

PENSIONS POLICY INSTITUTE  
(A COMPANY LIMITED BY GUARANTEE)

REPORT FOR THE PERIOD  
1 FEBRUARY 2003 to  
31 JANUARY 2004

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(ENGLAND & WALES)

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## Chairman's Report

I am pleased to present to Governors the Third Annual Report of the Pensions Policy Institute.

### **The PPI's objectives and uniqueness**

The PPI has, in a short time, established itself as a unique independent voice on pension policy in the UK. The PPI is meeting its objectives and filling a gap in the pensions debate.

#### **The objectives of the PPI:**

- Provide relevant and accessible information on the extent and nature of retirement provision
- Contribute fact-based analysis and commentary to the policy-making process
- Extend and encourage pension research and debate among pension experts
- Be a helpful sounding board for providers, policy makers and opinion formers
- Inform the public debate on pensions issues

#### **Why the PPI is unique in the field of pensions:**

- Independent, with no political bias or vested interest
- Led by experts focused on pensions and retirement provision
- Considering the whole pension framework: state, private, and the interaction between them
- Pursuing both academically rigorous analysis and practical policy commentary
- Taking a long-term perspective on pension policy outcomes
- Encouraging dialogue and debate with multiple constituencies

Last year, I reported that the key activities of the PPI for 2003/4 would be to:

1. Continue to produce the highest quality research work
2. Extend the impact of the PPI's work in policymaking
3. Look for further funding

The remainder of this report updates you on the success of these activities, touches on some governance issues and looks ahead to next year.

**Highest quality research**

The PPI has published nine research reports since its launch in January 2002.

***State pension theme***

In the last year, the PPI consolidated its leading position on the subject of state pension reform. *A Guide to State Pension Reform*, published in July 2003, analysed the problems with the current pension system that demonstrate the need for reform of state pensions. There is now widespread agreement among most organisations in the pension community that the complexities of the current system, and the increasing prevalence of means-testing, are detrimental to the future of all pension provision. The PPI has demonstrated convincingly that pension reform should be considered from the viewpoint of state pensions. The interaction between state and private pensions is critical.

The PPI held a series of consultation seminars on the report with organisations such as the ABI, NAPF, EEF, TUC and the actuarial profession. The feedback gathered and published in *State Pension Reform: The Consultation Response* (March 2004) added depth to the research theme and confirmed the thrust of the PPI work.

In continuing work on state pension reform, the PPI will be testing possible reform models against the conditions for reform developed in *A Guide to State Pension Reform*. The first report on one of the models: *Citizen's Pension: Lessons from New Zealand* (also March 2004) assessed the feasibility of such a policy in the UK, for the first time drawing on the practical experience of a Citizen's Pension in another country.

**Explaining the facts**

In 2002, the PPI's first publication asked the question *Raising State Pension Age: Are we ready?* A year later, an update on the subject looked at the various arguments that had been made in response to the first document. Continued longer lives and low birth rates will ensure that this subject does not go away. The policy of raising state pension age has fervent opponents and supporters: it is an example of the type of subject that needs the PPI's fact-based, independent analysis so that the debate can take place with the right information.

Pension policy facts, trends and implications have to be clearly explained. Pensions is a complicated, large subject. It is not surprising that, as shown in *The Consultation Response*, many people who work in one area of pensions do not know important facts about other areas of pensions. An example is the myth that "everyone gets the same basic state pension".

As *The Under-pensioned*, a report published by the PPI in November 2003 showed, there is great diversity in the outcomes of the pension system – state and private. This report showed, as other groups have done, that women are more likely than men to be ‘under-pensioned’. It also analysed other likely candidates for under-pensioning: disabled people, people from ethnic minorities and people with work patterns different from the stereotype of full-time career-long employment. In fact, it showed that most people are likely to be under-pensioned compared to the stereotype that tends to be the focus of policymaking.

