

PENSIONS POLICY INSTITUTE

**PPPI**

ANNUAL REPORT AND FINANCIAL STATEMENTS  
1 FEBRUARY 2009 to 31 JANUARY 2010

REGISTERED COMPANY NO: 04145584  
CHARITY NO: 1087856  
(ENGLAND & WALES)



## Annual Report and Statement of Financial Activity

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All enquiries regarding the Pensions Policy Institute's activities should be addressed to Niki Cleal, Director at:

Pensions Policy Institute  
King's College  
26 Drury Lane  
London WC2B 5RL

Tel: 020 7848 3744

Fax: 020 7848 1786

E-mail: [info@pensionspolicyinstitute.org.uk](mailto:info@pensionspolicyinstitute.org.uk)

Website: [www.pensionspolicyinstitute.org.uk](http://www.pensionspolicyinstitute.org.uk)



## Chairman's report

I present to the Governors the Ninth 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.

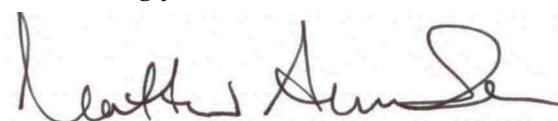
In last year's report, I mentioned that the Council had decided that the PPI's research focus during 2009 would be on broader retirement income provision policy issues. This took the shape of a series of reports looking at the pattern of retirement income and assets and the extent to which these are likely to meet needs for retirement income in the future. This major project was very successful and I would like to take this opportunity to thank the organisations that co-sponsored and supported this work.

In September, the PPI Council consulted with our Supporting Members to seek their views on the PPI's future strategic direction and on the PPI's research. The responses were tremendously helpful and informed Council's annual Strategy Review in November. Our conclusion was that the PPI should continue to focus on its core strength as a secondary analysis knowledge provider and we should seek opportunities to invest in our modelling capabilities to ensure that we remain a leading centre of excellence in the modelling of pensions and retirement policy.

Amongst the many seminars and discussion forums that the PPI ran during the year was an election briefing event for its Supporting Members and other organisations that have commissioned research from the PPI during the last year. The event aimed to encourage debate and dialogue about the three main political parties' policies on pensions and retirement provision ahead of the general election. The event was well attended with over 100 representatives from 54 different organisations.

I would like to extend my sincere thanks to our Supporting Members, to organisations which have commissioned research or provide us with grants, and to individuals who review papers, participate in our seminars and give their time so willingly to the PPI. Your continued support has been invaluable during these difficult economic times and has been a major factor in enabling us to meet our financial goals during the year.

Finally I would like to extend my thanks to the PPI Council and, in particular, to Professor Ruth Hancock who was instrumental in helping the PPI to develop its modelling capabilities and will be stepping down from Council this year. I would also like to thank Niki and the team for all of their hard work over the last year. I look forward to working with many of you during the coming year and 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 2010.

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)
Michael Pomery CVO	(appointed 2006, re-elected 2009)
Rhoslyn Roberts	(appointed 2002, re-elected 2008)
Joanne Segars OBE	(appointed 2001, re-elected 2007)
Teresa Sienkiewicz	(appointed 2003, re-elected 2009)
Paul Stannard	(appointed 2007)
Peter Thompson	(appointed 2003, re-elected 2009)
David Yeandle OBE	(appointed 2001, re-elected 2009)
Andrew Young	(appointed 2002, re-elected 2008)
Institute Director	Nicola Cleal (appointed 2006)
Company Secretary	Nicola Cleal (appointed 2006)
President	Baroness Sally Greengross OBE (appointed 2004)

**Governors**

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

Our condolences to the family and friends of Norman Glass CB who served as a Governor of the PPI and passed away in 2009.

\*\*\* President

\*\* Chairman of Council

\* Council Members (at 31 Jan 2010)

## Objectives and activities

The Institute is an educational research charity established with a charitable object for the advancement of education for the benefit of the public by 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.

The PPI aims to be an authoritative voice on policy on pensions and the provision of retirement income in the UK. The PPI has specific objectives to:

- 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 research and debate on policy on pensions and retirement provision
- Be a helpful sounding board for providers, policy makers and opinion formers
- Inform the public debate on policy on pensions and retirement provision.

