

**PENSIONS POLICY INSTITUTE**

**PPI**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**1 FEBRUARY 2011 to 31 JANUARY 2012**

**REGISTERED COMPANY NO: 04145584**

**CHARITY NO: 1087856**

**(ENGLAND & WALES)**



## Annual Report and Statement of Financial Activity

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## Chairman's report

It is with great pleasure that I present to the Governors the eleventh Annual Report of the Pensions Policy Institute (PPI). The Council Report which follows gives a full account of the Institute's activities over the past year.

It has been another busy year in the world of pensions policy. The Government published proposals for further state pension reforms, plans for the implementation of automatic enrolment into private pensions continued to gather pace and the Government has been in negotiations with the unions over further reforms to the public sector pensions following the publication of Lord Hutton's review of public service pensions.

The PPI has played a key role in contributing evidence and research to all of these policy discussions and published five major research reports during the year. Particular highlights included research commissioned by the National Association of Pension Funds to undertake an assessment of the Government's state pension reform proposals and research commissioned by Age UK to examine the impact of pensions policy on future levels of pensioner poverty. The PPI also published a major report which explored the implications of the Government's policy to abolish compulsory annuitisation and began development work funded by the Nuffield Foundation on our suite of models of the pensions system.

This year was also a significant milestone for the PPI as it was our tenth anniversary. During this time the PPI has become an authoritative independent commentator on policy on pensions and retirement provision. I would like to thank all of our current and former Council Members, Supporting Members, Governors, staff and the organisations that have commissioned research or have provided research grants over the years. The PPI could not achieve its objectives without the support of such a wide range of individuals and organisations.

My predecessor, Matthew Annable, stepped down as the Chairman of the PPI Council at the end of 2011 and, on behalf of the Council and staff, I would like to pay tribute to his leadership and his contribution to the success of the PPI over the last 4 years. I would also like to extend my thanks to the members of the PPI Council for their support over the last year and, in particular, to Teresa Sienkiewicz who will retire from Council in June 2012 after serving nine years as a PPI Council Member.

I would also like to thank Niki and the PPI team for all their hard work during what has been another very demanding year. With the introduction of automatic enrolment into private pensions from October 2012 and with further reform of public sector pensions, it is clear that the need for independent research & analysis on pensions and retirement policy has never been greater.



**Michael Pomery CVO**  
**PPI 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 2012.

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 (ex-Chairman)	(appointed 2008, retired December 2011)
Professor Nicholas Barr	(appointed 2008)
Duncan Brown	(appointed 2011)
Nicola Cleal (ex officio)	(appointed 2006)
Laurie Edmans CBE	(appointed 2007, re-elected 2010)
Paul Johnson	(appointed 2001, retired March 2011)
Michael Pomery CVO (Chairman)	(appointed 2006, re-elected 2009)
Rhoslyn Roberts	(appointed 2002, re-elected 2011)
Joanne Segars OBE	(appointed 2001, re-elected 2010)
Teresa Sienkiewicz	(appointed 2003, re-elected 2009)
Margaret Snowdon OBE	(appointed 2010)
Paul Stannard	(appointed 2007, re-elected 2011)
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 2011)
Institute Director	Nicola Cleal (appointed 2006)
Company Secretary	Nicola Cleal (appointed 2006)
President	Baroness Greengross OBE (appointed 2004)

**Governors**

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

\*\*\* President

\*\* Chairman of Council

\* Council Members (at 31 Jan 2012)

## 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 and possible changes to them.

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 policymakers and their advisers, pension and savings providers, employers and trade unions, charities and trade bodies, 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;
- Is led by experts focused on pensions and retirement income provision;
- Considers the whole pension framework: state, private, and the interaction between them;
- Pursues both academically rigorous analysis and practical policy commentary;
- Takes a long-term perspective on pension policy outcomes;
- Encourages 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 17 of the Charities Act 2011 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 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**

The Coalition Government has a wide-ranging reform agenda that includes proposals for further reforms of the state pension, implementation of automatic enrolment into private pensions as recommended by the Pensions Commission, and the implementation of reforms to public sector pensions as set out by Lord Hutton of Furness in his review of public service pensions.

### **Research and information output**

The PPI published five major research reports during the course of the year on a wide range of topics ranging from state pensions, private pensions and public sector pension reform. The PPI also responded to Government policy consultations, independent reviews and Parliamentary inquiries.

The PPI provided input into Lord Hutton's review of public service pensions. We also responded to HM Treasury's consultations on the discount rate used to set unfunded public service pension contributions and to the call for evidence regarding early access to pension saving.