We were delighted to work with other interest groups to make this research as useful and realistic as possible, including Age Concern, the Policy Research Institute on Ageing and Ethnicity, the Equal Opportunities Commission and the Disability Alliance.

The PPI started a new initiative in the year to bring pension policy facts to a wider audience. **Briefing Notes** were designed as short, digestible summaries to clarify important points that are in danger of getting lost in the complexities of pension analysis. Ten Briefing Notes have been distributed so far via the PPI’s website [www.pensionspolicyinstitute.org.uk](http://www.pensionspolicyinstitute.org.uk).

### **Extending impact**

The sort of influence we seek is not that one particular policy is pursued, but rather that a policy decision is made with the best possible information. To achieve this, the PPI wants its work to have impact with a wide range of people involved in pensions policy.

Free availability of PPI reports is vital to this; as are free seminars for pension experts to discuss the findings of reports. Over 25,000 PPI papers were distributed in the year, and nearly 300 people attended PPI seminars.

The PPI does not seek media attention, so does not often comment on pension issues that have not been a research topic for the PPI. But we have been pleased that the findings of all major PPI reports reached a wider audience through media reports.

The PPI’s Director, Alison O’Connell, and Research Director, Chris Curry, speak at conferences and write articles to contribute to the public debate. Venues for speeches this year included the CBI, Help the Aged, the Royal Society of Arts (jointly with the Economist) and the Retirement Commission of New Zealand.

Most important of course is to have a strong reputation in Westminster. In setting up the PPI, I expected that this position would take a while to achieve. I am pleased to report that it is happening more quickly than I expected and that there is a gradual increase in PPI time spent with opposition as well as with government politicians and officials, as well as engagement at Westminster on PPI reports.

Following the PPI's much-quoted evidence to the House of Commons Select Committee, this year the PPI gave evidence to the House of Lords Committee on Economic Affairs. The Committee's report on the economic aspects of an ageing population covered many PPI themes such as state pension reform and the raising of state pension age.

### **Further funding**

When initial funding was secured for the PPI, many corporate donors committed to a three year donation programme. As we come to the end of that period, we wanted to put the regular funding on a more structured footing, and be clearer what benefits donors receive for supporting the PPI.

We launched the PPI Membership Scheme this year, and I can report that most donors are choosing to renew on this basis. We are pleased that this confirms the PPI is fulfilling a valued role. We are also extremely encouraged that some donors increased their contributions, and that some organisations will become PPI Members for the first time in 2004.

As well as securing regular funding, we wanted to diversify sources of funding. There are obvious financial benefits of so doing, and different sources of funding show that the PPI's work is of value to a wide range of organisations with a stake in pensions.

In 2003, we obtained the PPI's first piece of commissioned research, from the Equal Opportunities Commission, to analyse the impact of introducing compulsory unisex annuity pricing. This is of course another example of a pension-related subject where facts can be clouded by opinion. We expect further commissioned work in future; and in line with our charitable object of education, we will always seek to publish our analysis.

One of our most pleasing achievements in 2003 was to receive a grant from the Nuffield Foundation. This substantial three-year award makes possible the development of a new economic modelling tool which opens up the prospect of analysing long-term outcomes from pension policy models. By integrating analysis of the implications for individuals, the aggregate costs and the distributional consequences of policy reform, the tool will enable accessible policy analysis on a consistent basis. It will therefore benefit everyone involved in policy reform analysis, and add to the PPI's effectiveness.

### **Governance**

Given the growth in the PPI's activities, Council decided in 2003 to set up sub-Committees so that Council Members' time could be focused on overseeing specific areas. This has worked very well, and I would like to thank all members of Council who have taken on these additional duties, particularly the Chairmen of the Finance and Funding sub-Committees, David Yeandle and Peter Thompson.

All Council members play an active role in the PPI. If not members of committees, they review PPI research and are always available for support. I am delighted that all Council Members want to carry on in that role.