PPI research will have most immediate relevance for Government policy makers and their advisers, pension and savings providers, employers and trade unions, pensioner organisations, academics and commentators. The PPI's work will also contribute to raising the wider public understanding of pensions.

The PPI is unique in the study of pensions as it is:

- Independent, with no political bias or vested interest
- Led by experts focused on pensions and retirement income 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.

The PPI's focus is on the study of pensions and other provision for retirement income in the UK. Relevant lessons from other countries and wider issues, such as work, health and expenditure, will be considered where they are important for specific research topics.

### **Public Benefit**

The Council Members confirm that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to the public benefit guidance published by the Charity Commission in determining the activities undertaken by the charity. The Council's view is that the PPI complies with this guidance because:

- All PPI research is published and is available to members of the public 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.

The objectives and activities, achievement and performance and plans for the future sections of this report clearly set out the activities which the PPI undertakes for the public benefit.

## **Achievements and performance**

### **The policy context**

During 2009 the Department for Work and Pensions (DWP) and the Personal Accounts Delivery Authority (PADA) continued to implement the new National Employment Savings Trust (NEST, previously known as personal accounts.) NEST is the new low cost pension scheme that any employer can use to meet new workplace pension duties starting from 2012. The scheme is being designed specifically to meet the needs of low-to-moderate earners and their employers.

PADA consulted on the options that NEST members will have for converting their pensions into a retirement income and on the investment strategy for the NEST scheme. The PPI submitted responses to both consultations and was involved in policy workshops held by PADA.

### **Research and information output**

In 2009/10 the PPI embarked on a series of research reports looking at different aspects of retirement income and assets. The research considered 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.

The PPI also continued to provide facts and evidence about the pensions framework as a whole and published briefing notes on a range of topics relating to pensions and retirement income provision. In total, there were approximately 100,000 downloads of PPI reports and briefing notes from the PPI website, a continuation of the upward trend seen in recent years. The PPI continued to focus its research around three key themes in 2009/10.

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

The PPI updates and publishes reference manuals that describe the current pension system in the UK (*The Pensions Primer*) and give key facts and figures, (*Pension Facts*) on retirement income provision in the UK.

The update of the Pensions Primer reflects the policy position as at June 2009 and details forthcoming changes in the system. The Primer continues to be one of the most frequently downloaded publications from the PPI's website with around 7,900 downloads during 2009/10.

*Pension 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 and the final launch is to be held on 17 June 2010.

***Theme 2: The Retirement Income and Assets series***

The *Retirement Income and Assets* research series aimed to take a holistic view of the need for retirement income and the use of different types of income and assets to fund retirement.

The first report: *do pensioners have sufficient income to meet their needs?* was published in April 2009 and identifies the main factors that determine pensioners' needs for income and considers whether pensioners are likely to have sufficient income to meet their needs and expectations throughout their retirement. The launch event was hosted by the Association of British Insurers.

The second report: *how can housing support retirement?* was published in September 2009 and considered the role that housing wealth could play in supporting retirement for today's pensioners and for future generations of pensioners. The report was sponsored by Prudential UK & Europe who also hosted the launch event.

The third report: *how can pensions and financial assets support retirement?* was published in October 2009 and considered the role that state and private pensions and other financial assets are likely to play in supporting retirement incomes today and in the future. The report was sponsored by J.P. Morgan Asset Management who also hosted the launch event.

The fourth report: *outlook for the future* was published in February 2010 and considered the income and assets that a future generation of pensioners, reaching state pension age in 2030, may have to support retirement. The launch event was hosted by the Association of British Insurers.

The *Retirement income and assets* series has been sponsored by Age UK, the Association of British Insurers, The Department for Work and Pensions, the Investment Management Association, J.P. Morgan Asset Management and Prudential UK & Europe. The PPI also received valuable input into this project from the FSA, the Pensions Regulator and HM Treasury.

### ***Theme 3: The future of existing occupational pension provision***

The TUC commissioned the PPI to prepare some case studies for their in-house Pensions Champion training programme. The case studies are to be used as realistic scenarios for role-playing a discussion between a Pensions Champion and a scheme member who has asked for information.

In 2008, The Nuffield Foundation funded a major piece of PPI research into 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.

