

PENSIONS POLICY INSTITUTE

PPI

ANNUAL REPORT AND FINANCIAL STATEMENTS

1 FEBRUARY 2010 to 31 JANUARY 2011

REGISTERED COMPANY NO: 04145584

CHARITY NO: 1087856

(ENGLAND & WALES)

Annual Report and Statement of Financial Activity

Contents	Page
1. Chairman's report	1
2. Council's report	2
2.1 Objectives and activities	4
2.2 Achievements and performance	5
2.3 Financial review	9
2.4 Plans for the future	10
2.5 Structure, governance and management	11
2.6 Reference and administrative details	14
3. Independent auditor's report	15
3.1 Statement of Financial Activities	17
3.2 Balance sheet	18
3.3 Notes to the Financial Statements	19

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

Website: www.pensionspolicyinstitute.org.uk

Chairman's report

It is with great pleasure that I present to the Governors the Tenth 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.

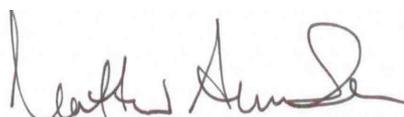
It has been a busy year for pensions and retirement income policy. In May 2010 a new Conservative-Liberal Democrat Coalition Government took office and set out a new policy agenda. The PPI has played a key role in contributing evidence as the Government developed policy on pensions and retirement income. The PPI contributed to Government policy reviews on increasing the State Pension Age, on making automatic enrolment work, on the implications of ending the effective requirement to annuitise pension saving by age 75 and to Lord Hutton's fundamental structural review of public service pensions.

During the course of the year the PPI published five major new pieces of research on topics ranging from retirement income and assets to further reforms of state, private and public sector pensions. Particular highlights included the PPI's evaluation of the NAPF's proposals for a Foundation Pension and research on the future of the public sector pensions funded by the Nuffield Foundation which was submitted to Lord Hutton's review. Modelling continues to play an important role within PPI research. As a result the PPI strives to be at the forefront of innovation in economic pensions modelling, and we are developing plans to enhance our capabilities in this area in the future.

The PPI could not produce such high quality research without the support of a wide range of individuals and organisation. I would like to extend my sincere thanks to our Supporting Members, to organisations which have commissioned research or provided 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 and has been a major factor in enabling us to meet our financial goals during the year.

I would also like to extend my thanks to the PPI Council and, in particular, to Paul Johnson who was one of the PPI's founding Council Members and who resigned from Council following his appointment as the Director of the Institute for Fiscal Studies. I would also like to thank Niki and her team for all of their hard work over the last year.

Finally, after three years of serving as Chairman, I will be stepping down at the end of 2011. The PPI Council has elected Michael Pomery to be my successor. I wish Michael every success in the role and I look forward to the continued success of the PPI under his leadership.



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 2011.

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, re-elected 2010)
Paul Johnson	(appointed 2001, re-elected 2010)
Michael Pomery CVO	(appointed 2006, re-elected 2009)
Rhoslyn Roberts	(appointed 2002, re-elected 2008)
Joanne Segars OBE	(appointed 2001, re-elected 2010)
Teresa Sienkiewicz	(appointed 2003, re-elected 2009)
Margaret Snowdon OBE	(appointed 2010)
Paul Stannard	(appointed 2007)
Professor Holly Sutherland	(appointed 2010)
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	Paul Johnson*	Paul Thornton
Matthew Annable**	John Jory	Nick Timmins
Mark Ashworth	John Kay	Anthony Tomei
Sir Tony Atkinson	Lord Kirkwood of Kirkhope	Lindsay Tomlinson OBE
Professor Nicholas Barr*	Michael Lake CBE	Adrian Waddingham
Rodney Bickerstaffe	Chris Lewin	Professor Robert Walker
Tom Boardman	Paul Lewis	Dr Martin Weale CBE
Professor Philip Booth	Gordon Lishman CBE	Edward Weiss
Adrian Boulding	Trevor Llanwarne	Kevin Wesbroom
Ronnie Bowie	Anne Maher	David Yeandle OBE*
Sally Bridgeland	Trevor Matthews	Andrew Young*
Duncan Brown	Harriet Maunsell OBE	
Kay Carberry CBE	Professor Stephen McNair	
Lawrence Churchill CBE	Professor David Miles	
Professor Gordon Clark	Peter Murray	
Margaret Craig	Jane Newell OBE	
Partha Dasgupta	Alison O'Connell	
Simon Davies	John Pearson	
Professor Richard Disney	Alan Pickering CBE	
Kenneth Dixon CBE	Michael Pomery CVO*	
Baroness Drake CBE	Dr Katherine Rake OBE	
Laurie Edmans CBE*	Brian Ridsdale	
Professor John Ermisch	Rhoslyn Roberts*	
Andrew Evans	Tom Ross OBE	
Professor Jane Falkingham	Alan Rubenstein	
Christine Farnish	Jane Samsworth	
Terry Faulkner	Richard Saunders	
Fay Goddard	Joanne Segars OBE*	
Baroness Greengross OBE***	David Severn	
Stephen Haddrill	Teresa Sienkiewicz*	
Professor Ruth Hancock	Derek Sloan	
Dr Sarah Harper	Margaret Snowdon OBE*	
Andrew Harrop	Brian Spence	
Professor John Hills CBE,	Paul Stannard*	
Chris Hitchen	Professor Holly Sutherland*	
Tony Hobman	Doug Taylor	
Baroness Hollis of Heigham	Peter Thompson*	
Caroline Instance	Otto Thoresen	

