provisions in aggregate

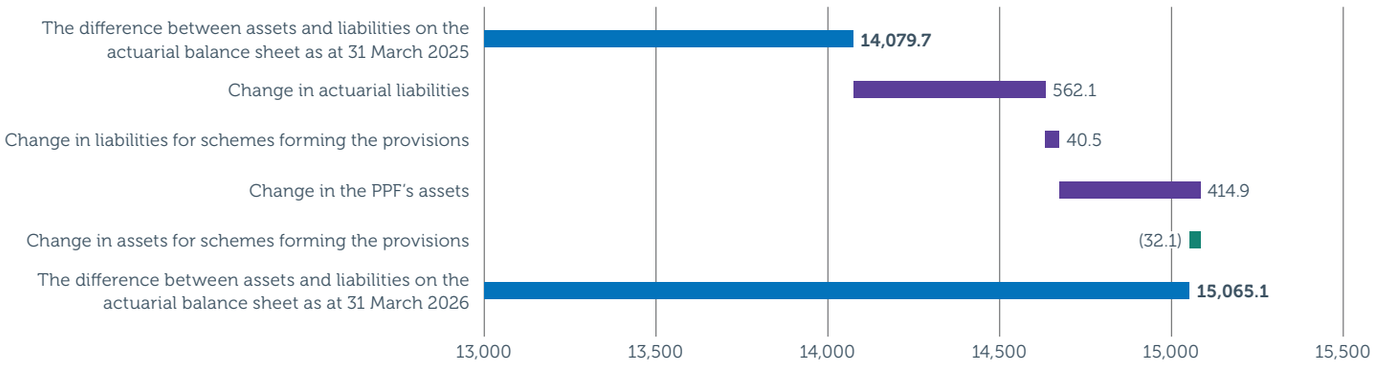
The following chart sets out the values of the assets and liabilities of the schemes that have already transferred to the PPF and those forming the provisions at the current and previous valuation dates.



A version of this chart that includes pre-1997 indexation is included in Appendix S6 – Pre-1997 indexation for provisions.

Supplementary report: actuarial liabilities and provisions of the Pension Protection Fund as at 31 March 2026 – continued

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).



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.

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	Long-term rate of life expectancy improvement assumed to be 2.0% p.a. rather than 1.5% p.a.
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	Compared to main scenario £bn
Main	15.1	–
1	15.1	–
2a	14.9	↓ (0.2)
2b	15.3	↑ 0.2
3	14.4	↓ (0.7)
4	14.9	↓ (0.2)
5	11.5	↓ (3.6)
6	15.0	↓ (0.1)
7	15.5	↑ 0.4

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 2026 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 2026 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 2026 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/2025-26-levy-years/Transformation-Appendix-2526.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 2026.

Schemes that form the provisions

The following table sets out the numbers of schemes and members that form the provisions.

	31 March 2026	31 March 2025
Number of schemes	38	47
Estimated number of members receiving compensation in these schemes	17,168	18,276
Estimated number of deferred members in these schemes	6,468	8,329

In addition, there are 30 schemes currently in assessment that are not included as the expectation is that they will secure benefits above PPF levels (where these levels do not feature pre-1997 indexation) 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. I have done this for one such scheme in the provisions this year. It was in assessment as at 31 March 2025, and I have valued it based on membership with effective date January 2026. I collected membership data in a standard template which shows 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 where I have used recent individual member data 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 2026 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 36 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 £33.1 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 I've 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 2026 % p.a.	31 March 2025 % p.a.
In deferment	Before 6 April 2009	Deferred	2.1	2.0
	After 5 April 2009	Deferred	2.8	2.4
In payment	Before 6 April 1997	Receiving compensation	5.0	4.8
		Deferred	5.3	5.0
	After 5 April 1997	Receiving compensation	3.0	2.7
		Deferred	3.1	2.8

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.
- 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 don't expect a recalculation to significantly change the result.

The total expense allowance for provisions is 3.8 per cent of the liabilities (2025: 3.5 per cent).

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 2026 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 0.4 per cent of deferred liabilities and 0.3 per cent of pensioner liabilities for these schemes in aggregate.

ii. *Hughes* – the compensation cap

For one large scheme, the data I have used to calculate the liabilities includes the removal of the compensation cap.

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.

Virgin Media v. NTL Pension Trustees

The Pension Schemes Act 2026 contains a provision that schemes in the PPF were automatically deemed to have always been compliant with the relevant requirements for relevant scheme changes. In addition, schemes that were in a PPF assessment period at the point the Act was passed also have a mechanism to retrospectively confirm that relevant scheme rules changes were compliant. Based on this, I have included no additional liabilities for *Virgin Media* in my calculations of the provisions.

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	Long-term rate of life expectancy improvement assumed to be 2.0% p.a. rather than 1.5% p.a.	Future life expectancy is uncertain and subject to a high degree of judgement. This sensitivity illustrates an impact of additional improvement in life expectancy. Increased improvements may be considered to occur at other terms as well as or instead of the long term.
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.

