

PENSIONS POLICY INSTITUTE

PPI

**ANNUAL REPORT AND FINANCIAL STATEMENTS
1 FEBRUARY 2012 to 31 JANUARY 2013**

**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 pleasure that I present to the Governors the twelfth 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.

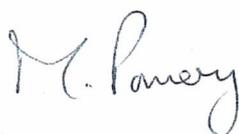
The PPI has continued to play a key role in contributing evidence and research to the Government's policy reform agenda. Particular highlights were research commissioned by MetLife Assurance Limited examining the changing landscape in private pensions and research commissioned by a consortium of Age UK, the Actuarial Profession, Aviva and Partnership which looked at the implications of Government policies to extend working lives. The PPI also published a report sponsored by the Nuffield Foundation on the Coalition Government's reforms to public sector pension schemes which examined the implications for members of those schemes.

The PPI could not produce such high quality research without the support of a wide range of individuals and organisations. I would like to extend my sincere gratitude to all of our current Supporting Members, Governors, organisations that have commissioned research or have provided research grants over the past year.

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 Rhoslyn Roberts and Peter Thompson, who will retire from Council in June 2013 after serving eleven and ten years respectively.

At the AGM, we will be saying farewell to our Director, Niki Cleal. The PPI Council would like to thank Niki for successfully leading and managing the PPI over the last seven years. There is no doubt that, under Niki's excellent leadership, the PPI has developed and matured into a much more substantial organisation. The scope and quantity of the PPI's research has broadened while the quality of the research has been maintained and the PPI's income and the number of staff have all increased. More importantly, the reputation of the PPI within the pensions industry, the media and in Government circles has been greatly enhanced. I am delighted that Chris Curry will be taking over as Director after the AGM. Chris was previously the PPI's Research Director.

I would also like to thank the other members of the PPI team for all their hard work during what has been another busy year for the PPI in the pensions policy area.



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 2013.

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

Professor Nicholas Barr	(appointed 2008, re-elected 2012)
Duncan Brown	(appointed 2011)
Nicola Cleal (ex officio)	(appointed 2006)
Laurie Edmans CBE	(appointed 2007, re-elected 2010)
Andrew Evans	(appointed 2012)
Michael Pomery CVO (Chairman)	(appointed 2006, re-elected 2012)
Rhoslyn Roberts	(appointed 2002, re-elected 2011)
Joanne Segars OBE	(appointed 2001, re-elected 2010)
Teresa Sienkiewicz OBE	(appointed 2003, retired 2012)
Margaret Snowdon OBE	(appointed 2010)
Paul Stannard	(appointed 2007, re-elected 2011)
Professor Holly Sutherland	(appointed 2010)
Peter Thompson	(appointed 2003, re-elected 2009)
Anthony Tomei	(appointed mid 2012)
David Yeandle OBE	(appointed 2001, re-elected 2012)
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 at 31 January 2013

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

*** President

** Chairman of Council

* Council Members (at 31 Jan 2013)

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 research reports during the course of the year on 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 gave input into the DWP's consultation on *improving transfers and dealing with small pension pots*, provided written and oral evidence to the Work and Pensions Select Committee inquiries into *Governance and best practice in workplace pensions* and into *the Government's state pension reforms*, and provided written and oral evidence to the Public Service Pensions Bill Committee.

In total, there were approximately 124,000 hits 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: a guide to the UK pensions system* continues to be one of the most frequently downloaded publications from the PPI's website with approximately 14,200 hits 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 took place 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. During 2012/13 the PPI has completed the second phase of the model development covered by the grant. The third phase will be undertaken in 2013/14.

The PPI launched the final report in the Retirement Income and Assets Series in April 2012, exploring the potential impact of the Government's extending working lives policy agenda. The findings of the research were discussed at a policy seminar on 24 April 2012. The event was hosted by Aviva and the research was sponsored by Age UK, Aviva, the Actuarial Profession and Partnership.

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

The changing landscape of pension schemes in the private sector in the UK report, commissioned by MetLife Assurance Limited, brings together the latest data on the state of private pensions in the UK. The report also examines the main factors that have played a role in shaping recent trends in private sector pension provision, and highlights how employers are responding to the challenges of providing workplace pensions and considers the future of pensions in the private sector in the UK.

The report was launched at a seminar held in June 2012 with Steve Webb MP, the Pensions Minister, as the main speaker. The PPI received positive media coverage and the video recording of the seminar and interviews of the speaker received 500 views in the first week.

The PPI began work on a research project to analyse the system of *Pension Tax Relief in the UK*, and the potential impact of alternative reform proposals. This is a consortium funded project (including the TUC, Age UK, Partnership and the Actuarial Profession) and will be completed and launched in 2013.

Theme 3: The future of existing occupational pension provision

Public sector pensions

The PPI was 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.

Ahead of the second reading of the Public Service Pensions Bill on 29 October 2012, the PPI published a briefing paper and report that set out the PPI's independent assessment of the impact of the Coalition Government's proposed reforms of the four largest public service pension schemes on the value of the pension benefit for members.

