

PENSIONS POLICY INSTITUTE

PPPI

ANNUAL REPORT AND FINANCIAL STATEMENTS

1 FEBRUARY 2008 to 31 JANUARY 2009

REGISTERED COMPANY NO: 04145584

CHARITY NO: 1087856

(ENGLAND & WALES)

Annual Report and Statement of Financial Activity

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Chairman's report

I present to the Governors the Eighth Annual Report of the Pensions Policy Institute. The Council Report which follows gives a full account of the Institute's activities over the past year.

Tom Ross OBE retired at the PPI AGM last June after contributing for almost ten years to the development of pensions policy. I would personally like to take this opportunity to thank him for his significant role in establishing and developing the PPI to become an independent authoritative voice for pensions and retirement policy.

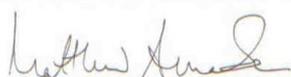
In 2008/9 the PPI published a wide range of research reports including three major pieces of research and regular briefing notes on topical pensions issues. Research publications included a widely publicised report on the impact of the Government's reforms to public sector pensions, a report on the under-pensioned and a discussion paper about the implications of permitting early access to some pension saving. This research was presented at PPI policy seminars to a wide audience including MPs from all parties, Government officials, the pensions industry and others with an interest in pensions and retirement policy.

The Government continued with its pension reform programme and the introduction of auto-enrolment and personal accounts. The PPI played an active part in the DWP's work programme looking at financial incentives to save.

Council held its Strategy Day in January 2009. We agreed that, as the Government's private pension reforms are more focused on delivery and implementation, the PPI's research focus would be on broader retirement income provision policy issues. A major strand of this work will be the PPI's forthcoming research into retirement income and assets.

I would like to thank our Supporting Members, organisations which commission research or provide us with grants, and individuals who review papers, participate in our seminars and so on. I look forward to continuing to work with you over the coming year.

I would like to end by thanking Tom, Niki, the PPI Council and the team for all of their hard work over the last year. I look forward to the continued success of the PPI.



Matthew Annable
Chairman

Council's report

The Council is pleased to present the Annual Report and the Financial Statements of the Pensions Policy Institute (the 'Institute') for the year ended 31 January 2009.

The Council confirms that the Annual Report and Financial Statements of the Institute comply with current statutory requirements, the requirements of the Institute's governing document and the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in 2005.

Council Members

Matthew Annable (Chairman)	(appointed 2008)
Professor Nicholas Barr	(appointed 2008)
Nicola Cleal (ex officio)	(appointed 2006)
Laurie Edmans CBE	(appointed 2007)
Professor Ruth Hancock	(appointed 2001, re-elected 2007)
Paul Johnson	(appointed 2001, re-elected 2007)
Harriet Maunsell OBE	(appointed 2005, resigned 2008)
Michael Pomery CVO	(appointed 2006)
Rhoslyn Roberts	(appointed 2002, re-elected 2008)
Tom Ross OBE (ex Chairman)	(appointed 2001, resigned 2008)
Joanne Segars OBE	(appointed 2001, re-elected 2007)
Teresa Sienkiewicz	(appointed 2003, re-elected 2006)
Paul Stannard	(appointed 2007)
Peter Thompson	(appointed 2003, re-elected 2006)
David Yeandle OBE	(appointed 2001, re-elected 2006)
Andrew Young	(appointed 2002, re-elected 2008)

Institute Director	Nicola Cleal
Company Secretary	Nicola Cleal
President	Baroness Sally Greengross OBE (appointed 2004)

