

ISSUED 12 April 2024



PROVIDER SECTOR
People's Partnership

FINANCIAL STRENGTH ASSESSMENT

Analysis by **AKG Financial Analytics Ltd**
Accessible • Comparative • Independent

AKG



ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

This AKG report and the analysis and ratings contained within it provide assessment of financial strength and associated considerations. Financial Strength is focused on the ability of a company to deliver ongoing operational capability in the interest of its customers and in line with their fairly held expectations. AKG's perspective in the assessment of financial strength is wholly that of a customer of a product or service. From that foundation, this analysis is specifically designed to inform financial advisers and assist in their required understanding of a company's operational financial strength.

Given the underlying customer perspective, the financial strength of companies needs to be focused at an operational level (i.e. the elements and functions of an organisation which operate to specifically deliver and manage a proposition or service to the customer), specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met. This contrasts to credit rating, which will be undertaken at group or parent company level where investment or debt placement etc. is made.

Further details on how analysis is undertaken is provided at the end of this report and may also be obtained from AKG.



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Rating & Assessment Commentary



RATINGS

Overall Financial Strength



Additional Financial Strength and Supporting Ratings

	Non Profit Financial Strength	Unit Linked Financial Strength	With Profits Financial Strength	Service	Image & Strategy	Business Performance
People's Administration Services Ltd	■	■	■	★★★★★	★★★★★	★★★★★



SUMMARY

- A not-for-profit organisation now over 80 years old, People's Partnership (previously known as B&CE) continues to focus on delivering simple, straightforward products and support to members
- The group parent is People's Partnership Holdings Ltd (PPHL - formerly B&CE Holdings Ltd) and the group has been creating and providing financial products for construction workers and others since its establishment
- The People's Pension (TPP) launched in 2011 and is administered by People's Administration Services Ltd (PASL - formerly B&CE Financial Services Ltd, B&CEFSL)
- PASL is the entity assessed in this report as it is the administrator of TPP and other financial products on behalf of the People's Partnership group
- PPHL is the holding company and responsible for maintaining the group's core social business principles; PPL is the strategist company which governs the direction of its subsidiary PASL
- TPP continues to progress well, with AuA of over £20.2bn as at 31 March 2023 and 6.2 million members
- The introduction of a flat £2.50 annual account management charge for the TPP in 2021 continues to provide improved income certainty for PASL; whilst revenue increased again in 2023, the costs of growth and investment in proposition development and digitalisation led to a loss after tax of £1.2m, following profitable (after tax) years in 2021 and 2022
- Insurance subsidiary B&CE Insurance Ltd (B&CEIL) is only a small part of the group with much reduced solvency requirements (below the Solvency II threshold) and with effect from 1 April 2022 the group moved out of Solvency II reporting
- PASL maintains £33m in ring-fenced cash in relation to TPP's master trust authorisation (increased from £24m with a change to a new Financial Support Undertaking, FSU)
- The organisation was renamed People's Partnership in 2022 to better reflect that the business is now a whole of market provider; administration and governance infrastructure has also matured to better match the achieved scale and ambition of the business
- The business has the potential to further differentiate itself due to its 'profit for people' principles and history; particularly following recent systems investment and with the new name, there is opportunity to evolve from success as an auto-enrolment provider to a workplace pension provider



COMMENTARY

Financial Strength Ratings

People's Administration Services Ltd

Since the launch of The People's Pension, PASL has played an increasingly key role within the group as the administrator of the TPP. PASL pays the majority of expenses relating to the scheme (but not investment management fees) and receives the majority of associated administration fees. PASL accounts for a significant proportion (99%) of total group revenue and is therefore a strategically important part of the group. PPHL remains the sole employer within the group and pays for the majority of group costs which are then recharged to the subsidiaries based on drivers deemed appropriate by management.

PASL had been profitable in 2021 and 2022, following a period of losses. Behind this was a significant growth in AuA which has increased fee income, plus the introduction of the £2.50 account management charge in 2021, and with costs controlled fairly well in those years.

AuA has continued to grow, as has revenue, however, due to increasing volumes and a need to invest in the business, in product enhancements and digitalisation of services to TPP, allocated headcount and contractor costs were increased and an overall loss after tax was seen in 2023. The business states that although it has increased employee numbers to process additional transactions during the current year, efficiency has also increased by continuing to invest and develop the digital service offering.