Following on from that research, the PPI is undertaking further research looking at the possible objectives of any potential reform of public sector pensions and investigating how different proposed reforms might meet these objectives. This project is being funded by The Nuffield Foundation.

A discussion paper covering the objectives of any potential reform of public sector pensions, and possible reform options was circulated to key stakeholders and discussed at a round table event hosted by the Nuffield Foundation in January 2010. This paper provided the basis of the discussion paper '*Public sector pension schemes: policy objectives and options for the future*' published by the PPI in March 2010.

### **PPI Supporting Members event**

Every year a special event is held for the PPI's Supporting Members. The 2009/10 event took the form of an election briefing. Speakers were Angela Eagle MP (Minister for Pensions & the Ageing Society), Nigel Waterson MP (Shadow Minister for Pensions & Older People), Steve Webb MP (Shadow Secretary of State for Work & Pensions). Each politician set out their party's policy proposals on pensions and retirement saving. The seminar was hosted by one of the PPI's Platinum Supporting Members, BlackRock, in March 2010.

### **PPI encouraging debate**

Throughout the year, the PPI hosted 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 300 people attended PPI events.

PPI Council members and staff also presented PPI research 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 Angela Eagle MP (Minister for Pensions & the Ageing Society) and the Opposition spokespeople on pensions: Nigel Waterson MP and Steve Webb MP. We also met regularly with officials at the Department for Work and Pensions (DWP), Personal Accounts Delivery Authority and HM Treasury to discuss research and economic modelling.

### **PPI governance**

Council Members are elected by the PPI's wider group of Governors at the PPI's AGM each year in June. The Council conducted an evaluation exercise during 2009 which concluded that broadly the PPI Council has the right set of skills and expertise to enable it to govern the PPI effectively.

At the year end the PPI had 89 Governors who are drawn from a diverse range of professional backgrounds.

### **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 £6,600 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. The level of reserves is examined quarterly and the policy is reviewed on an annual basis.

At the end of the last financial year, 31 January 2010, the free reserves were at £273,109 (2009: £261,149) including deferred income of £102,833 (2009: £120,225). This is sufficient for the PPI to continue operating for around six months, in line with its reserves policy.

### **PPI financial position**

The PPI's core research and information activities for 2009/10 were funded by regular donations made by Supporting Members, of whom there are currently 26. Membership income funds core activities such as research reports (e.g. the Pensions Primer), Pensions Facts, briefing notes, consultation responses, speeches and presentations. The membership income is also essential for the ongoing viability of the Institute as it provides a regular stream of income.

It is very encouraging that the majority of the PPI's Supporting Members renewed their membership this year in spite of the difficult economic climate. However, as expected some members did reduce their level of support. In addition, the PPI managed to gain one new silver member. The PPI is extremely grateful to all of its Supporting Members for their continued support during the last year.

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 2009/10, research was commissioned by a consortium of organisations for the Retirement income and assets research and the TUC commissioned the PPI to provide case studies for their in-house Pensions Champion training programme. The PPI was 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 in 2009/10. The financial objective for 2009/10 agreed by Council was for the PPI to breakeven and this objective has been met.

### **VAT**

Due to the revenue increase from the Commissioned Research, the PPI, as from 1 December 2009, is registered for VAT.

### **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.

## **Plans for the future**

In 2010/11, the PPI will continue to provide facts and evidence on the pensions and retirement income policy framework. With a General Election due in 2010, to a certain extent the PPI's research agenda will be driven by the priorities of the Government of the day. However, a number of projects are already in the pipeline.

The NAPF has commissioned the PPI to provide an assessment of the costs and implications of introducing a single tier state "Foundation Pension." The NAPF launched their report, based on PPI analysis, in March 2010.

The Actuarial Profession has commissioned the PPI to undertake research looking at the impact of changes in taxation on employer sponsored pension schemes and how the taxation regime may evolve in the future. The project will begin in April 2010.

The PPI will publish further research on the objectives and policy options for any potential further reform of public sector pensions during 2010. This research project is being funded by the Nuffield Foundation.

The PPI has been commissioned by Age UK to explore the impact of alternative Government policies which could affect pensioner poverty levels in the UK. The project is scheduled to begin in April 2010 and finish in October 2010.