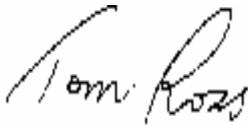
### **Next year**

The PPI has a busy research agenda planned for 2004. Analysis will continue on the pension reform theme, and private pensions specifically will be the subject of two PPI reports.

The Pensions Commission will publish its first report in 2004. We are often asked how we work with the Pensions Commission. We hope and expect that PPI analytic work has been useful to the Commission as it has undertaken its first forays into assessing the pensions scene. When it moves on to comment on what should be done, we expect that our research work on reform will be of value.

The PPI has demonstrated that it is filling the pensions policy analysis gap identified by my colleagues in the Pension Provision Group in 1998. Next year will be a year of more high quality independent research work promoting the study of pensions and other provision for retirement and old age

The PPI is a small team that 'punches above its weight' in the pensions policy arena. The team has expertise in its subject, energy and commitment to the PPI. I am confident that the PPI will continue to be a valuable and important force in pensions, and fulfil the confidence governors, donors and other supporters have placed in it.



T M Ross OBE  
Chairman  
24 May 2004

## Legal and Administrative Information

### Constitution

The Pensions Policy Institute is a company limited by guarantee and a registered charity governed by its memorandum and articles of association. Charity number: 1087856. Company number: 4145584.

### Directors and Trustees

The directors of the charitable company (the “Institute”) are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. As set out in the articles of association the chairman of the trustees is elected by the Council, the trustees are eligible for trusteeship only if they are governors and the Institute Director is to be an ex officio member of the Council.

The trustees serving on the Council during the year and since the year end were as follows:

Nominated chairman	Tom Ross	
Elected trustees	Professor Janet Askham	(appointed 30 April 2002)
	Professor Eileen Evason	(appointed 30 April 2002)
	Professor Ruth Hancock	(appointed 10 June 2003)
	Paul Johnson	(appointed 10 June 2003)
	John Pearson	(appointed 30 April 2002)
	Stewart Ritchie	(re-elected 10 June 2003)
	Rhoslyn Roberts	(appointed 30 April 2002)
	Tom Ross	(re-elected 10 June 2003)
	Joanne Segars	(appointed 10 June 2003)
	Teresa Sienkiewicz	(appointed 10 June 2003)
	Peter Thompson	(appointed 10 June 2003)
	Sue Ward	(appointed 30 April 2002)
	David Yeandle	(re-elected 10 June 2003)
	Andrew Young	(appointed 30 April 2002)
Institute Director	Alison O’Connell	
Secretary	Alison O’Connell	(appointed 30 April 2002)
President	Professor Sir George Bain	

## Institute Governors

Ian Alexander	Baroness Sally Greengross OBE	Brian Ridsdale
Ros Altmann	Professor Ruth Hancock***	Stewart Ritchie OBE***
Professor Janet Askham***	Sarah Harper	Rhoslyn Roberts***
Professor Sir Tony Atkinson	Sir Graham Hart	Sir Steve Robson
Professor Sir George Bain*	Ann Hope	Michael Ross CBE
Brendan Barber	Sue Howlett	Tom Ross OBE**
Scott Bell CBE	Nigel Inglis Jones QC	Alastair Ross Goobey CBE
Professor Richard Berthoud	Paul Johnson***	Jane Samsworth
Rodney Bickerstaffe	Michael Lake CBE	Richard Saunders
Professor Philip Booth	Desmond Le Grys	Joanne Segars***
Dame Ann Bowtell	Chris Lewin	Teresa Sienkiewicz***
Professor Jonathan Bradshaw	Paul Lewis	Paul Smee
Professor Gordon Clark	Gordon Lishman OBE	Brian Spence
Professor Sir Graeme Davies	Iain Lumsden	Richard Stroud
Evan Davis	Anne Maher	Peter Thompson***
Professor Richard Disney	Bert Massie CBE	Paul Thornton
Kenneth Dixon CBE	Harriet Maunsell OBE	Nick Timmins
Professor John Ermisch	Professor David Miles	Professor Robert Walker
Professor Eileen Evason***	Professor Jane Millar OBE	Sue Ward***
Jane Falkingham	Peter Murray	Martin Weale CBE
Terry Faulkner	Professor Sir Alan Peacock	Edward Weiss
Mary Francis	John Pearson***	Anne Wood
Norman Glass CB	Michael Pomery	David Yeandle***
		Andrew Young***