PASL is regulated by the FCA and throughout the year has more than covered its FCA capital requirement of £20k [2022: £20k]. The wider business has moved away from the need for a life company, but B&CEIL remains part of the group currently and may yet afford some additional proposition design options. Solvency remains important for the remaining group and subsidiaries nonetheless, as PASL is subject to the Pensions Regulator requirements and has to hold the necessary reserves to meet its obligations throughout the financial year. As at 30 May 2022, PASL terminated the original 2019 Financial Support Undertaking deed (FSU), and entered into a new FSU with TPP, which imposed an obligation on PASL to ring-fence and hold cash or cash equivalent reserves amounting to £33m. As at 31 March 2023, PAS held Master Trust reserves of £33m [2022: £23.5m], as calculated within the Costs, Assets, Liability and Plan. Since entering in to the new FSU with the Trustee of TPP, PASL has complied with the stipulation that the Master Trust reserves be held in separate ring-fenced accounts, to ensure ease of transferring the reserves into the pledged account in the unlikely occurrence of a trigger event.

Service Rating

The group is committed to delivering the highest level of service whilst increasing customer numbers. There has continued to be investment in systems and staff to support the demand for its auto-enrolment solution, and despite continuing to attract a relatively large share of the market, PASL has maintained good customer service levels and very low levels of complaints from TPP scheme members and employers. TPP is well regarded in industry awards.

During the financial year TPP experienced a 20% increase in customer interactions, and reported a strong customer service response, particularly in the second half of the year, reflected by strong customer satisfaction and Net Promoter Scores. In addition, the range of digital services and straight through processing automations has increased as various efficiency projects have been delivered, and this is continuing in the current year. Many more transactions are being conducted online through TPP's member portal 'MyProducts' - increased by 13.5% in the year to March 2023 - and as more members self-serve so accuracy and efficiency are improving, including a positive impact seen on call metrics as members move to use more digital services. Services also now include a new transfer-in journey with upgraded navigation and improved information to improve the user experience.

Image & Strategy Rating

As a 'profit for people' business, People's Partnership states its business model is designed to optimise the ability to invest in delivering products and support to members. This has seen it develop insurance and pension products over the years, although its main focus for the foreseeable future is on TPP. The group continues to offer financial products under the B&CE name, and will need to continue to manage these and any legacy (closed to new business) products accordingly; although the financial impact of these continues to reduce.

People's Partnership expects TPP to continue growing and delivering a rising income stream over the long term. The scheme was granted master trust authorisation from The Pensions Regulator in 2019, and wider adoption of this flagship pension product by employers and their employees is crucial to the future success of People's Partnership, to create the scale which will ultimately enable the group to maintain profits to reinvest and provide members with an affordable and valued offering. The group continues to target lower costs and better efficiencies in terms of its administrative functions by investment in digital systems as well as staff.

The business has clear strategic aims to help it retain and grow the customer base while maintaining excellence in customer service. As a business without shareholders, the group states that it was 'founded for social good with our members at the heart of everything we do' and so delivering better member outcomes through profit for people sees People's Partnership re-invest its profits to help achieve better financial outcomes for itself and its members. The group believes this approach sets it apart within the industry, stating "it is what makes us different and our constant focus on putting members at the heart of every decision is one of the reasons why we've been so successful".

The board of PPHL, following a governance restructure effective 1 April 2022, is no longer the strategic board of the group. Its immediate subsidiary, PPL is now performing this role and as such governs the strategic direction of the group, including that of PASL as the provider of TPP.

PPHL remains the ultimate parent company of the group, with the role of its board now to act as custodians of the group's core social business principles, to hold the strategic board (PPL) to account and to give representation to its founding members.

Business Performance Rating

The People's Pension has grown to become one of the largest private sector master trust pension schemes in the UK with over 6.2m members and £20.2bn of AuA as at 31 March 2023. In a particularly challenging year for investment markets, TPP saw market movements reduce assets by £0.9bn (2022: £0.9bn growth).

PASL reported a loss before tax for the year of £2.9m [2022: PBT of £12.1m] and net assets as at 31 March 2022 were £43.3m [2022: £44.5m]. Revenue was driven by a significant increase in TPP administration management fees received, up by £8.3m to £74.0m, an increase of 13%. During the year, TPP received £3.8bn [2022: £3.3bn] of contributions to the scheme, and AuA increased by 15% to £20.2bn [2022: £17.6bn].