Governors

Dr Ros Altmann	Tony Hobman	Derek Sloan
Matthew Annable**	Caroline Instance	Brian Spence
Mark Ashworth	Paul Johnson*	Paul Stannard*
Professor Sir Tony Atkinson	John Kay	Richard Stroud
Professor Nicholas Barr*	Lord Kirkwood of Kirkhope	Peter Thompson*
Professor Richard Berthoud	Michael Lake CBE	Otto Thoresen
Rodney Bickerstaffe	Richard Lambert	Paul Thornton
Professor Philip Booth	Chris Lewin	Nick Timmins
Ronnie Bowie	Paul Lewis	Anthony Tomei
Dame Ann Bowtell	Gordon Lishman OBE	Lord Turner of Ecchinswell
Duncan Brown	Anne Maher	Julia Unwin CBE
Robert Chote	Harriet Maunsell OBE	Professor John Van Reenen
Professor Gordon Clark	Professor Stephen McNair	Professor Robert Walker
Simon Davies	Professor David Miles	Dr Martin Weale CBE
Professor Richard Disney	Peter Murray	Edward Weiss
Kenneth Dixon CBE	Alison O'Connell	Kevin Wesbroom
Jeannie Drake	Professor Sir Alan Peacock	David Yeandle OBE*
Laurie Edmans CBE*	John Pearson	Andrew Young*
Professor John Ermisch	Alan Pickering CBE	
Andrew Evans	Michael Pomery CVO*	
Professor Eileen Evason	Dr Katherine Rake	
Professor Jane Falkingham	Brian Ridsdale	
Christine Farnish	Stewart Ritchie OBE	
Terry Faulkner	Rhoslyn Roberts*	
Mary Francis CBE	Sir Steve Robson	
Norman Glass CB	Michael Ross CBE	
Baroness Greengross OBE***	Tom Ross OBE	
Stephen Haddrill	Jane Samsworth	
Professor Ruth Hancock*	Richard Saunders	
Dr Sarah Harper	Joanne Segars OBE*	
Professor John Hills	David Severn	
Chris Hitchen	Teresa Sienkiewicz*	

Our condolences to the family and friends of Professor Janet Askham, Desmond Le Grys and Alastair Ross Goobey CBE who served as Governors of the PPI and passed away in 2008.

*** President

** Chairman of Council

* Council Members (at 31 Jan 09)

Objectives and activities

The PPI is an educational charity which provides non-political, independent comment and analysis on pension policy and retirement income provision in the UK.

The objectives of the PPI are to

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

The PPI is unique in the field of pensions because it

- Is independent, with no political bias or vested interest
- Is led by experts focused on pensions and retirement income provision
- Considers the whole pensions framework: state, private, and the interaction between them
- Pursues both academically rigorous analysis and practical policy commentary
- Takes a long-term perspective on pensions policy outcomes
- Encourages dialogue and debate with multiple constituencies.

PPI and Public Benefit

The PPI Council discussed the Charities Commission guidance on public benefit. The Council's view is that the PPI complies with the guidance because

- All PPI research is published and is publicly available to all to download from the website ensuring the broadest possible reach for the research
- All members of the public benefit if the policy debate on pensions and retirement provision is informed by apolitical, independent and evidence-based research
- Any individual or organisation can commission research from the PPI provided:
 - The research falls within the PPI's charitable objective;
 - The PPI has the skills and capability to conduct the research and
 - The organisation is able to fund the research and is content for the research to be published.
- Any organisation can join the PPI's supporting membership scheme if it wishes to attend the PPI's research seminars and keep abreast of the PPI's research. A reduced membership rate applies for charities and charitable trusts.

Achievements and performance

The policy context

This was another busy year for pension policy. The UK Government secured Royal Assent for the Pensions Act 2008 in November 2008. The Act enshrined in legislation a wide-ranging set of pension reforms that place a legal duty on employers, for the first time, to auto-enrol employees into pension saving in the UK from 2012. The Act also set out how the Government's new low cost occupational pension scheme – called personal accounts will operate.

The Pensions Bill was hotly debated in both the House of Commons and the House of Lords. Key issues discussed were, among others, the interaction of the private pension reforms with means-tested benefits, the risks of employers levelling-down their contributions, whether the Government should enable more risk-sharing by pension schemes and comparisons of pensions in the public and private sectors. The Bill received Royal Assent in November 2008 and became the Pensions Act 2008.

In response to the concerns expressed in Parliament and by other stakeholders about the interaction of the reforms with means-tested benefits, the Government established a work programme to look at the financial incentives to save in a pension. This culminated with a research report published by the DWP in February 2009.

Research and information output

In 2008/9, the PPI published three major new research reports including a widely publicised report on the impact of the Government's reforms to public sector pensions, a report on the under-pensioned with a particular focus on black and ethnic minority groups and the disabled and a discussion paper about the implications of permitting early access to some pension saving.

The PPI also continued to provide facts and evidence about the pensions framework as a whole and published regular briefing notes on a wide range of topics relating to pensions and retirement income provision. In total, there were approximately 90,000 downloads of PPI reports and briefing notes from the PPI website, a continuation of the upward trend seen in recent years. The PPI had three research themes for 2008/9.