The PPI responded to the DWP's Green Paper on state pension reform. We also provided written and oral evidence to the Work and Pensions Select

Committee inquiries into the Government's pension reforms and into the introduction of automatic enrolment and the National Employment Savings Trust (NEST).

The PPI continued to publish regular Briefing Notes which provide short summaries of topical issues in pensions and retirement income policy. The Briefing Notes considered a range of policy issues including the implications of the Government's proposals to reform the state pension and to increase the State Pension Age, as well as the lessons which the UK can learn from New Zealand's KiwiSaver scheme.

In total, there were approximately 145,000 downloads of reports, Briefing Notes, responses and submissions from the PPI website during the course of the year.

***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 and give key facts and figures on retirement income provision in the UK.

The *Pensions Primer* provides a description of the UK's pension system. This continues to be one of the most frequently downloaded publications from the PPI's website with approximately 10,000 downloads this year.

*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.

As announced in last year's report, the PPI has been awarded a two-year grant from the Nuffield Foundation to further develop the PPI's suite of models. Work is underway to develop the models to ensure that they remain fit-for-purpose and can accommodate recent policy changes in both private and public sector pensions.

The Department for Work and Pensions (DWP) commissioned the PPI to validate the DWP's Individual Model (Ipen) through a process of comparison with the PPI's Individual Model.

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

*State Pensions*

In April 2011 the Government published a Green Paper: *A State Pension for the 21st Century*. The Green Paper set out two possible reforms to the state pension, including the introduction of a flat-rate single-tier state pension of around £140 a week and an alternative option of making the State Second Pension flat-rate by 2030. The National Association of Pension Funds (NAPF) commissioned the PPI to analyse the implications of the state pension reforms.

The research was launched at an event hosted by the NAPF in June 2011 and was submitted to the DWP as evidence for their consultation.

In July 2011, the PPI published research commissioned by Age UK which examined the implications of alternative pension policies for future levels of pensioner poverty. The report provided new projections of the percentage of pensioners living in relative income poverty under alternative pension policies. We were delighted that the Pensions Minister, Steve Webb MP spoke at both of these launch events.

#### *Private pension reforms*

The Government continued to finalise policy and prepare for the introduction of automatic enrolment into private pensions from October 2012. There were two Work & Pensions Select Committee Inquiries into the Government's pension reforms and into the Government's plans to introduce automatic enrolment and the National Employment Savings Trust (NEST). The PPI provided oral and written evidence to these inquiries.

Prudential plc. commissioned the PPI to illustrate the potential impact of opting out of workplace pension saving following automatic enrolment in the early stages of working life on employees' pension incomes. The research was published in December 2011 and was presented to Government officials at a round-table meeting.

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

#### *Private Sector Pensions*

The PPI published its fifth report in the Retirement Income and Assets series in April 2011. The research examined the potential implications of the Government's decision to abolish compulsory annuitisation. The research was sponsored by a consortium of organisations that included: the Association of British Insurers, the Department for Work and Pensions, the Investment Management Association, Partnership, Prudential UK & Europe and Which?

The NAPF commissioned the PPI to illustrate how employee and employer choices can affect the private pension income that individuals might receive from defined contribution pensions. The report was published in February 2012 and was launched at an event hosted by the NAPF. Brandon Lewis MP, a member of the Work & Pensions Select Committee spoke at the launch event.

#### *Public Sector Pensions*

The PPI provided a significant amount of input into Lord Hutton's review of the public service pensions. Niki Cleal, the PPI's Director, was a member of Lord Hutton's panel of experts. The review also commissioned the PPI to estimate the value of public sector pensions under alternative reform options to feed into Lord Hutton's final report which was published in March 2011.

### **PPI Encouraging Debate**

Throughout the year, the PPI hosted a wide range of policy seminars that were attended by Ministers, politicians from all of the main political parties, Government officials and representatives from pension schemes, charities, trade bodies and the wider financial services industry.

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

### **PPI Governance**

The PPI celebrated its 10<sup>th</sup> anniversary in 2011 and was very fortunate to have the Pensions Minister, Steve Webb MP, address the Annual General meeting which was hosted by Aon Hewitt, one of the PPI's Supporting Members. The Minister gave the Governors his views on the contribution that the PPI has made to debates about pensions and retirement income during its first ten years and gave an update on current issues in pensions policy.

At the year end the PPI had 93 Governors who are drawn from a diverse range of professional backgrounds. Council Members are elected by the PPI's wider group of Governors at the PPI AGM each year. The Council conducted an evaluation exercise in 2011 which concluded that broadly the PPI Council has the right set of skills and expertise to enable it to govern the PPI effectively.