Additional revenue lines declined year on year, with the employer charge for new employers joining TPP down from £2.3m to £1.1m; fees for administration of the B&CE Benefits Scheme down from £3.2m to £2.8m; and registrar fees for the TUTMAN B&CE contracted out scheme reduced to nil [2022: £1.4m income] as the remaining members were transferred to TPP. Overall, total revenue increased by £5.0m to £78.7m [2022: £73.7m].

Operating expenses increased by 33% or £20.1m, to £81.8m [2022: £61.7m] as the group has grown and also invested in product enhancements and digitalisation of services to TPP members. There was additional headcount in this respect, of both permanent and expert technical contractor resource. However, the PASL directors stated that the unit cost for the year was ahead of the end of year target and that the provision of a greater proportion of digital services to members had improved efficiency.

Group & Parental Context



BACKGROUND

People's Partnership was established in 1942 as B&CE (Building and Civil Engineering) and is operated for the benefit of its members, on a 'profit for people' basis, having no shareholders and a social mandate to do things for the greater good, it states. People's Partnership is now one of the UK's largest workplace pension providers, with members from over 100,000 employers saving with The People's Pension. The group also provides protection products specifically for construction workers via employee accident and life cover under the B&CE name.

The group was renamed from B&CE to People's Partnership in 2021 to reflect the widening of the target market from the construction industry to support auto-enrolment initially and the workplace pension market more widely, with a name change of entity B&CEFSL to PASL reflecting this also.

The group's flagship product is The People's Pension, available to both construction and non-construction employers. It was the first master trust to achieve voluntary master trust assurance, in September 2014. In August 2019, it was granted master trust authorisation from The Pensions Regulator. PASL carries out all the day to day administration of TPP, supported by its parent PPL which provides strategic direction.

The group's parent company is PPHL, a limited by guarantee company controlled by the following industrial parties which nominate the members of PPHL in accordance with the articles of association: Unite, GMB, Build UK, Civil Engineering Contractors Association, Federation of Master Builders, National Federation of Builders, and Scottish Building Federation.

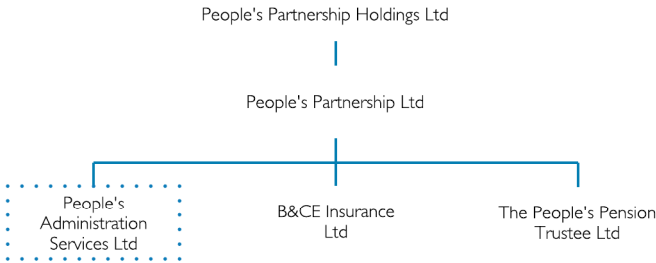
Strategic company PPL oversees the group's financial services businesses:

- PASL, which acts as a distributor of, and administrator for, pensions, accident and life, with its main role being the administrator of TPP
- B&CEIL, a provider of life assurance, pensions and accident insurance, established in 1995
- The People's Pension Trustee Ltd (TPPTL), the corporate trustee of TPP, overseeing its operation with a fiduciary duty to act in the interests of its members. In particular TPPTL has a remit of safeguarding the TPP scheme's funds and ensuring that the scheme delivers good value for members. The board of TPPTL consists solely of independent directors with expertise in pensions/financial services.

In addition, the Building and Civil Engineering Charitable Trust was launched in 1991, offering financial assistance to construction workers and their families who are suffering hardship, principally to ease the financial distress that illness or changes to domestic circumstances can cause. The Trust is funded by People's Partnership which distributes a proportion of its surpluses to the charity.



GROUP STRUCTURE (SIMPLIFIED)



Key:
..... Subject of this Assessment

Company Analysis: People's Administration Services Ltd



BASIC INFORMATION

Company Type

Pension Administrator

Ownership & Control

People's Partnership Holdings Ltd

Year Established

1987

Country of Registration

UK

Head Office

Manor Royal, Crawley, West Sussex, RH10 9QP

Contact

www.thepeoplespension.co.uk/contact-us/

www.peoplespartnership.co.uk/contact-us/

Key Personnel

Role	Name
Chief Executive Officer	P I Heath-Lay
Chief Operating Officer	vacant
Chief Finance Officer	S M Hunter
Chief Human Resources Officer	D Finlayson
Chief Commercial Officer	D Meliveo
Chief Risk Officer	D J M Fielding
Chief Information Officer	N Rodgers
Group Director of Customer Service	K Martin
Director of Controls and Assurance	M Phillips
Director of Operational Transition	M Plant

Company Background

PASL's principal activity is to administer financial products on behalf of People's Partnership. It was appointed scheme administrator of The People's Pension by TPPTL on 18 December 2012, and receives the majority of the annual management charge paid by members.