Theme 1: Providing an evidence base on current and future trends in retirement income provision in the UK

The PPI has continued to maintain and update its description of the pensions framework in the UK – *The Pensions Primer*. The update reflects the policy position as at April 2008 and details forthcoming changes in the system that has already been announced (such as the change in qualification conditions for the Basic State Pension). The Primer continues to be one of the most frequently downloaded publications from the PPI's website with 6,225 downloads during 2008/9.

Pensions Facts, a compendium of key facts and figures on demography, state pensions, private pensions and working at older ages, has also been updated regularly. It is a useful source of information and statistics for those with an interest in data on retirement and pension provision.

The PPI is part of a consortium awarded a grant by the Economic and Social Research Council (ESRC) and other Research Councils to model the needs and resources of older people to 2030 in collaboration with researchers at the University of East Anglia, University of Leicester, London School of Hygiene and Tropical Medicine, and the London School of Economics. The three-year study started in January 2007. In addition the PPI was commissioned directly by the Department of Health to do further work to feed into the Department of Health's forthcoming Green Paper on social care.

The Equality and Human Rights Commission (EHRC) commissioned the PPI to examine the extent to which ethnic minority and disabled people are 'under-pensioned'. The final report *The under-pensioned: ethnic minorities and disabled people* was published in November 2008. EHRC held a policy roundtable in March 2009 at which the PPI presented the report findings.

Theme 2: The design and policy implications of the Government's state and private pension reforms

In January 2008 the PPI gave oral and written evidence to the Pensions Bill Committee on the Government's private pension reforms. The PPI highlighted that, while many people stand to gain from the Government's reforms, there are issues around the interaction of the reforms with means-tested benefits for some people and some risks and uncertainties about how employers may respond to the reforms.

The DWP announced its *Incentives to Save work programme* looking at financial incentives to save in pensions. The PPI provided guidance on the analysis undertaken and played a leading role in the workshops. The final report from the work programme was published by the DWP in February 2009 and the PPI responded to this report.

The PPI held a seminar *Improving the value of saving in personal accounts and exempt schemes* co-sponsored by B&CE Benefit Schemes and the Equality and Human Rights Commission (EHRC) in March 2008 on the issue of whether it will pay to save in personal accounts and exempt pension schemes.

As the Pensions Bill 2008 continued through Parliament and the personal accounts delivery authority (PADA) began to build the personal account framework, the PPI continued to research and provide evidence to help develop policy. The PPI submitted a response to the PADA consultation on the charging structure for personal accounts in April 2008. The response was based heavily on the PPI research undertaken in March 2007 *Charging structures for personal accounts*.

Theme 3: The future of existing occupational pension provision

The Nuffield Foundation funded a major piece of PPI research into the public sector pension schemes. The report analysed the impact of the Government's public sector pension reforms for public sector employees, for the sustainability of the public sector schemes and for the comparison between pay and pensions in the public and private sectors. The research resulted in a PPI report *An assessment of the Government's reforms to public sectors pensions* which was launched at a seminar in October 2008. The research received widespread media coverage and has been referred to extensively by politicians and others with an interest in this debate. The research has been downloaded more than 3,700 times in around 4 months, an indicator of the considerable interest in public sector pensions.

Research commissioned by B&CE Benefit Schemes and Legal & General provided an initial, independent assessment of a potential policy of permitting early access to private pension saving in the UK. The research explores the pros and cons of alternative policy options which could be implemented to allow early access to pension saving. The report *Would allowing early access to pension savings increase retirement incomes?* was published in November 2008 and following a press roundtable received extensive coverage in the trade press and on the BBC website. In January 2009, the PPI held a limited invitation-only policy round table (attendees included Rosie Winterton MP, Nigel Waterson MP, Baroness Hollis and Tim Jones, the Chief Executive of PADA) to discuss the policy issues arising from the early access report.

The DWP published a consultation paper outlining a number of approaches to risk-sharing which are possible under the current regulatory framework. The PPI submitted a response to the *DWP Risk Sharing* following on from the research undertaken on the future for Defined Benefit schemes in the private sector in 2007.

PPI Supporting Members event

Every year a special event is held for the PPI's Supporting Members. The 2008/9 event took the form of a *PPI policy seminar on lessons from KiwiSaver*. The policy aimed to consider the lessons that the UK could learn from the New Zealand experience of implementing the KiwiSaver scheme. Speakers were the PPI's former Director, Alison O'Connell, and Cathy Magiannis from the New Zealand Inland Revenue. The seminar was hosted by one of the PPI's Platinum Supporting Members, Hewitt Associates, in July 2008.