Matthew Annable stepped down as the Chairman of Council at the end of 2011 and was succeeded by Michael Pomery CVO. Michael has been on the PPI's Council since 2006 and was previously the Chairman of the Governance Committee.

### **Related party relationship**

Joanne Segars OBE, Chief Executive of The National Association of Pension Funds (NAPF) is also a Council Member of the Institute. The NAPF is a Silver Supporting Member of the PPI and also commissioned the PPI to undertake two major pieces of commissioned research during the course of the 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 2012, the free reserves were at £252,888 (2011: £214,572). In addition, the PPI received deferred income of £167,065 (2011: £126,479). Taking the free reserves and the deferred income together, the PPI has sufficient funds for the PPI to continue operating for at least six months, in line with its reserves policy.

### **PPI financial position**

The PPI's core research and information activities for 2011/12 were funded by regular donations made by Supporting Members. 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. At the year end the PPI had 27 Supporting Members. The PPI is extremely grateful to all of its Supporting Members for their continued support.

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

In 2011/12, PPI research was commissioned by the Independent Public Service Pensions Commission, the Department for Work and Pensions, the National Association of Pension Funds, Age UK, and Prudential plc.

The PPI had seven full-time members of staff by the end of 2011/12. The financial objective for 2011/12 agreed by Council was for the PPI to break-even and this objective has been exceeded.

### **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 across state pensions, private pensions and public sector pensions. The PPI will continue to provide facts and evidence to ensure that PPI research helps policy makers and others with an interest in pensions and retirement income policy to understand the implications of changes in Government policy.

### *PPI Modelling*

PPI modelling is central to the vast majority of the PPI's research. This year the PPI will be undertaking the second phase of its model development to ensure that the PPI models remain fit-for-purpose. This model development work is being funded by the Nuffield Foundation.

### *State pensions*

During 2012 the Government is expected to issue a White Paper on its plans for state pension reform and future changes to the State Pension Age. The PPI will contribute to the debate on further state pension reform. We will also submit evidence to relevant Select Committees or other Parliamentary inquiries.

### *Retirement income and assets*

In April 2012, the PPI published its sixth and final report in the Retirement Income and Assets Series. This latest report examines the impact of the Government's policy agenda to extend working lives.

### *Changing landscape for private pensions*

The PPI is conducting research which analyses the recent trends in private sector pension provision and examines the strategies that employers are pursuing to manage risk in pensions in the private sector. The research is being sponsored by MetLife Assurance Limited and will be published in June 2012.

### *Automatic enrolment into private pensions*

This year will undoubtedly be a significant milestone in the world of pensions policy with the introduction of automatic enrolment into private pensions from October 2012 onwards. The PPI is planning to undertake research looking at the implications of the Government's policy to introduce automatic enrolment into private pensions.

### *Public sector pensions*

The PPI has been awarded a research grant from the Nuffield Foundation to provide an independent assessment of the Coalition Government's final agreed reforms to the public sector pensions.

### *Financial objective*

The PPI's financial objective is to break-even in 2012/13. 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:

<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
<b>Remuneration</b>	Chair:	Matthew Annable
	Members:	Michael Pomery 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 13 June 2012, 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 13 June 2012 are: Professor Nicholas Barr, Michael Pomery CVO, Teresa Sienkiewicz and David Yeandle OBE. Teresa Sienkiewicz will retire from Council but the other Council Members will stand 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 the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

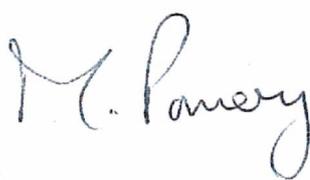
#### **Auditors**

A resolution proposing that haysmacintyre be re-appointed as auditors of the company will be put to the Annual General Meeting on 13 June 2012.