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 curve 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 2026 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	Deferred		Deferred	Receiving compensation	Deferred	Receiving compensation
Scenario						
Main	2.1	2.8	5.3	5.0	3.1	3.0
1	1.1	1.8	4.3	4.0	2.1	2.0
2a	3.1	3.1	5.3	5.0	3.3	3.2
2b	1.1	2.8	5.3	5.0	3.0	2.8
3	2.1	2.8	5.3	5.0	3.1	3.0
4	2.1	2.8	5.3	5.0	3.1	3.0
5	2.1	2.8	5.3	5.0	3.1	3.0
6	2.1	2.8	5.3	5.0	3.1	3.0
7	1.6	2.5	5.5	5.7	3.2	3.5

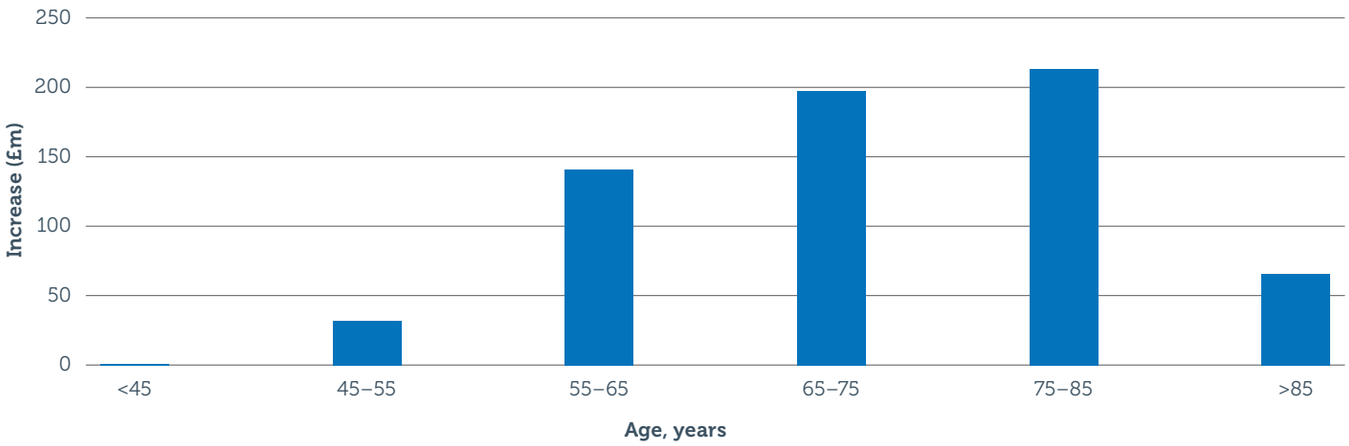
None of the scenarios and assumptions variations described on the previous page should be interpreted as upper or lower bounds of the range of reasonable estimates that might be made.

The following table sets out the range of results under the scenarios on the previous page for both transferred schemes and those in assessment. Figures are in £ billion.

	Assets			Liabilities			Assets less liabilities
Scenario	PPF	Provisions	Total	PPF	Provisions	Total	
Main	31.57	1.01	**32.58**	16.42	1.10	**17.52**	**15.06**
1	33.53	1.12	**34.65**	18.32	1.23	**19.55**	**15.10**
2a	30.97	0.97	**31.94**	15.97	1.07	**17.04**	**14.90**
2b	32.17	1.05	**33.22**	16.77	1.12	**17.89**	**15.33**
3	31.57	1.01	**32.58**	17.02	1.15	**18.17**	**14.41**
4	31.57	1.01	**32.58**	16.58	1.11	**17.69**	**14.89**
5	28.05	1.00	**29.05**	16.42	1.10	**17.52**	**11.53**
6	31.57	1.01	**32.58**	16.46	1.10	**17.56**	**15.02**
7	31.57	1.01	**32.58**	16.01	1.08	**17.09**	**15.49**

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.

Appendix S6

Pre-1997 indexation for provisions

This appendix contains information about how I calculated the values of the provisions if I were to include pre-1997 indexation. This is in addition to the information I set out in Appendix M5 – Pre-1997 indexation to my main report.

Approach

While the Pension Schemes Act 2026 specifies how compensation increases will be amended for schemes transferred to the PPF, it is yet to be confirmed whether there will be further regulations impacting schemes in PPF assessment. As a result, there is uncertainty around which and how these schemes will be impacted by the Act.

To estimate the impact of pre-1997 indexation on these schemes, I have taken the same approach as described in Appendix M5 Pre-1997 indexation, alongside data, methodology, and assumptions for the provisions as detailed in this report.

In addition to the criteria listed in Appendix S1 – Definition of a provision, I would also include a scheme in the provisions if, following the introduction of pre-1997 indexation, the scheme trustees or valuation actuary believe (or are uncertain whether) the scheme has sufficient assets to secure benefits at or above PPF levels of compensation.

I estimate that, as at 31 March 2026, and based on the information I have available for schemes not already included in the provisions, the introduction of pre-1997 indexation would lead to an additional 24 schemes in the provisions.