PPI encouraging debate

The PPI has continued to act as a focal point for debate and discussion on pension reform and retirement provision throughout the year. New PPI research was presented at a number of policy seminars that were attended by Ministers, politicians from all of the main political parties, Government officials, other policy makers in representative organisations, pensions and the wider financial services industry. In total, more than 200 people attended PPI events. The Chairman, Director, Research Director and Senior Policy Analyst also spoke at a wide range of external conferences and events on pensions and retirement issues.

PPI interaction with Government and policymakers

The PPI has continued to have regular meetings with senior politicians, officials, industry and representative organisations. The PPI met regularly with Rosie Winterton MP (Minister for Pensions and the Ageing Society) and her predecessor Mike O'Brien MP (Minister of State for Pensions Reform), and the Opposition spokespeople on pensions: Jenny Willott MP and Chris Grayling MP and Nigel Waterson MP. We also met regularly with officials at the Department for Work and Pensions (DWP), personal accounts delivery authority (PADA), HM Treasury and Government Actuary's Department (GAD) to discuss research and economic modelling.

PPI governance

At the June 2008 AGM, the PPI officially said goodbye to Tom Ross OBE and welcomed Matthew Annable as the new PPI Chairman.

The PPI Council conducted a skills audit and concluded that broadly it has the right mix of skills and expertise. Council has co-opted one of the PPI Governors to assist the Governance Committee in any governance and HR issues that may arise.

Council Members are elected by the PPI's wider group of Governors at the PPI's AGM each year in June. The PPI currently has 82 Governors who are drawn from a diverse range of professional backgrounds. The PPI will conduct an audit of Governors expertise so that the PPI continues to have access to the appropriate skills and knowledge to ensure the Institute continues to meet its objectives.

Related party relationship

The National Association of Pension Funds (NAPF), where the Chief Executive, Joanne Segars OBE, is also a Council Member of the Institute, is a silver level supporting member of the PPI and contributed £6,500 this year.

Financial review

Reserves policy

The Council has established a reserves policy, which ensures an adequate level of funds is maintained to allow the PPI to be managed efficiently and to provide a contingency reserve in the event of financial difficulty.

The Council believes that the minimum level of the PPI's reserves should be equivalent to six months' operating costs. Six months will allow the PPI to honour its contractual liabilities (e.g. staff notice periods, some of which are six months). There are no long-term leases or contracts that need to be taken into consideration. Both the level of reserves and the policy are reviewed on an annual basis.

At the end of the last financial year, 31 January 2009, the free reserves were at £261,149 (2008: £230,400) including deferred income of £120,225 (2008: £103,942). This is sufficient for the PPI to continue operating for at least 8 months, in line with its reserves policy.

PPI financial position

The PPI's core research and information activities for 2008/9 were funded by regular donations made by Supporting Members, of whom there are currently 27. Membership income funds activities such as core research reports, briefing notes, speeches and presentations. The membership income is also essential for the ongoing viability of the Institute as it provides a regular stream of income.

In 2007 the PPI reviewed its membership scheme and as a result introduced three PPI membership levels from 2008/9: platinum, gold and silver. It is pleasing to report that during the year the PPI gained one new Platinum member, one new Gold member, one new Silver member and an existing member upgraded from Silver to Gold level membership. Unfortunately, this year two Supporting Members did not renew their membership due to the current economic climate.

The PPI is extremely grateful to all of its Supporting Members for their continued support.

In line with the Statement of Recommended Practice (SORP) for all registered charities, the portion of Supporting Members' donations that relates to the subsequent financial year is treated, for accounting purposes, as deferred income.

In 2008/9, research was commissioned by the Equality and Human Rights Commission (EHRC), B&CE Benefit Schemes and Legal and General. The Nuffield Foundation provided grant funding for the research on public sector pensions and the PPI is also a member of a consortium funded by a grant from a number of Research Councils on Modelling Ageing Populations to 2030 and beyond.

The PPI had six full-time members of staff for most of 2008/9. The financial objective for 2008/9 agreed by Council was for the PPI to breakeven and this objective has been met.

Investment policy and performance

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).

Risk management

The Council has assessed the major risks to which the Institute is exposed, in particular those related to the operation and finances of the Institute, and is satisfied that systems are in place to mitigate its exposure to the major risks.