Further research may be undertaken as part of the Retirement income and assets series that would look into how pension wealth could be accessed during retirement. This research would consider the policy issues around compulsory annuitisation and alternative ways to access pension wealth.

The PPI's financial objective continues to be to breakeven in 2010/11. As the economic climate remains challenging, the PPI continues to make steady progress towards meeting this financial objective. It is hoped that the PPI can plan for growth in the coming years.

## 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 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.

### **Organisational structure and decision making**

The Council 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:

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

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

### **Council Members**

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 an ex-officio Council Member. The Council Members who served during this period are set out on page 2.

At the Annual General Meeting on 09 June 2010, one-third of the Members of the Council (excluding the Director), or the number nearest to but not greater than one third, shall retire from office. The members of the Council to retire in every year shall be those who have been longest in office since their last election or appointment. All retiring Members of the Council shall be eligible for re-election.

The Council Members retiring on 09 June 2010 are Laurie Edmans CBE, Professor Ruth Hancock, Paul Johnson and Joanne Segars OBE. Professor Ruth Hancock will not be standing for re-election.

### **Council's responsibilities**

The Council Members (who are also directors of the Pensions Policy Institute for the purposes of company law) are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Council Members to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these Financial Statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- 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 Members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are 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 of the Council Members 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
- the 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.

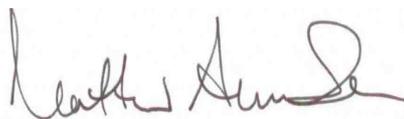
#### **Auditors**

A resolution proposing that haysmacintyre be re-appointed as auditors of the company will be put to the Annual General Meeting on 09 June 2010.

The report of the Council Members has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

#### **Approval**

This Report was approved by Council on 29 April 2010 and signed on its behalf:



Matthew Annable  
Chairman  
29 April 2010



David Yeandle OBE  
Chairman of the Finance Sub-Committee  
29 April 2010

## Reference and administrative details

<b>Company registered number</b>	04145584
<b>Charity registered number</b>	1087856
<b>Principal operating office</b>	Pensions Policy Institute King's College 26 Drury Lane London WC2B 5RL
<b>Registered office</b>	10 Snow Hill London EC1A 2AL
<b>Company secretary</b>	Nicola Cleal
<b>Auditors &amp; VAT advisors</b>	haysmacintyre Chartered Accountants Registered Auditors Fairfax House 15 Fulwood Place London WC1V 6AY
<b>Bankers</b>	Unity Trust Bank Nine Brindley Place 4 Oozells Square Birmingham B1 2HB  Cater Allen Private Bank 9 Nelson Street Bradford BD1 5AN  CAF Bank Ltd 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
<b>Solicitors</b>	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 2010 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the requirements of the Financial Reporting Standard for Smaller Entities (effective April 2008).

This Report is made solely to the Institute's members, as a body, in accordance with Section 495 of the Companies Act 2006. 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 Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the Financial Statements give a true and fair view. 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 have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Companies Act 2006. We also report to you whether in our opinion the information given in the Council's Report is consistent with the Financial Statements. In addition we report to you if, in our opinion, the Institute has not kept adequate accounting records, if the Institute's Financial Statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Council Members' remuneration specified by law are not made.

We read 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 of the state of the charity's affairs as at 31 January 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Council's Report is consistent with the financial statements.



Murtaza Jessa (Senior Statutory Auditor)  
for and on behalf of haysmacintyre, Statutory Auditors

### **haysmacintyre**

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

Date: 29 April 2010

## Statement of Financial Activities for the year ending 31 January 2010 (incorporating income and expenditure account)

	Note	Restricted Funds 2010 £	Unrestricted Funds 2010 £	Total Funds 2010 £	Total Funds 2009 £
<b>Incoming resources</b>					
<i>Incoming resources from generated funds:</i>					
Investment income	3	-	569	569	6,904
<i>Incoming resources from charitable activities:</i>					
Research	2	39,248	361,140	400,388	386,340
<b>Total incoming resources</b>		<u>39,248</u>	<u>361,709</u>	<u>400,957</u>	<u>393,244</u>
 <b>Resources expended</b>					
<i>Charitable activities:</i>					
Research	5	39,248	245,230	284,478	304,654
<i>Governance:</i>	4, 5	-	88,342	88,342	74,336
<b>Total resources expended</b>		<u>39,248</u>	<u>333,572</u>	<u>372,820</u>	<u>378,990</u>
<b>Net income for the year</b>		-	28,137	28,137	14,254
Total funds at 1 February 2009		-	143,581	143,581	129,327
<b>Total funds at 31 January 2010</b>		<u>-</u>	<u>£171,718</u>	<u>£171,718</u>	<u>£143,581</u>