*** President

** Chairman of Council

* Council Members (at 31 Jan 2011)

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

After the May 2010 General Election, the new Coalition Government unveiled plans for significant reforms that will affect the way in which state and private pensions operate. Changes included bringing forward the date for increasing the State Pension Age (SPA) for both men and women, indexing State Second Pension and Public Sector Pension payments to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) and detailed changes to the introduction of auto-enrolment into private pensions.

Research and information output

The PPI published five major new pieces of research during the course of the year. The PPI also contributed evidence to a wide range of the policy reviews led by the Coalition Government. These policy reviews included the Government's proposals to accelerate the increase in the State Pension Age, on providing early access to pension saving and on ending the effective requirement to annuitise pension saving by age 75.

The Government also commissioned a number of independent reviews including the making auto-enrolment work review, chaired by Paul Johnson,

and a fundamental structural review of the Public Service Pensions, chaired by Lord Hutton of Furness. The PPI submitted evidence to both of these reviews.

The PPI published regular Briefing Notes which provide short summaries of topical issues in pensions and retirement income policy.

In total, there were approximately 145,000 downloads of PPI reports, Briefing Notes, Responses and Submissions from the PPI website, a 35% increase on the year before. We hope that this demonstrates both the importance of PPI research and also the value of the investment in the PPI's new website that has now been in place for the whole year. The PPI continued to focus its research around three key themes.

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 *Pensions Primer* provides a description of the UK pensions system. The Primer continues to be one of the most frequently downloaded publications from the PPI's website with around 9,000 downloads during 2010/11.

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 was 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 was held on 17 June 2010. Full details of the project can be found on the MAP2030 website. Please follow the link: <http://www.lse.ac.uk/collections/MAP2030/>

The PPI continued to publish research under the auspices of its *Retirement income and assets series*. In February 2010 the PPI published the fourth report in this series: *outlook for the future*. In this report the PPI considered the different roles that state and private pensions, as well as housing and other savings assets could play in enabling future generations of pensioners to meet their needs for retirement income.

The PPI published its fifth report in the retirement income and assets series in April 2011. The research examines the implications of ending the effective requirement to annuitise by age 75.

The recent reports in the *Retirement income and assets* series have been sponsored by the Association of British Insurers, the Department for Work and Pensions, the Investment Management Association, Partnership, Prudential UK & Europe and Which?. The PPI also received valuable input into this project from the FSA, Age UK, the Pensions Regulator and HM Treasury.

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

State Pensions

The new Coalition Government put forward a range of proposals to reform the state pension during the year. These included proposals to index the basic state pension to the higher of earnings, prices (CPI) or 2.5%, to accelerate the increase in the State Pension Age from 65 to 66 by 2020 for both men and women and to index the State Second Pension to the CPI rather than to the RPI.

The PPI undertook modelling work to examine the implications of the new indexation arrangements for the state pension and also contributed evidence to the Government's review of the State Pension Age.

The NAPF commissioned the PPI to undertake an evaluation of the NAPF's proposals for a single-tier flat-rate state pension – called a Foundation Pension – at a range of levels. The research was published in June 2010 and the launch was attended by the Pensions Minister, Steve Webb MP, and hosted by the NAPF.

Private pension reforms

The Government asked Paul Johnson, a PPI Council member, to chair a review into how best to make auto-enrolment work. David Yeandle OBE (a PPI Council member) and Adrian Boulding (a PPI Governor) were the other reviewers. The PPI undertook a substantial amount of new analysis on the potential implications of auto-enrolment which was submitted to the review team.