PASL is now the administrator of all of PPHL's pension schemes and insurance products, including the Employee Life Cover (ELC) scheme.



OPERATIONS

Governance System and Structure

On 1 April 2022, the Group Governance arrangements were re-structured, moving the Board that is responsible for strategic direction of the Group from PPHL to PPL. The PPL board structure is designed to bring a diverse range of skills and experience in order to drive People's Partnership's strategic priorities. PPL is involved in the operation and running of The People's Pension, which is authorised and supervised by The Pensions Regulator, and individuals involved with the company must satisfy The Pensions Regulator's fitness and propriety criteria.

The People's Partnership group is committed to strong governance. In 2014, The People's Pension was the first master trust to achieve the first level of voluntary assurance under the Institute of Chartered Accountants in England and Wales' (ICAEW) assurance framework for master trusts. The ICAEW developed the framework in partnership with TPR to help employers identify high quality pension schemes. TPP consider this an independent assessment which demonstrates the strength of its scheme's governance and administration standards, and has since gone on to achieve the second level of voluntary master trust assurance. During the COVID-19 pandemic the business maintained a close and supportive relationship with TPR which has continued post-pandemic.

In operational terms, the business relies on the '3 lines of defence' risk governance model.

Firstly, each business function is responsible for identifying, assessing, and managing risks within the parameters of the group risk management framework (RMF).

Secondly, the risk oversight and compliance functions teams, under the direction of the Chief Risk Officer, work with leaders and managers, challenging them on the risks they face and what they're doing to manage those risks. The risk management team administers a Group Risk Register of every material risk and in each case, the strategy to mitigate it. Risk is managed both at the Group level and within each department, such as Marketing or Finance, on an ongoing basis, with follow-up and challenge by the risk management function throughout the year. At the Group level, each risk has an executive owner. The Chief Executive Officer has overall accountability for the control and management of risk. The Board has overall responsibility for risk management. The content of the Group Risk Register is considered and discussed in regular meetings with senior management and reviewed by the Executive Leadership Team, the Group Audit and Risk Committee and the Board.

Thirdly, there is an Internal Audit function which provides independent assurance on the effectiveness of risk management and the risk framework.

Risk Management

The risk management process is managed across the group, with the strategic board determining the nature and extent of the principal risks it is willing to take, and communicating this through the group risk appetite. The process facilitates the identification of risks through workshops and interviews with managers and senior managers. Risks that can seriously affect its ability to achieve strategic objectives, performance or reputation are maintained in the group or business unit risk registers.

Risks are assessed to determine the potential impact and likelihood of occurrence, after taking into account key controls and mitigating factors. Additional mitigating actions are identified and agreed with the relevant business owners.

As mentioned above, risks are managed at group level or within the business unit on an ongoing basis, with follow up and challenge by the Risk Management function throughout the year. At the group level each risk has an executive owner. The CEO has overall accountability for the control and management of risk. The group board has overall responsibility for risk management. An improved Control and Assurance function has also now been bedded in, with further roll out of a new Quality Assurance star formula approach ongoing.

The content of the Group Risk Register is considered and discussed through regular meetings with senior management and reviewed by the Executive Leadership Team, the Group Audit and Risk Committee and the Board. In 2021 the business upskilled its Risk Committee at group level, as part of a set of general strengthening of its group committees.

The key risks that PAS is exposed to are financial, strategic and operational risk. Within financial risks are included market, credit and liquidity risk. Alongside many of its peers, the business has also prioritised IT systems and infrastructure, and Cyber risk (within operational risks) in recent years and PAS continues to invest in this area, commensurate with its increase in scale.

Administration

People's Partnership remains committed to continuing to deliver the highest level of service alongside increasing customer numbers, and it has continued to fund resourcing over the last financial period to make sure standards stay high.

Employers can apply online for The People's Pension, where there is enhanced self-service functionality and increasing straight through processing. The Adviser Centre provides intermediaries with an online toolkit as well as the ability to access and service their schemes with The People's Pension. In addition to call and email servicing communication channels, the business has introduced online webchat functionality for members.

Benchmarks

All staff work to rigorous service level agreements (SLAs) to ensure that high levels of service are maintained. PAS reports that it continues to receive complaints from only a fraction of a percent of its member and employer customers. It receives positive NPS scores which have more than doubled through 2022, and many more transactions are being conducted online through TPP's member portal 'MyProducts' which is positive in terms of efficiency and allowing call metrics to improve. The group's own Customer Satisfaction Survey found that 83% [2021: 81%] of members that had interacted with TPP scheme were satisfied with the service they received, and complaints were at 0.7 per 1,000 transaction.