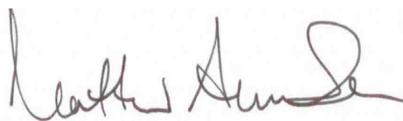
The Statement of Financial Activities includes all gains and losses recognised in the year.  
The notes on pages 19-25 form part of these Financial Statements.

**Balance sheet as at 31 January 2010**

	Note	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Tangible fixed assets	9		<b>1,442</b>		2,657
<b>Current assets</b>					
Debtors	10	<b>58,090</b>		26,371	
Cash at bank		<b>235,078</b>		251,994	
			<u><b>293,168</b></u>	<u>278,365</u>	
<b>Creditors:</b> amounts falling due within one year	11	<b>(122,892)</b>		(137,441)	
			<u><b>170,276</b></u>	<u>140,924</u>	
<b>Net assets</b>	14		<u><b>£171,718</b></u>	<u>£143,581</u>	
<b>Institute funds</b>					
Unrestricted - General Funds	13		<u><b>171,718</b></u>	<u>143,581</u>	
			<u><b>£171,718</b></u>	<u>£143,581</u>	

The Financial Statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The Financial Statements were approved and authorised for issue by the Council Members on 29 April 2010 and were signed on their behalf by:



Matthew Annable  
Chairman  
29 April 2010



David Yeandle OBE  
Chairman of the Finance Sub-Committee  
29 April 2010

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

## Notes to the Financial Statements for the year ending 31 January 2010

### 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 April 2008). 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 2006.

#### 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 2010

### 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 April 2008).

### 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 Pensions Policy Institute was not registered for VAT until 1 December 2009. Up until that date the Institute's expenses were inflated by VAT which could not be recovered.

## Notes to the Financial Statements for the year ending 31 January 2010

<b>2. Incoming resources from charitable activity – research</b>				<b>Total Funds 2010 £</b>	<b>Total Funds 2009 £</b>
Research Grants				39,248	77,269
Other income				1,717	1,579
Commissioned research				131,981	82,050
Membership income				227,442	225,442
<b>Total</b>				<b>£400,388</b>	<b>£ 386,340</b>
<b>3. Investment income</b>				<b>Total Funds 2010 £</b>	<b>Total Funds 2009 £</b>
Bank interest receivable				£569	£ 6,904
<b>4. Governance</b>				<b>Total Funds 2010 £</b>	<b>Total Funds 2009 £</b>
Salaries				60,539	48,622
Audit and accountancy				5,930	5,750
Other costs				3,449	4,454
Support costs				18,424	15,510
				<b>£88,342</b>	<b>£ 74,336</b>
<b>5. Resources expended</b>	<b>Direct staff costs £</b>	<b>Other direct costs £</b>	<b>Support costs £</b>	<b>2010 £</b>	<b>2009 £</b>
Research	206,981	18,425	59,072	284,478	304,654
Governance	60,539	9,379	18,424	88,342	74,336
<b>Total</b>	<b>£267,520</b>	<b>£27,804</b>	<b>77,496</b>	<b>372,820</b>	<b>£378,990</b>

## Notes to the Financial Statements for the year ending 31 January 2010

6. Support costs include	Research Governance		2010	2009
	£	£	£	£
Staff costs	36,841	11,490	48,331	46,369
Office costs	20,546	6,408	26,954	30,130
Other costs	1,685	526	2,211	2,576
Total	<u>£59,072</u>	<u>£18,424</u>	<u>£77,496</u>	<u>£79,075</u>

7. Net (expenditure)/income	2010	2009
	£	£
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	1,215	3,168
Auditor's remuneration - audit services	4,000	3,900
Auditor's remuneration - non audit	1,375	1,850
Pension costs	<u>25,850</u>	<u>22,776</u>

During the year, no Council Member received any remuneration (2009 - £NIL).