However, as the details of the regulations are uncertain and the Act itself has only recently received Royal Assent, scheme actuaries and trustees will not yet have completed accurate assessments to determine whether schemes can secure PPF benefits or better outside the PPF. As a result, there is significant uncertainty which schemes may enter the PPF and I estimate the number of additional schemes could be anywhere between 12 and 36.

Data

To determine which schemes to model pre-1997 indexation for, I have used historical scheme return data (as provided annually to the pensions regulator prior to entry to PPF assessment) and where possible, supplemented this with information provided by scheme trustees and advisers regarding the value of assets and liabilities in the original scheme e.g. section 143 valuations and section 156 valuations.

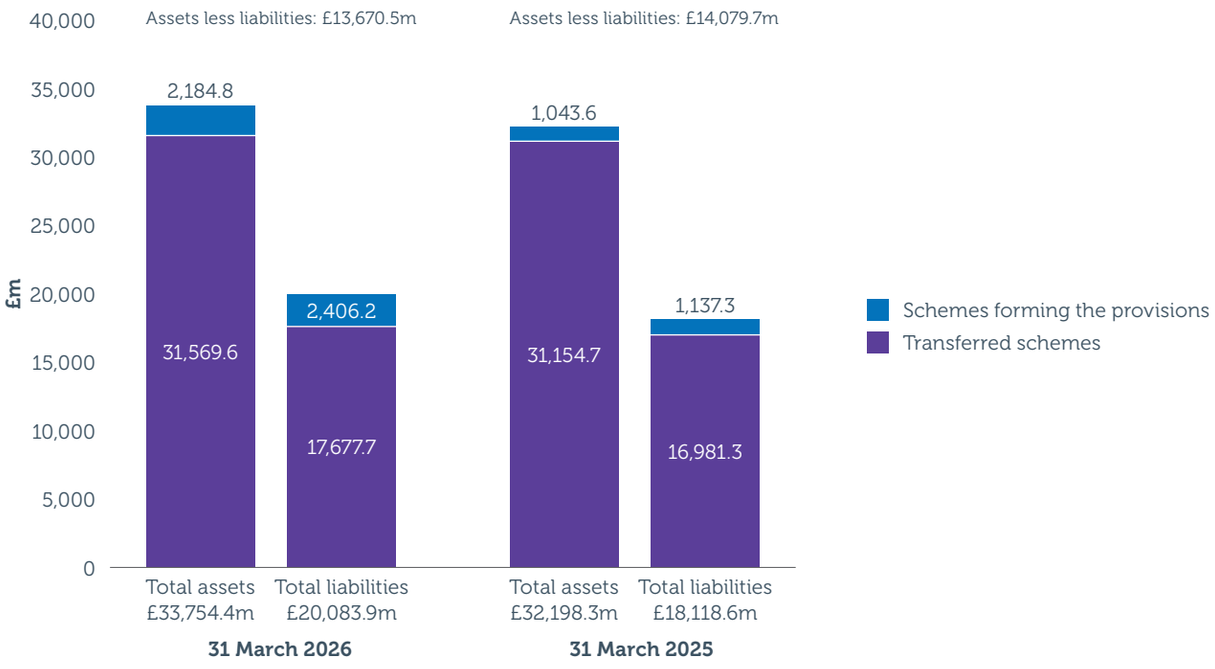
I have reflected recent funding estimates for two larger schemes calculated by their scheme actuaries. I did this to better estimate the schemes' assets and liabilities after applying adjustments to allow for changes in market conditions, the passage of time, differences in assumptions used compared with this valuation, and the expected scheme experience since the effective date of the valuation (including benefits paid).

Results

In section 3 of this supplementary report, I wrote that the shortfall of assets compared to liabilities (for provisions) would be £221.4 million compared to £85.3 million where pre-1997 indexation is not included. Of this £136.1 million difference, most would be in respect of the increase in liabilities of schemes already in the provisions (i.e. before pre-1997 indexation is considered), rather than from schemes newly included in the provisions. However, the latter schemes could add around £1.2 billion to each of the assets and liabilities. That's in respect of the 24 schemes I mentioned above – the range of assets and liabilities that corresponds to the range of additional schemes of 12 – 36 is from around £0.2 billion to around £1.5 billion.

Appendix S6 continued

The following chart replicates the one in section 3 of my supplementary report showing the actuarial liabilities and provisions in aggregate, except in the version here, I include pre-1997 indexation.



Common terms and abbreviations

AI – Artificial Intelligence

AVC – Additional Voluntary Contribution

CETV – Cash Equivalent Transfer Value

C&AG – Comptroller and Auditor General

CJEU – Court of Justice of the European Union

Claims and risk reserves – also referred to as PPF reserves

CMI – Continuous Mortality Investigation

CPI – Consumer Prices Index

CPIH – CPI plus owner occupiers' housing costs

Current claims liabilities – also referred to as actuarial liabilities

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

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 levy

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