Over the years for its products and service, People's Partnership has received numerous accolades. The People's Pension is the flagship product and has most recently won the following:

- Best Master Trust at the Corporate Adviser Awards 2019
- Master Trust Offering of the Year at the Pensions Age Awards 2019
- Multi-Employer DC Provider of the Year at the Pensions expert Pension and Investment Provider Awards 2019

It also has current accreditation with various organisations:

- Investors in People - Silver (until 2022)
- Defaqto 5 Star Rating for Workplace Pension 2023
- Corporate member of the Plain Language Commission
- Corporate member of Pensions Administration Standards Association

Outsourcing

Outsourcing contracts are in place for TPP in respect of investment management with State Street Global Advisors Ltd (SSGA) and HSBC Global Asset Management (UK) Ltd, with investment advice provided by Barnett Waddingham LLP. Investment administration is provided by The Northern Trust Company.

The group also has agreements with CMS Cameron McKenna Nabarro Olswang LLP in respect of legal advice, Grant Thornton for tax advice, OAC for actuarial services for general insurance, Hyman Robertson for administration services, and Deloitte MCS is the group's outsourced actuarial function.



STRATEGY

Market Positioning

People's Partnership states that its core values - "Creating Simplicity, Understanding People and Keeping Our Promises" - drive everything it does. The group exists to provide profit for people - to "reinvest profits to achieve better financial outcomes for everyone", and that its priority is to keep delivering high quality service and support to its customers, while growing and innovating for the future.

The advent of automatic enrolment presented both a challenge and an opportunity for People's Partnership. The group felt that it was well placed to continue to specialise in workplace pensions and that in addition to continuing to serve the needs of the construction industry it also needed to broaden its appeal to the wider market in order to gain scale so as to be competitive compared to other schemes operating in the auto enrolment market. The People's Pension has become the flagship proposition for People's Partnership.

In recognising that the auto enrolment market is maturing, the People's Partnership states an intention to continue to work on its digital offering, to create further cost efficiencies in the business and to ensure that its customers can engage when, where and how they want to. The business is looking to expand its product range to offer additional support and adjacent propositions to customers. This is being enhanced initially through a new financial wellbeing proposition to support members with their holistic financial planning. By providing members with all the information they need to allow them to make informed decisions, they can be supported towards a secure retirement.

The group's approach to distribution has evolved as the shape of employers coming through the auto enrolment staging process has changed. In terms of new business acquisition, targeting opportunities and building relationships with key market influencers in the SME market, including payroll providers, accountants and bookkeepers, has become a priority area.

Resourcing has been aligned, through a series of changes, to match market requirements. This has seen the implementation and further resourcing up of a blended model with face to face support and specialist teams, as well as remote account managers and telephone marketing, matched to different distribution channel components.

Targeted direct channel campaigns continue to be used to communicate with smaller employers and raise awareness of TPP. People's Partnership is also making more and more use of digital media and fulfilment within its routes to market.

Proposition

PASL's principal activity is the administration of various financial products:

- The People's Pension - a multi-employer defined contribution occupational pension scheme
- Employee Life Cover plan from B&CE - a death benefit only occupational pension scheme
- Building and Civil Engineering Benefits Scheme - a multi-employer defined benefit occupational pension scheme
- Employee Accident Cover - a group accident insurance product provided by B&CEIL
- B&CE Term Life - life insurance protection (also referred to previously as term assurance)

The group business model in 2023 remained focused on workplace pension schemes, with business now directed towards The People's Pension, a trust-based arrangement.

The administration of the Benefits Scheme and the insurance and assurance products began on 1 April 2016. All of these products are available exclusively to construction employers and employees with the exception of The People's Pension, which is open to any employer.

Certain products for which PASL was administrator or registrar have been closed in recent years, including the TUTMAN B&CE Contracted-out Pension Scheme (closed in 2021/2022), the RapidCash and Personal Accident Insurance products, and the EasyBuild pension plan (with existing pensions savings transferred to TPP in 2018).

The decision on how to invest the funds rests with the Trustees of each scheme. Barnett Waddingham is investment adviser to the Trustees. The CIO leads People's Partnerships' investment management team and supports the board and

trustees in developing investment strategy. The majority of investments are managed by SSGA. There is a Shariah Fund managed by HSBC Global Asset Management.