During the year, no Council Member received any benefits in kind (2009 - £NIL).

During the year, one Council Member received reimbursement of travel expenses - £104 (2009 - £194).

8. Staff costs and numbers	2010	2009
Staff costs were as follows	£	£
Wages and salaries	260,950	247,049
Social security costs	29,051	27,586
Other pension costs	25,850	22,776
	<u>£315,851</u>	<u>£297,411</u>

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

	2010	2009
	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.

The Institute made employer's pension contributions totalling £14,645 (2009: £14,095) on behalf of the higher paid employees.

## Notes to the Financial Statements for the year ending 31 January 2010

<b>9. Tangible fixed assets</b>		<b>Furniture, fittings and equipment £</b>
<b>Cost</b>		
At 1 February 2009		13,290
Additions		-
Disposals		-
At 31 January 2010		<u>13,290</u>
<b>Depreciation</b>		
At 1 February 2009		10,633
Charge for the year		1,215
Disposals		-
At 31 January 2010		<u>11,848</u>
<b>Net book value</b>		
At 31 January 2010		<u>£1,442</u>
<i>At 31 January 2009</i>		<u>£2,657</u>
<b>10. Debtors</b>	<b>2010</b>	<b>2009</b>
<b>Due within one year</b>	<b>£</b>	<b>£</b>
Debtors	53,962	23,000
Prepayments	4,128	3,371
Accrued income	-	-
	<u>£58,090</u>	<u>£ 26,371</u>
<b>11. Creditors: amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Social security and other taxes	8,639	8,329
Pensions	2,461	-
Accruals	8,959	8,887
Deferred income (see note below)	102,833	120,225
	<u>£122,892</u>	<u>£137,441</u>

## Notes to the Financial Statements for the year ending 31 January 2010

<b>12. Deferred income</b>	<b>2010</b>	<b>2009</b>
	£	£
Deferred income brought forward at 1 February 2009	120,225	103,942
Membership income received in advance	102,833	120,225
Released to Statement Of Financial Activities	(120,225)	(103,942)
	<u>120,225</u>	<u>120,225</u>
Deferred income carried forward at 31 January 2010	<u>£102,833</u>	<u>£120,225</u>

<b>13. Statement of funds</b>	<b>Brought Forward</b>	<b>Incoming Resources</b>	<b>Resources Expended</b>	<b>Carried Forward</b>
	£	£	£	£
<b>Unrestricted funds</b>				
General funds	143,581	361,709	333,572	171,718
	<u>143,581</u>	<u>361,709</u>	<u>333,572</u>	<u>171,718</u>
<b>Restricted funds</b>				
ESRC Modelling Needs and Resources of Older People to 2030	-	39,248	39,248	-
	<u>-</u>	<u>39,248</u>	<u>39,248</u>	<u>-</u>
Subtotal		39,248	39,248	-
		<u>39,248</u>	<u>39,248</u>	<u>-</u>
Total Funds	<u>143,581</u>	<u>400,957</u>	<u>372,820</u>	<u>171,718</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.

<b>14. Analysis of net assets between funds</b>	<b>Restricted Funds</b>	<b>Unrestricted Funds</b>	<b>Total Funds</b>	<b>Total Funds</b>
	2010	2010	2010	2009
	£	£	£	£
Tangible fixed assets	-	1,442	1,442	2,657
Current assets	-	293,168	293,168	278,365
Creditors due within one year		(122,892)	(122,892)	(137,441)
	<u>-</u>	<u>171,718</u>	<u>171,718</u>	<u>143,581</u>
Total	<u>-</u>	<u>171,718</u>	<u>171,718</u>	<u>£143,581</u>

## Notes to the Financial Statements for the year ending 31 January 2010

### 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 £25,850 (2009, £22,776).

A contribution of £2,461 was 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 £6,600 this year.

### 17. Operations lease commitments

At 31 January 2010, the Institute had one commitment under non cancellable operations leases as set out below:

	2010	2009
	£	£
<b>Building</b>		
within 1 year	7,864	-
within 2 - 5 years	-	7,864

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