The Government put forward proposals to end the effective requirement to annuitise pension saving by age 75. The PPI provided new evidence to this review through the retirement income and assets series.

Restricting Pensions Tax Relief

The Government published a consultation document setting out its proposal to reduce the annual allowance for tax relief on pensions contributions, rather than to proceed with the previous Government's plans. The PPI was commissioned by the Actuarial Profession to examine *The impact of tax policy on employer sponsored pension provision*. The research was published in December 2010 and was launched at an event held at Staple Inn addressed by Mark Hoban MP, the Financial Secretary to the Treasury.

During 2010 AEGON undertook new research looking at the potential impact of saving incentives on the overall levels of pension saving, on the number of savers and the overall impact on Government expenditure, households, and the long-term pension and saving industry. AEGON commissioned the PPI to provide economic modelling to assess the potential impact of alternative policy scenarios on saving incentives.

Theme 3: The future of existing occupational pension provision

Independent Review of Public Service Pensions

The Government asked Lord Hutton of Furness to conduct a fundamental structural review of the public service pension schemes. Niki Cleal, the PPI Director, was invited to join Lord Hutton's panel of experts in a personal capacity.

The PPI submitted evidence to Lord Hutton's initial call for evidence in July 2010 and facilitated a round-table evidence gathering session for the Independent Public Service Pensions Commission (IPSPC) in September 2010 with representatives of public and private sector pension schemes.

The PPI research report on *The future of the public sector pension schemes* was published in November 2010. The research was funded by the Nuffield Foundation and identifies the policy objectives that any Government considering further reforms to public sector pensions might aim to address, identifies a set of possible further reforms for public sector pension schemes that the Government could consider and identifies what the implications of such reforms might be for public sector employees, and for the overall affordability and sustainability of the schemes. Lord Hutton spoke at the launch event and the research report was submitted to the Hutton Review team to feed into the second phase of the Commission's deliberations.

In January 2011, the PPI held a round-table meeting for the Independent Public Service Pensions Commission (IPSPC) exploring the issues around adequacy in the context of the public sector pensions. The round-table meeting was hosted by the Nuffield Foundation.

The IPSPC commissioned the PPI to estimate the Average Employer Benefit Rates of alternative reform options for public sector pensions, to feed into their final report.

PPI Encouraging Debate

Throughout the year, the PPI hosted 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.

One of the year's highlights for the PPI 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.

PPI Council members and staff presented PPI research at a wide range of external conferences and events on pensions and retirement issues.

PPI Governance

Council Members are elected by the PPI's wider group of Governors at the PPI's AGM each year in June. The Governance Committee conducted an exercise to update the PPI's information on our Governors' interests during 2010. This exercise led to some resignations across the Governor body. At the year end the PPI had 87 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 the NAPF commissioned the PPI to undertake an evaluation of the NAPF's proposals for a Foundation Pension. The PPI received £31,235 from the NAPF.

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 2011, the free reserves were at £214,572 (2010: £170,276). In addition, the PPI received deferred income of £126,479 (2010: £102,833). Taking the free reserves and the deferred income together, the PPI has sufficient funds 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 2010/11 were funded by regular donations made by Supporting Members, of whom there are currently 24. 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. 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 2010/11, research was commissioned by the NAPF, the Actuarial Profession, AEGON and a consortium of organisations for the Retirement income and assets research.

The PPI had seven full-time members of staff by the end of 2010/11. The financial objective for 2010/11 agreed by Council was for the PPI to breakeven and this objective has been exceeded.

VAT

The PPI is a VAT registered organisation.

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

The Coalition Government has a wide ranging reform agenda that encompasses potential further reforms of the state pension, implementation of the reforms into private pension saving developed by the Pensions Commission, and further reforms to the public sector pensions.

The PPI will continue to provide facts and evidence to ensure that PPI research helps policy-makers to understand the implications of changes in Government policy.

The PPI has been awarded a two-year grant from the Nuffield Foundation to further develop the PPI's suite of models. The project will develop the PPI's models to ensure that they remain fit-for-purpose and can accommodate recent policy changes in both the private and public sector pensions.

The PPI's financial objective continues to be to breakeven in 2011/12. Although the economic climate remains challenging, the PPI continues to make steady progress towards meeting this financial objective.

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:

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 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 08 June 2011, 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 08 June 2011 are: Rhoslyn Roberts, Paul Stannard and Andrew Young. All retirees will 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.

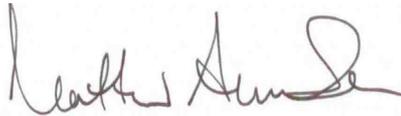
Auditors

A resolution proposing that haysmacintyre be re-appointed as auditors of the company will be put to the Annual General Meeting on 08 June 2011.