PASL is also the promotional and marketing arm of the group, distributing any products that are offered in partnership with other financial services providers.



KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 March 2023

Capital Resources Disclosures

	Mar 21 £m	Mar 22 £m	Mar 23 £m
Available capital resources	83.6	99.0	33.0
Capital resources requirement (CRR)	39.2	47.4	33.0
Excess capital resources	44.4	51.6	0.0
CRR coverage ratio (%)	213	209	100

The table above for the periods ending 31 March 2021 and 2022 show the PPHL group capital and solvency position under the Solvency II regime. The figures include an additional £24m solvency requirement not related to SII; as part of the master trust authorisation of TPP, the group was required to hold at least £24m in cash and cash equivalents. This resulted in a total SCR coverage ratio figure of 209% as at 31 March 2022.

The group fell within SII in these years due to the insurance company B&CEIL within the group. However, as from 1 April 2022, B&CEIL is no longer subject to SII having fallen below the threshold for reporting. As such the group now reports (with effect from the year ending 31 March 2023) under the non-Solvency II firms sector of the PRA Rulebook, as a non-directive firm.

PASL is regulated by the FCA and throughout the year has more than covered its FCA capital requirement of £20k [2022: £20k].

PASL is subject to the Pensions Regulator requirements and has held the necessary reserves to meet its obligations throughout the financial year. Since 2019, the capital requirements of the group increased to support TPP obtaining master trust authorisation as it is administered by PAS (the additional capital requirement of £24m in 2021 and 2022 referred to above). As part of the master trust authorisation, various subsidiary undertakings were party to a guarantee provided to TPP. As at 30 May 2022, PAS terminated the 2019 Financial Support Undertaking deed (FSU). This had the effect of terminating all existing covenants, liabilities, and obligations under the 2019 FSU. Subsequent to the termination, PASL entered into a new FSU with TPP and this imposed an obligation on PAS to ring-fence and hold cash or cash equivalents reserves amounting to £33m.

At 31 March 2023, PASL held Master Trust reserves of £33m [2022: £23.5m], as calculated within the Costs, Assets, Liability and Plan. Since entering in to the new FSU with the Trustee of TPP, PASL has complied with the stipulation that the Master Trust reserves be held in separate ring-fenced accounts, to ensure ease of transferring the reserves into the pledged account in the unlikely occurrence of a trigger event.

B&CEIL's Life Insurance Protection product is in run-off with only a few policies remaining. Under the non-directive regulations, the CRR for B&CEIL was £5m in 2023, made up of £3m for the Long-Term Fund (LTF) and £2m for the General Fund (GF), based on the Base Capital Resources Requirement for Long-Term and General Insurance business respectively as set by the PRA rulebook.

The capital held within the shareholder funds is generally available to meet any requirements. From 1 April 2022 through to 22 June 2023, including as at 31 March 2023, the Long-Term Fund did not meet its capital requirements with a Financial

Strength Ratio (FSR) of 50%. This position has now been rectified following a transfer of assets amounting to £2m from the GF to the LTF on 22 June 2023.

Statement of Financial Position

	Mar 21 £m	Mar 22 £m	Mar 23 £m
Assets	43.7	53.6	51.6
Current liabilities	(9.9)	(9.1)	(8.3)
Long-term liabilities	0.0	0.0	0.0
Net assets	33.8	44.5	43.3

Statement of Changes in Equity

	Mar 21 £m	Mar 22 £m	Mar 23 £m
Equity at start of period	21.1	33.8	44.5
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	12.7	10.7	(1.2)
Other	0.0	0.0	0.0
Equity at end of period	33.8	44.5	43.3

Net assets decreased by £1.2m to £43.3m as at 31 March 2023, reflecting the loss of £1.2m in the year. Cash reduced by £4.0m to £40.6m; included in cash and cash equivalents is £33m of ring-fenced Master Trust reserves.

PASL had made losses historically, ostensibly where TPP was of insufficient scale, hence the administration fees charged were less than the costs of operating the scheme. The losses were covered predominantly by capital injections from PPHL, funded by dividend payments from B&CEIL.

TPP's growth performance and a change in fee structure had provided a profitable performance for PASL in 2022, with its P&L reserve improved to negative £20.5m [2021: negative £31.2m]. However, expenses rose in 2023 as the business invested in product enhancements and digitalisation of services, with an associated cost for staff resources, and the retained losses increased again to £21.7m. Notwithstanding this, PASL did not require any additional capital from its parent in 2023.