\* President

\*\* Chairman of Council

\*\*\* Council Members

Registered office	21 Holborn Viaduct London EC1A 2DY
Auditors	Hard Dowdy 23/28 Great Russell Street London WC1B 3NG
Bankers	Unity Trust Bank Nine Brindley Place 4 Oozells Square Birmingham B1 2HB
Solicitors	Lovells Atlantic House Holborn Viaduct London EC1A 2FG

## **Council's Report**

The Council are pleased to present their report together with the financial statements of the Institute for the year ended 31 January 2004.

Legal and administrative information set out on pages 9, 10 and 11 form part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities issued by the Charity Commission.

### **Object and Powers of the Institute**

The Institute is established for the advancement of education for the benefit of the public by the promotion, on a non-political basis, of the study of, and the dissemination of the useful results of the study of, pensions and other provision for retirement and old age, and the economic and social effects and influences of existing arrangements and possible changes to them. To achieve this the Institute shall have power to

- promote or carry out research or policy analysis
- collect, analyse, publish or distribute information
- provide advice and consider or comment on draft legislation and other policy proposals
- initiate, promote, hold and generally arrange meetings, lectures, seminars and other functions
- initiate, hold, direct, manage and take part in conferences, congresses and other gatherings
- establish Chairs or research fellowships in pension related studies at universities in the United Kingdom and elsewhere and at other educational establishments and elsewhere as may be desirable, to promote and provide courses of instruction and training for persons who may require education in the same field
- found, maintain, aid and endow prizes, scholarships and bursaries for the remuneration, instruction and support of students or persons engaged in research work
- co-operate with other bodies

**Organisation**

The Council of up to 15 members oversee the management of the Institute. They meet as they see fit for the despatch of Institute business. Four sub-Committees have been established to focus on four specific areas:

<b>Finance</b>	Chair :	David Yeandle
	Members:	Theresa Sienkiewicz Rhoslyn Roberts
<b>Funding</b>	Chair:	Peter Thompson
	Members:	John Pearson Stewart Ritchie Tom Ross
<b>Nominations</b>	Chair:	Tom Ross
	Members:	Janet Askham Andrew Young
<b>Remuneration</b>	Chair:	Tom Ross
	Members:	Rhoslyn Roberts Paul Johnson

The Director manages the Institute's business on a day-today basis.

**Investment Powers**

Under the Memorandum and Articles of Association, the Institute has the power to deposit or invest funds in any manner (but to invest only after obtaining advice from a financial expert and having regard to the suitability of investments and the need for diversification).

**Reserves Policy and Risk Management**

The Institute is carrying an unrestricted general reserve in the balance sheet at 31 January 2004 of £133,171 (2003 - £168,688) and restricted funds of £7,609 (2003 - £0).

We can confirm that the major risks to which the charitable company is exposed, as identified by the Council, have been reviewed and systems have been established to mitigate those risks.

**Council's responsibilities in relation to the financial statements**

Company law requires the Council to prepare financial statements that give a true and fair view of the state of affairs of the charitable company at the end of the financial year and of its surplus or deficit for the financial year. In doing so the council is required to:

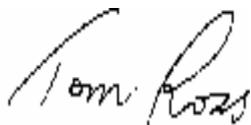
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The Council is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and enable it to ensure that the financial statements comply with the Companies Act 1985. The Council is also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

A resolution will be proposed at the Annual General Meeting that Hard Dowdy be re-appointed as auditors to the Institute for the ensuing year.

By order of the Council



T M Ross OBE  
PPI Chairman  
24 May 2004



D Yeandle  
Chairman of the Finance Sub Committee  
24 May 2004