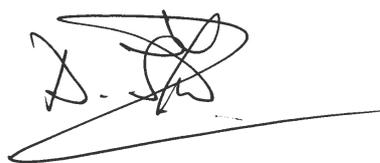
The report of the Council Members has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

#### **Approval**

This Report was approved by Council on 02 May 2012 and signed on its behalf:



Michael Pomery CVO  
Chairman  
02 May 2012



David Yeandle OBE  
Chairman of the Finance Sub-Committee  
02 May 2012

## 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 2012 which comprise of the primary statements such as the Statement of Financial Activities, Balance Sheet, and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the charitable company'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 charitable company's members those matters we are required to state to them in an Auditors' 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective responsibilities of 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 charitable company 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. In addition, we read all the financial; and non-financial information in the Council Members' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 January 2012 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

Fairfax House  
15 Fulwood Place  
London WC1V 6AY

Date: 02 May 2012

## Statement of Financial Activities for the year ending 31 January 2012 (incorporating income and expenditure account)

	Note	Restricted Funds 2012 £	Unrestricted Funds 2012 £	Total Funds 2012 £	Total Funds 2011 £
<b>Incoming resources</b>					
<i>Incoming resources from generated funds:</i>					
Investment income	3	-	486	486	320
<i>Incoming resources from charitable activities:</i>					
Research	2	80,017	394,729	474,746	468,848
<b>Total incoming resources</b>		<u>£80,017</u>	<u>£395,215</u>	<u>£475,232</u>	<u>£469,168</u>
<b>Resources expended</b>					
<i>Charitable activities:</i>					
Research	5	80,017	278,593	358,610	339,037
<i>Governance:</i>	4, 5	-	78,586	78,586	85,007
<b>Total resources expended</b>		<u>£80,017</u>	<u>£357,179</u>	<u>£437,196</u>	<u>£424,044</u>
<b>Net income for the year</b>		-	38,036	38,036	45,124
Total funds at 1 February 2011		-	216,842	216,842	171,718
<b>Total funds at 31 January 2012</b>		<u>-</u>	<u>£254,878</u>	<u>£254,878</u>	<u>£216,842</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.

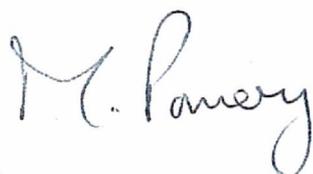
## Balance sheet as at 31 January 2012

### Company Number: 04145584

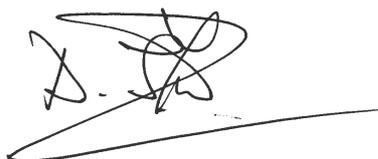
	Note	£	2012 £	£	2011 £
<b>Fixed assets</b>					
Tangible fixed assets	9		1,990		2,270
<b>Current assets</b>					
Debtors	10	53,918		100,932	
Cash at bank		389,085		267,338	
			<u>443,003</u>	<u>368,270</u>	
<b>Creditors:</b> amounts falling due within one year	11	(190,115)		(153,698)	
			<u>252,888</u>	<u>214,572</u>	
<b>Net assets</b>	14		<u><u>£254,878</u></u>	<u><u>£216,842</u></u>	
<b>Institute funds</b>					
Unrestricted - General Funds	13		<u>254,878</u>	<u>216,842</u>	
			<u><u>£254,878</u></u>	<u><u>£216,842</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 02 May 2012 and were signed on their behalf by:



Michael Pomery CVO  
Chairman  
02 May 2012



David Yeandle OBE  
Chairman of the Finance Sub-Committee  
02 May 2012

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

## Notes to the Financial Statements for the year ending 31 January 2012

### 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 2012

### 1.5 Resources expended (continued)

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 funds administered 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 has been registered for VAT since 1 December 2009.

## Notes to the Financial Statements for the year ending 31 January 2012

<b>2. Incoming resources from charitable activity – research</b>				<b>Total Funds 2012 £</b>	<b>Total Funds 2011 £</b>
Research Grants				80,017	76,649
Other income				2,800	510
Commissioned research				175,675	186,010
Membership income				216,254	205,679
Total				<b>£474,746</b>	<b>£ 468,848</b>
<b>3. Investment income</b>				<b>Total Funds 2012 £</b>	<b>Total Funds 2011 £</b>
Bank interest receivable				£486	£320
<b>4. Governance</b>				<b>Total Funds 2012 £</b>	<b>Total Funds 2011 £</b>
Salaries				56,253	54,550
Audit and accountancy				6,838	5,600
Other costs				3,457	11,712
Support costs				12,038	13,145
				<b>£78,586</b>	<b>£ 85,007</b>
<b>5. Resources expended</b>	<b>Direct staff costs £</b>	<b>Other direct costs £</b>	<b>Support costs £</b>	<b>2012 £</b>	<b>2011 £</b>
Research	288,656	15,022	54,932	358,610	339,037
Governance	56,253	10,295	12,038	78,586	85,007
Total	<b>£344,909</b>	<b>£25,317</b>	<b>£66,970</b>	<b>£437,196</b>	<b>£424,044</b>

## Notes to the Financial Statements for the year ending 31 January 2012

6. Support costs include	Research Governance		2012	2011
	£	£	£	£
Staff costs	28,596	6,267	34,863	33,686
Office costs	21,676	4,750	26,426	27,341
Other costs	4,659	1,021	5,680	4,544
Total	<u>£54,931</u>	<u>£12,038</u>	<u>£66,969</u>	<u>£65,571</u>

7. Net income/(expenditure)	2012	2011
	£	£
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	1,258	1,916
Auditor's remuneration - audit services	5,800	5,600
Pension costs	<u>30,635</u>	<u>26,379</u>

During the year, no Council Member received any remuneration (2011 - £NIL).