Income Statement

	Mar 21 £m	Mar 22 £m	Mar 23 £m
Revenue	58.7	73.7	78.7
Other operating income	0.4	0.2	(0.3)
Operating expenses	(49.8)	(61.7)	(81.8)
Operating profit (loss)	9.4	12.1	(3.4)
Other gains (losses)	0.0	0.0	0.5
Profit (loss) before taxation	9.4	12.1	(2.9)
Taxation	3.3	(1.5)	1.8
Profit (loss) after taxation	12.7	10.7	(1.2)
Other comprehensive income	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Retained profit (loss)	12.7	10.7	(1.2)

Financial Ratios

	Mar 21 %	Mar 22 %	Mar 23 %
Operating margin	16	17	(4)
Pre-tax profit margin	16	17	(4)
Employee costs as a % of revenue	45	40	50

For the year to March 2023, the increase in revenue was driven by a significant increase in TPP administration management fees received, up by £8.3m to £74.0m, an increase of 13%. During the year, TPP received £3.8bn [2022: £3.3bn] of gross contributions to the Scheme, and AuA increased by 15% to £20.2bn [2022: £17.6bn].

Additional revenue lines declined year on year, with the employer charge for new employers joining TPP down from £2.3m to £1.1m; fees for administration of the B&CE Benefits Scheme down from £3.2m to £2.8m; and registrar fees for the TUTMAN B&CE contracted out scheme reduced to nil [2022: £1.4m income] as the remaining members were transferred to TPP. Overall, total revenue increased by £5.0m to £78.7m [2022: £73.7m].

Operating expenses increased by 33% or £20.1m, to £81.8m [2022: £61.7m] as the group has grown and also invested in product enhancements and digitalisation of services to TPP members. There was additional headcount in this respect of both permanent and expert technical contractor resource, with staff resources, and the costs allocated to PASL were £39.5m [2022: £29.8m].

Statement of Cash Flows

	Mar 21 £m	Mar 22 £m	Mar 23 £m
Net cash generated from operating activities			
Net cash used in investing activities			
Net cash used in financing activities			
Net increase (decrease) in cash and cash equivalents	16.1	10.0	(4.0)
Cash and cash equivalents at end of period	34.5	44.6	40.6

Assets under Administration (AuA)

	Mar 21 £m	Mar 22 £m	Mar 23 £m
Assets at start of period	8,421	13,829	17,676
Inflows	3,249	3,587	3,800
Outflows	(337)	(583)	(347)
Net market and other movement	2,497	843	(929)
Assets at end of period	13,829	17,676	20,200
Growth rate (%)	64	28	14
Net inflows as % of opening AuA	35	22	20

The table above shows The People's Pension AuA only, around £20.2bn as at 31 March 2023, up by 15% despite turbulent market movements negatively impacting by £929.3m. The significant majority of assets are now held as cash or cash equivalents, including £33m of ring-fenced Master Trust reserves.

As regards legacy schemes, the B&CE Benefits Scheme which PAS administers is in run off with numbers and AuA reducing; and the TUTMAN B&CE Contracted-Out Pension Scheme (where PASL was registrar) was transferred to TPP at the start of the financial year.

Guide



INTRODUCTION

For over 30 years AKG has particularly focused on the financial strength requirements of financial advisers, who when acting on behalf of their clients, need to ascertain a company's ability to deliver sustained provision.

From this customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company (not some higher corporate entity) that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met.

It is also important to understand the sector approach (comparative peer groups) that is adopted in financial strength assessment and rating process.

At AKG, this is again driven by the end customer perspective and the fact that assessment is designed solely for this purpose, i.e. as a component in helping customers' advisers to select between comparable companies competing to deliver relevant products or services.

AKG's focus and approach has remained consistent over the years since it commenced assessment and rating support for the market. However, coverage, format and presentation has rightly evolved over this period, in line with the needs and expectations of assessment and rating users in the market. And AKG considers further changes on a continual basis.

Further details including an explanation of what is included in the assessment reports and coverage can be found online at <https://www.akg.co.uk/information/reports/provider>.

AKG's process for assessment and rating is to use a balanced scorecard of measures and comparative information, relevant to the companies contained within each peer group. This is gathered via Public Information only for non-participatory assessments and public information plus company interactions with companies for participatory assessments. Further details on AKG's process can be found at <https://www.akg.co.uk/information/reports>.