Auditors

Haysmacintyre are willing to be re-appointed in accordance with section 485 of the Companies Act 1985. A resolution for the appointment of the auditors will be put to the Governors at the AGM on 10 June 2009.

Plans for the future

In 2009/10 the PPI embarks on a series of research reports looking at different aspects of retirement assets and income. The research will consider the needs of pensioners for income in retirement and the respective roles that state and private pensions, housing, other assets, and earnings can play in meeting those needs.

Research has recently started for this project and the research reports will be published throughout 2009. The research is being sponsored by a consortium of organisations which include: the ABI, Age Concern and Help the Aged, the DWP, the Investment Management Association, JP Morgan Asset Management and the Prudential.

The PPI will also continue to provide facts and evidence on the pensions policy framework and to research aspects of pensions policy in relation to the Government's pension reform agenda.

The PPI's financial objective for 2009/10 is to breakeven. Previously the PPI had hoped to be on a growth trajectory but in light of the current economic climate these plans have been deferred. Overall, the PPI is making steady progress towards meeting its financial objective for 2009/10 which, though challenging, looks to be achievable.

Structure, governance and management

Constitution and objects

The Institute was formed on 22 January 2001 and is registered as a charitable company limited by guarantee. It is governed by its Memorandum and Articles of Association ('constitution').

The principal object of the Institute is 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.

There have been no changes in the objectives since the last Annual Report.

Council Members' liability

As a company limited by guarantee, the Institute has a maximum of 100 members ('Governors'). Governors have voting rights and their responsibilities are as stated in the Institute's constitution. As members, Governors guarantee to contribute an amount not exceeding £1 to the assets of the Institute in the event of winding up.

The Governors who served during this period are set out on page 3.

The management of the Institute is the responsibility of the Council Members, who are elected from the body of Governors.

Council Members

Council Members are directors for the purposes of company law and trustees for the purposes of charity law. Council Members are responsible for the management of the Institute, and are elected and co-opted in accordance with the constitution.

In accordance with the constitution, the minimum number of Council Members in office at any given time must be seven. The Council has the power to appoint any Governor to be a Member of the Council at any time up to the maximum fixed number, currently fifteen persons including the Director who is ex-officio. The Council Members who served during this period are set out on page 2.

At the Annual General Meeting on 10 June 2009, one-third of the Members of the Council or the number nearest to one third shall retire from office. All retiring Members of the Council shall be eligible for re-election.

The Council Members retiring on 10 June 2009 are Michael Pomery CVO, Teresa Sienkiewicz, Peter Thompson and David Yeandle OBE. All will be standing for re-election.

Organisational structure and decision making

The Council is responsible for the overall control of the Institute's operations and meets regularly to review the performance of the Institute, and to authorise strategic decisions. Four Sub-Committees were active throughout the course of the year on specific areas of the Institute's management:

Finance	Chair:	David Yeandle
	Members:	Teresa Sienkiewicz Rhoslyn Roberts
Funding	Chair:	Matthew Annable
	Members:	Laurie Edmans Joanne Segars Andrew Young
Governance	Chair:	Michael Pomery
	Members:	Matthew Annable Paul Stannard Duncan Brown (co-opted)
Remuneration	Chair:	Matthew Annable
	Members:	Paul Johnson Peter Thompson

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

Council's responsibilities

The Council of the Institute is responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company and charity law require the Council to prepare Financial Statements for each financial year. Under that law, the Council has been elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these Financial Statements, the Council is required to:

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to 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.

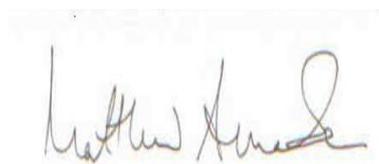
So far as each member of the Council is aware at the time the Report is approved:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- Council Members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

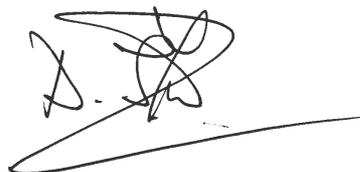
Approval

This Report was approved by the Council on 23 April 2009 and signed on its behalf:

By order of the Council



Matthew Annable
Chairman
23 April 2009



David Yeandle OBE
Chairman of the Finance Sub-Committee
23 April 2009

Reference and administrative details

Company registered number	04145584
Charity registered number	1087856
Principal operating office	Pensions Policy Institute King's College 26 Drury Lane London WC2B 5RL
Registered office	10 Snow Hill London EC1A 2AL
Company secretary	Nicola Cleal
Auditors	haysmacintyre Chartered Accountants Registered Auditors Fairfax House 15 Fulwood Place London WC1V 6AY
Bankers	Unity Trust Bank Nine Brindley Place 4 Oozells Square Birmingham B1 2HB Cater Allen Private Bank 9 Nelson Street Bradford BD1 5AN
Solicitors	Travers Smith 10 Snow Hill London EC1A 2AL

Independent auditor's report to the members of the Pensions Policy Institute

We have audited the Financial Statements of the Pensions Policy Institute for the year ended 31 January 2009 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes, set out on pages 17-25. These Financial Statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This Report is made solely to the Institute's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Institute's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and the Institute's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the Council Members and auditors

As described in the Statement of Council Members' Responsibilities, the Institute's Council is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Council Members are also Directors of the Pensions Policy Institute for the purposes of company law.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Council's report is consistent with the Financial Statements. We also report to you if, in our opinion the Institute has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Council Members' remuneration and transactions is not disclosed.

We read through the Council's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Council Members in the

preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Institute's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Institute's affairs as at 31 January 2009 and of its incoming resources and application of resources in the year then ended, including its income and expenditure;
- the Financial Statements have been properly prepared in accordance with the Companies Act; and
- the information given in the Council's Report is consistent with the Financial Statements.



haysmacintyre
Chartered Accountants
Registered Auditors
Fairfax House
15 Fulwood Place
London WC1V 6AY

Date: 23 April 2009

Statement of Financial Activities for the year ending 31 January 2009 (incorporating income and expenditure account)

	Note	Restricted Funds 2009 £	Unrestricted Funds 2009 £	Total Funds 2009 £	Total Funds 2008 £
Incoming resources					
<i>Incoming resources from generated funds:</i>					
Investment income	3	-	6,904	6,904	6,938
<i>Incoming resources from charitable activities:</i>					
Research	2	77,269	309,071	386,340	418,451
Total incoming resources		<u>77,269</u>	<u>315,975</u>	<u>393,244</u>	<u>425,389</u>
Resources expended					
<i>Charitable activities:</i>					
Research	5	77,269	227,385	304,654	299,690
<i>Governance:</i>	4, 5	-	74,336	74,336	69,343
Total resources expended		<u>77,269</u>	<u>301,721</u>	<u>378,990</u>	<u>369,033</u>
Net (expenditure)/ income for the year		-	14,254	14,254	56,356
Total funds at 1 February 2008		-	129,327	129,327	72,971
Total funds at 31 January 2009		<u>-</u>	<u>£143,581</u>	<u>£143,581</u>	<u>£129,327</u>

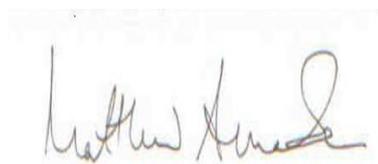
The Statement of Financial Activities includes all gains and losses recognised in the year. The notes on pages 19-25 form part of these Financial Statements.

Balance sheet as at 31 January 2009

	Note	£	2009 £	£	2008 £
Fixed assets					
Tangible fixed assets	9		2,657		2,869
Current assets					
Debtors	10	26,371		66,062	
Cash at bank		251,994		186,760	
			<u>278,365</u>	<u>252,822</u>	
Creditors: amounts falling due within one year	11	(137,441)		(126,364)	
			<u>140,924</u>		<u>126,458</u>
Net assets	14		<u>£143,581</u>		<u>£129,327</u>
Institute funds					
Restricted Funds	13		-		-
Unrestricted - General Funds	13		143,581		129,327
			<u>£143,581</u>		<u>£129,327</u>

The Financial Statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The Financial Statements were approved by the Council Members on 23 April 2009 and signed on their behalf, by:



Matthew Annable
PPI Chairman



David Yeandle OBE
Chairman of the Finance Sub-Committee

The notes on pages 19-25 form part of these Financial Statements.

Notes to the Financial Statements for the year ending 31 January 2009

1. Accounting policies

1.1 Basis of preparation of Financial Statements

The Financial Statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007). The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' issued in 2005, applicable accounting standards and the Companies Act 1985. Some of the comparatives have been restated to follow the revised Statement of Recommended Practice (SORP) for charities.