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 12 May 2011 and signed on its behalf:



Matthew Annable
Chairman
12 May 2011



David Yeandle OBE
Chairman of the Finance Sub-Committee
12 May 2011

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 & VAT advisors	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 CAF Bank Ltd 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
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 2011 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 Chapter 3 of Part 16 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 explained more fully in the Statement of Council Members' Responsibilities, the Council Members (who are also the directors of the Institute for the purposes of company law), are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council Members; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Institute's affairs as at 31 January 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006;

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Council Members' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Council Members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Council Members were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Council Members' Report.



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: 12 May 2011

Statement of Financial Activities for the year ending 31 January 2011 (incorporating income and expenditure account)

	Note	Restricted Funds 2011 £	Unrestricted Funds 2011 £	Total Funds 2011 £	Total Funds 2010 £
Incoming resources					
<i>Incoming resources from generated funds:</i>					
Investment income	3	-	320	320	569
<i>Incoming resources from charitable activities:</i>					
Research	2	76,649	392,199	468,848	400,388
Total incoming resources		<u>£76,649</u>	<u>£392,519</u>	<u>£469,168</u>	<u>£400,957</u>
Resources expended					
<i>Charitable activities:</i>					
Research	5	76,649	262,388	339,037	284,478
<i>Governance:</i>	4, 5	-	85,007	85,007	88,342
Total resources expended		<u>£76,649</u>	<u>£347,395</u>	<u>£424,044</u>	<u>£372,820</u>
Net income for the year		-	45,124	45,124	28,137
Total funds at 1 February 2010		-	171,718	171,718	143,581
Total funds at 31 January 2011		<u>-</u>	<u>£216,842</u>	<u>£216,842</u>	<u>£171,718</u>

The Statement of Financial Activities includes all gains and losses recognised in the year.
All transactions are derived from continuing activities.
The notes on pages 19-25 form part of these Financial Statements.

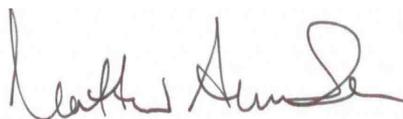
Balance sheet as at 31 January 2011

Company Number: 04145584

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible fixed assets	9		2,270		1,442
Current assets					
Debtors	10	100,932		58,090	
Cash at bank		267,338		235,078	
			<u>368,270</u>	<u>293,168</u>	
Creditors: amounts falling due within one year	11	(153,698)		(122,892)	
			<u>214,572</u>		<u>170,276</u>
Net assets	14		<u><u>£216,842</u></u>		<u><u>£171,718</u></u>
Institute funds					
Unrestricted - General Funds	13		<u>216,842</u>		<u>171,718</u>
			<u><u>£216,842</u></u>		<u><u>£171,718</u></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 12 May 2011 and were signed on their behalf by:



Matthew Annable
Chairman
12 May 2011



David Yeandle OBE
Chairman of the Finance Sub-Committee
12 May 2011

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

Notes to the Financial Statements for the year ending 31 January 2011

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 2011

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. 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 is registered for VAT since 1 December 2009.

Notes to the Financial Statements for the year ending 31 January 2011

2. Incoming resources from charitable activity – research				Total Funds 2011 £	Total Funds 2010 £
Research Grants				76,649	39,248
Other income				510	1,717
Commissioned research				186,010	131,981
Membership income				205,679	227,442
Total				£468,848	£ 400,388
3. Investment income				Total Funds 2011 £	Total Funds 2010 £
Bank interest receivable				£320	£569
4. Governance				Total Funds 2011 £	Total Funds 2010 £
Salaries				54,550	60,539
Audit and accountancy				5,600	5,930
Other costs				11,712	3,449
Support costs				13,145	18,424
				£85,007	£ 88,342
5. Resources expended	Direct staff costs £	Other direct costs £	Support costs £	2011 £	2010 £
Research	251,421	35,190	52,426	339,037	284,478
Governance	54,550	17,312	13,145	85,007	88,342
Total	£305,971	£52,502	£65,571	£424,044	£372,820

Notes to the Financial Statements for the year ending 31 January 2011

6. Support costs include	Research Governance		2011	2010
	£	£	£	£
Staff costs	26,933	6,753	33,686	48,331
Office costs	21,860	5,481	27,341	26,954
Other costs	3,633	911	4,544	2,211
Total	<u>£52,426</u>	<u>£13,145</u>	<u>£65,571</u>	<u>£77,496</u>

7. Net income/(expenditure)	2011	2010
	£	£
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	1,916	1,215
Auditor's remuneration - audit services	5,600	5,375
Pension costs	<u>26,379</u>	<u>25,850</u>

During the year, no Council Member received any remuneration (2010 - £NIL).