This includes further information on the different participatory and non-participatory basis and for companies wishing to learn more about participatory assessment AKG is pleased to outline this and welcomes contact.

This is a participatory assessment.



RATING DEFINITIONS

Overall Financial Strength Rating

The objective is to provide a simple indication of the general financial strength of a company from the perspective of those financial advisers who when acting on behalf of their clients need to ascertain a company's ability to deliver sustained operational provision of products or services.

The overall rating inherently reflects the mix of business within the company, since different types of customer or policyholder have different requirements and expectations, and the company may have particular strengths and weaknesses in respect of its key product or service areas. However, it also takes account of comparison across the sector in which it is assessed.

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management

strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

Rating Scale	A	B+	B	B-	C	D	■
	Superior	Very Strong	Strong	Satisfactory	Weak	Very Weak	Not applicable

With Profits Financial Strength Rating

The objective is to provide a simple indication of the with profits financial strength of a company, where it currently offers with profits business or has existing with profits business within it.

This is from the perspective of those financial advisers who when acting on behalf of their clients, for this product type, need to ascertain a company's ability to deliver sustained operational provision of with profits funds, products or propositions. Its comparison is with other companies within the assessment sector that offer or have with profits business.

The main criteria taken into account are: capital and asset position, expense position and profitability, the amount of with profits business in-force, parental strength (and likely attitude towards supporting the company), and image and strategy.

NOTE: More detailed analysis of with profits companies is included in AKG's UK Life Office With Profits Reports.

Rating Scale	★★★★★	★★★★	★★★	★★	★	■
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Unit Linked Financial Strength Rating

The objective is to provide a simple indication of the unit linked financial strength of a company, where it currently offers unit linked business or has existing unit linked business within it. This is from the perspective of those financial advisers who when acting on behalf of their clients, for this product type, need to ascertain a company's ability to deliver sustained operational provision of unit linked products or propositions. Its comparison is with other companies within the assessment sector that offer or have unit linked business.

The main criteria taken into account are: capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

Rating Scale	★★★★★	★★★★	★★★	★★	★	■
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Non Profit Financial Strength Rating

The objective is to provide a simple indication of the non profit financial strength of a company, where it currently offers or has existing products and propositions such as term assurance and annuities. This focuses on the company's ability to deliver sustained operational provision of such non profit products or propositions. Its comparison is with other companies within the assessment sector that offer or have non profit business.

The main criteria taken into account are: capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, product / service features, its operating environment and ability to withstand external forces.

Rating Scale	★★★★★	★★★★	★★★	★★	★	☐
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Service Rating

The objective is to assess the quality of the organisation's service to the intermediary market in respect of the brand concerned.

Criteria taken into account include: performance in surveys, awards and benchmarking exercises (external and internal), the organisation's philosophy, service charters, the extent of investments designed to improve service, and feedback from intermediaries.

Rating Scale	★★★★★	★★★★	★★★	★★	★	☐
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Image & Strategy Rating

The objective is to assess the effectiveness of the means by which the organisation currently positions itself to distribute its products for the brand concerned and the plans it has to maintain and/or develop its position.

Criteria taken into account include: overall trends in the company's market share position, brand visibility and reputation, feedback from intermediaries and industry commentators, and AKG's view of the company's general strategy.

Rating Scale	★★★★★	★★★★	★★★	★★	★	☐
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Business Performance Rating

This review is an assessment of how the company and the brand has fared against its peers, and how it is perceived externally. Effectively this is how it has performed recently in the market. Whilst it will include performance indicators from the most recent available statutory reporting (report and accounts and SFCRs in the case of insurance companies, for example) it will also draw on other recent key performance elements before and after such disclosure, up to the point at which the assessment is undertaken.

Criteria taken into account include: increase/decrease in market shares, expense containment, publicity good or bad, press or market commentary, regulatory fines, and competitive position.

Rating Scale	★★★★★	★★★★	★★★	★★	★	☐
	Excellent	Very Good	Good	Adequate	Poor	Not Rated



ABOUT AKG

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 30 years, specialised in the provision of assessment, ratings, information and market assistance to the financial services industry.

As the market has evolved over this period, the range of entities considered by AKG has expanded. Consequently, AKG has brought additional skill sets into its operations. This has meant the inclusion of accounting, corporate finance, IT and market intelligence experience, alongside actuarial resources, to deliver an expanded professional capability.

Today AKG's core purpose is in the provision of financial analysis and review services to support the wider financial services sector and its customers.

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