1.2 Company status

The Institute is a company limited by guarantee. The members of the Institute are the Governors named on page 3. In the event of the Institute being wound up, the liability in respect of the guarantee is limited to £1 per member of the Institute.

1.3 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Institute and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the Institute for particular purposes. The cost of raising and administering such funds is charged against the specific fund. The aim and use of each restricted fund are set out in the notes to the Financial Statements.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Institute is legally entitled to the income and the amount can be quantified with reasonable accuracy except as follows:

- When donors specify that donations and grants given to the Institute must be used in future accounting periods, the income is deferred until those periods.
- PPI Supporting Members renew their membership on a 12-month rolling basis. All membership income relating to the financial period covered by this report is recorded in the Statement of Financial Activity. Any membership income relating to the subsequent financial year is stated, for accounting purposes, as deferred income.

1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Overheads and other salaries are allocated between the expense headings on the basis of time spent.

Support costs are those costs incurred directly in support of expenditure on the objects of the Institute and are allocated on a percentage of direct costs and staff time.

Notes to the Financial Statements for the year ending 31 January 2009

1.5 Resources expended

Governance costs are those costs incurred in connection with enabling the Institute to comply with external regulation, constitutional and statutory requirements and in providing support to the trustees in the discharge of their statutory duties.

1.6 Cash flow

The Financial Statements do not include a cash flow statement because the charitable company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2007).

1.7 Tangible fixed assets and depreciation

All assets costing more than £300 are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Equipment	-	10%	straight line
Computer Equipment	-	33.33%	straight line

1.8 Pensions

All permanent staff members employed by the Institute are eligible for membership of a Group Stakeholder Pension Plan administered by AEGON Scottish Equitable. The Institute makes contributions into the plan. Employees may also make individual contributions within the limits set by HM Revenue and Customs. Such contributions are held in administered funds completely independently of the Institute's finances. The contributions made by the Institute are accounted for on an accruals basis.

1.9 VAT

The Institute is not registered for VAT. In common with many other registered charities, the Pensions Policy Institute's expenses are inflated by VAT, which cannot be recovered.

Notes to the Financial Statements for the year ending 31 January 2009

2. Incoming resources from charitable activity - research				Total Funds 2009 £	Total Funds 2008 £
Research Grants				77,269	96,394
Other income				1,579	10,174
Commissioned research				82,050	98,400
Membership income				225,442	213,483
Total				£386,340	£ 418,451
3. Investment income				Total Funds 2009 £	Total Funds 2008 £
Bank interest receivable				£6,904	£ 6,938
4. Governance				Total Funds 2009 £	Total Funds 20087 £
Salaries				48,622	46,725
Audit and accountancy				5,750	5,288
Other costs				4,454	2,182
Support costs				15,510	15,148
				£74,336	£ 69,343
5. Resources expended	Direct staff costs £	Other direct costs £	Support costs £	2009 £	2008 £
Research	202,420	38,669	63,565	304,654	299,690
Governance	48,622	10,204	15,510	74,336	69,343
Total	£251,042	£48,873	79,075	378,990	£369,033

Notes to the Financial Statements for the year ending 31 January 2009

6. Support costs include	Research Governance		2009	2008
	£	£	£	£
Staff costs	37,274	9,095	46,369	39,697
Office costs	24,220	5,910	30,130	36,395
Other costs	2,071	505	2,576	3,636
Total	<u>£63,565</u>	<u>15,510</u>	<u>79,075</u>	<u>£79,728</u>

7. Net (expenditure)/income	2009	2008
	£	£
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	3,168	2,912
Auditor's remuneration – audit services	3,900	3,526
Auditor's remuneration – non audit	1,850	1,762
Pension costs	<u>22,776</u>	<u>23,295</u>

During the year, no Council Member received any remuneration (2008 - £NIL).

During the year, no Council Member received any benefits in kind (2008 - £NIL).

During the year, one Council Member received reimbursement of travel expenses - £194 (2008 - £123).

8. Staff costs and numbers	2009	2008
Staff costs were as follows	£	£
Wages and salaries	247,049	248,657
Social security costs	27,586	27,898
Other pension costs	22,776	23,295
	<u>£297,411</u>	<u>£299,850</u>

The average full-time equivalent number of employees during the year was as follows:

	2009	2008
	No.	No.
Charitable activities	5	5
Administration	1	1
	<u>6</u>	<u>6</u>

Two employees received remuneration amounting to more than £60,000 in this year.