During the year, no Council Member received any benefits in kind (2010 - £NIL).

During the year, no Council Member received reimbursement of travel expenses (2010 - £104).

8. Staff costs and numbers	2011	2010
	£	£
Wages and salaries	281,835	260,950
Social security costs	31,444	29,051
Other pension costs	26,378	25,850
	<u>£339,657</u>	<u>£315,851</u>

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

	2011	2010
	No.	No.
Charitable activities	6	5
Administration	1	1
	<u>7</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 £14,875 (2010: £14,675) on behalf of the higher paid employees.

Notes to the Financial Statements for the year ending 31 January 2011

9. Tangible fixed assets		Furniture, fittings and equipment £
Cost		
At 1 February 2010		13,290
Additions		2,744
Disposals		<u>(1,320)</u>
At 31 January 2011		<u>14,714</u>
Depreciation		
At 1 February 2010		11,848
Charge for the year		1,916
Disposals		<u>(1,320)</u>
At 31 January 2011		<u>12,444</u>
Net book value		
At 31 January 2011		<u>£2,270</u>
At 31 January 2010		<u>£1,442</u>
10. Debtors	2011	2010
Due within one year	£	£
Debtors	91,963	53,962
Prepayments	4,219	4,128
Accrued income	4,750	-
	<u>£100,932</u>	<u>£ 58,090</u>
11. Creditors: amounts falling due within one year	2011	2010
	£	£
Other Creditors	357	
Social security and other taxes	19,932	8,639
Pensions	-	2,461
Accruals	6,930	8,959
Deferred income (see note below)	126,479	102,833
	<u>£153,698</u>	<u>£122,892</u>

Notes to the Financial Statements for the year ending 31 January 2011

12. Deferred income	2011	2010
	£	£
Deferred income brought forward at 1 February 2010	102,833	120,225
Membership income received in advance	106,654	102,833
Commissioned Research received in advance	19,825	-
Released to Statement Of Financial Activities	(102,833)	(120,225)
	<u>£126,479</u>	<u>£102,833</u>
Deferred income carried forward at 31 January 2011	<u>£126,479</u>	<u>£102,833</u>

13. Statement of funds	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
Unrestricted funds				
General funds	171,718	392,519	347,395	216,842
	<u>171,718</u>	<u>392,519</u>	<u>347,395</u>	<u>216,842</u>
Restricted funds				
Nuffield Foundation	-	76,649	76,649	-
	<u>-</u>	<u>76,649</u>	<u>76,649</u>	<u>-</u>
Subtotal		76,649	76,649	-
	<u>171,718</u>	<u>469,168</u>	<u>424,044</u>	<u>216,842</u>
Total Funds	<u>171,718</u>	<u>469,168</u>	<u>424,044</u>	<u>216,842</u>

Restricted Funds

Nuffield Foundation - *The future of the public sector pension schemes* research identifies the policy objectives that any Government considering further reforms to the public sector pensions might aim to address. This report was funded by the Nuffield Foundation.

14. Analysis of net assets between funds	Restricted Funds	Unrestricted Funds	Total Funds	Total Funds
	2011	2011	2011	2010
	£	£	£	£
Tangible fixed assets	-	2,270	2,270	1,442
Current assets	-	368,270	368,270	293,168
Creditors due within one year	-	(153,698)	(153,698)	(122,892)
	<u>-</u>	<u>216,842</u>	<u>216,842</u>	<u>£171,718</u>
Total	<u>-</u>	<u>216,842</u>	<u>216,842</u>	<u>£171,718</u>

Notes to the Financial Statements for the year ending 31 January 2011

15. Pension commitments

The Pensions Policy Institute contributes to a Group Stakeholder Pension Plan administered by AEGON. The pensions cost charge represents contributions made by the Institute to AEGON and amounted to £26,378 (2010, £25,850).

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 £6,700 this year. The NAPF also commissioned research in the year for £24,535.

17. Operations lease commitments

At 31 January 2011, the Institute had one commitment under non cancellable operations leases as set out below:

	2011	<i>2010</i>
	£	<i>£</i>
Building		
within 1 year	-	7,864
within 2 - 5 years	7,864	-

Published by
PENSIONS POLICY INSTITUTE

PPI

www.pensionspolicyinstitute.org.uk