During the year, no Council Member received any benefits in kind (2011 - £NIL).

During the year, one Council Member received reimbursement of travel expenses £321.20 (2011 - £NIL).

8. Staff costs and numbers	2012	2011
	£	£
Wages and salaries	313,000	281,835
Social security costs	36,137	31,444
Other pension costs	30,635	26,378
	<u>£379,772</u>	<u>£339,657</u>

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

	2012	2011
	No.	No.
Charitable activities	6	6
Administration	1	1
	<u>7</u>	<u>7</u>

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

The Institute made employer's pension contributions totalling £15,100 (2011: £14,875) on behalf of the higher paid employees.

## Notes to the Financial Statements for the year ending 31 January 2012

<b>9. Tangible fixed assets</b>		<b>Furniture, fittings and equipment £</b>
<b>Cost</b>		
At 1 February 2011		14,714
Additions		978
Disposals		-
At 31 January 2012		<u>15,692</u>
<b>Depreciation</b>		
At 1 February 2011		12,444
Charge for the year		1,258
Disposals		-
At 31 January 2012		<u>13,702</u>
<b>Net book value</b>		
At 31 January 2012		<u>£1,990</u>
At 31 January 2011		<u>£2,270</u>
<b>10. Debtors</b>	<b>2012</b>	<b>2011</b>
<b>Due within one year</b>	<b>£</b>	<b>£</b>
Debtors	49,567	91,963
Prepayments	4,351	4,219
Accrued income	-	4,750
	<u>£53,918</u>	<u>£ 100,932</u>
<b>11. Creditors: amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Other Creditors	-	357
Social security and other taxes	15,703	19,932
Accruals	7,347	6,930
Deferred income (see note below)	167,065	126,479
	<u>£190,115</u>	<u>£153,698</u>

## Notes to the Financial Statements for the year ending 31 January 2012

<b>12. Deferred income</b>	<b>2012</b>	<b>2011</b>
	£	£
Deferred income brought forward at 1 February 2011	126,479	102,833
Membership income received in advance	122,065	106,654
Commissioned Research received in advance	45,000	19,825
Released to Statement Of Financial Activities	(126,479)	(102,833)
	<u>£167,065</u>	<u>£126,479</u>
Deferred income carried forward at 31 January 2012	<u><u>£167,065</u></u>	<u><u>£126,479</u></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	216,842	395,215	357,179	254,878
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Restricted funds</b>				
Nuffield Foundation	-	80,017	80,017	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Subtotal	-	80,017	80,017	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Funds	<u>216,842</u>	<u>475,232</u>	<u>437,196</u>	<u>254,878</u>
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

### Restricted Funds

**Nuffield Foundation** - The PPI was awarded a grant from the Nuffield Foundation to hold a round-table to facilitate a discussion on the questions in the Public Service Pensions Commission's second call for evidence on the issues of the adequacy of public sector pensions. In addition, Nuffield granted the PPI a two-year grant 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.

<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>
	2012	2012	2012	2011
	£	£	£	£
Tangible fixed assets	-	1,990	1,990	2,270
Current assets	-	443,003	443,003	368,270
Creditors due within one year	-	(190,115)	(190,115)	(153,698)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>-</u>	<u>254,878</u>	<u>254,878</u>	<u>£216,842</u>
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

## Notes to the Financial Statements for the year ending 31 January 2012

### 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 £30,635 (2011, £26,378).

### 16. Related party transaction

Joanne Segars OBE, Chief Executive of The National Association of Pension Funds (NAPF) is also a Council Member of the Institute. The NAPF is a Silver Supporting Member of the PPI and contributed £6,700 this year. The NAPF also commissioned the PPI to undertake two major pieces of commissioned research during the course of the year for a total of £66,500.

### 17. Operations lease commitments

At 31 January 2012, the Institute had one commitment under non cancellable operations leases as set out below:

	2012	2011
	£	£
<b>Building</b>		
within 1 year	7,864	-
within 2 - 5 years		7,864

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