Notes to the Financial Statements for the year ending 31 January 2009

9. Tangible fixed assets		Furniture, fittings and equipment £
Cost		
At 1 February 2008		18,435
Additions		2,956
Disposals		<u>(8,101)</u>
At 31 January 2009		<u>13,290</u>
Depreciation		
At 1 February 2008		15,566
Charge for the year		3,168
Disposals		<u>(8,101)</u>
At 31 January 2009		<u>10,633</u>
Net book value		
At 31 January 2009		<u>£2,657</u>
<i>At 31 January 2008</i>		<u>£2,869</u>
10. Debtors	2009	2008
Due within one year	£	£
Debtors	23,000	61,812
Prepayments	3,371	750
Accrued income	-	3,500
	<u>£26,371</u>	<u>£ 66,062</u>
11. Creditors: amounts falling due within one year	2009	2008
	£	£
Social security and other taxes	8,329	8,699
Pensions	-	2,175
Accruals	8,887	11,548
Deferred income (see note below)	120,225	103,942
	<u>£137,441</u>	<u>£126,364</u>

Notes to the Financial Statements for the year ending 31 January 2009

12. Deferred income		2009	2008
		£	£
Deferred income brought forward at 1 February 2008		103,942	103,833
Membership income received in advance		120,225	103,942
Released to Statement Of Financial Activities		(103,942)	(103,833)
		<u>103,942</u>	<u>103,833</u>
Deferred income carried forward at 31 January 2009		<u>£120,225</u>	<u>£103,942</u>

13. Statement of funds	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
Unrestricted funds				
General funds	129,327	315,975	301,721	143,581
	<u>129,327</u>	<u>315,975</u>	<u>301,721</u>	<u>143,581</u>
Restricted funds				
ESRC Modelling Needs and Resources of Older People to 2030	-	37,363	37,363	-
Shaping a stable pensions solution next steps: public sector pensions	-	39,906	39,906	-
	<u>-</u>	<u>37,363</u>	<u>37,363</u>	<u>-</u>
Subtotal	129,327	77,269	77,269	-
	<u>129,327</u>	<u>77,269</u>	<u>77,269</u>	<u>-</u>
Total Funds	129,327	393,244	378,990	143,581
	<u>129,327</u>	<u>393,244</u>	<u>378,990</u>	<u>143,581</u>

MAP 2030: Modelling Ageing Populations to 2030 – The PPI is part of a three year consortium awarded grant by the Research Councils, including the ESRC, under the New Dynamics of Ageing research programme, to conduct a study on Modelling Needs and Resources of Older People to 2030.

Shaping a stable pensions solution: next steps (funded by the Nuffield Foundation) – This research analyses the impact of the Government's public sector pension reforms for public sector employees, for the sustainability of the public sector schemes and for the comparison between pay and pensions in the public and private sectors.

Summary of funds	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
General funds	129,327	315,975	301,721	143,581
Restricted funds	-	77,269	77,269	-
	<u>-</u>	<u>77,269</u>	<u>77,269</u>	<u>-</u>
Total funds	£ 129,327	393,244	378,990	143,581
	<u>£ 129,327</u>	<u>393,244</u>	<u>378,990</u>	<u>143,581</u>

Notes to the Financial Statements for the year ending 31 January 2009

14. Analysis of net assets between funds	Restricted	Unrestricted	Total	Total
	Funds	Funds	Funds	Funds
	2009	2009	2009	2008
	£	£	£	£
Tangible fixed assets	-	2,657	2,657	2,869
Current assets	-	278,365	278,365	252,822
Creditors due within one year		(137,441)	(137,441)	(126,364)
Total	-	143,581	143,581	£129,327

15. Pension commitments

The Pensions Policy Institute is a participating employer in a Group Stakeholder Pension Plan administered by AEGON Scottish Equitable. The pensions cost charge represents contributions made by the Institute to AEGON Scottish Equitable and amounted to £22,776 (2008, £23,295). No contributions (2007, £2,175) were payable to the fund at the balance sheet date.

16. Related party transaction

The National Association of Pension Funds (NAPF), where the Chief Executive, Joanne Segars OBE, is also a Council Member of the Institute, is a silver level Supporting Member of the PPI and contributed £6,500 this year.

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