The paper provided an assessment of the average value of the pension being offered to public sector employees in the four main schemes in terms of the value to public sector employees of the pension benefit they are being offered as a percentage of their salary. A comparison was made with the value of the schemes prior to the Coalition reforms and to the value of pensions on offer in the private sector. The paper also examined the value of the pension benefit for high fliers and low fliers as well as for younger and older workers, and for workers with different earnings levels.

The second stage of this research, examining the implications of the reforms for the long-term affordability and sustainability of the schemes, was published in 2013.

PPI Encouraging Debate

Throughout the year, the PPI hosted and spoke at a wide range of policy seminars, external conferences and events on pensions and retirement issues. These were attended by Ministers, politicians from the main political parties, Government officials and representatives from pension schemes, charities, trade bodies and the wider financial services industry.

PPI Governance

At the year end the PPI had 102 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 concluded that broadly the PPI Council has the right set of skills and expertise to enable it to govern the PPI effectively. All new Council Members undergo an induction. All Council Members receive an information pack on the PPI which includes the history and current activities of the PPI, details of the PPI's policies and procedures and governance and management information.

We will be saying farewell to Niki Cleal, the PPI's Director, at the 2013 AGM. We would like to thank Niki for her contribution to the continued growth and success of the PPI during her seven years as PPI Director.

The PPI Council is delighted to announce that Chris Curry has been appointed as the PPI's new Director with effect from the AGM. Chris was formerly the PPI's Research Director.

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.

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.

It is the Council's policy 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. rent, 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.

The PPI received deferred income of £209,224 (2012: £167,065) and at the end of the last financial year, 31 January 2013, the free reserves were at £274,799 (2012: £252,888). Based on these levels of deferred income and free reserves the PPI has sufficient funds 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 2012/13 were funded by regular donations made by Supporting Members. Membership income funds core activities such as research reports (e.g. the Pensions Primer: a guide to the UK pensions system), 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 30 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 2012/13, PPI research was commissioned by Age UK, the Actuarial Profession, Aviva, MetLife Assurance Limited, the Nuffield Foundation, Partnership and the TUC.

The PPI had seven full-time members of staff by the end of 2012/13. The financial objective for 2012/13 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 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.

Public Sector Pensions

In 2013 the PPI published the second stage of this research which examined the implications of the reforms for the long-term affordability and sustainability of the schemes. The research has been funded by the Nuffield Foundation.

Tax Relief in the UK

In recent years there have been significant changes to the system of tax relief for pension saving in the UK, including a lowering of the annual allowance and lifetime allowance. There has been speculation that there may be further changes made to tax relief, and in particular to the tax relief available to higher earners.

The PPI is undertaking a research project to analyse the system of Pension Tax Relief in the UK, and the potential impact of alternative reform proposals. This is a consortium funded project (including the TUC, Age UK, Partnership and the Actuarial Profession) and is planned to be launched in 2013.

Automatic Enrolment into private pensions

2012 saw the introduction of auto-enrolment into workplace pension schemes in the UK. From October 2012 onwards, every employee aged between 22 and SPA and earning more than £9,440 (from April 2013) will be auto-enrolled into a workplace pension scheme, where they will remain unless they opt-out.

Over the next two years (2013 and 2014) the PPI plans to publish a series of research reports that will investigate the potential impact of auto-enrolment into private pensions on individuals and their levels of pension saving and also on the shape of the private pension market. Not only will these reports serve as an invaluable guide to the potential impact of policy as it will be

implemented, but they will also form a baseline against which the future impact of auto-enrolment can be measured.

The PPI research reports will cover a number of different aspects of the potential impact of auto-enrolment into private pension saving:

1. What level of pension contribution is needed to obtain an adequate retirement income?
2. How can older workers be helped to benefit from automatic enrolment?
3. Will automatic enrolment increase pension saving?

The major sponsors of the auto-enrolment research series include the Defined Contribution Investment Forum, the ABI, Prudential plc and Legal and General who will each sponsor particular research reports in the series. The series sponsors include the Department for Work and Pensions, B&CE Benefit Schemes and the Actuarial Profession who will contribute to the project as a whole.

The impact of the Government's single-tier state pension reform

The Government intends to replace the current state pension system with a single-tier flat rate state pension. The aim of the proposed reform is to simplify the state pension system. The Government released a White Paper setting out further details of the reform in January 2013. The Nuffield Foundation has awarded the PPI a grant to undertake an evaluation of the likely impact of this fundamental reform.

The aim of this research is to provide a detailed, comprehensive, independent evaluation of the impact of introducing the single-tier state pension. The proposals are likely to have significant implications for the distribution of pensioners' incomes and Government expenditure on state pensions and associated benefits in the future, and could have wider impacts on the future of pensions offered in the private sector. The research will be published later in 2013.

Financial objective

The PPI's financial objective is to break-even in 2013/14. Although the economic climate remains challenging, the PPI will aim to continue meeting this stretching 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 120 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:	Andrew Evans (appointed June 2012) Rhoslyn Roberts Teresa Sienkiewicz (retired June 2012)
Funding	Chair:	Margaret Snowdon
	Members:	Laurie Edmans Michael Pomery Joanne Segars
Governance	Chair:	Paul Stannard
	Members:	Duncan Brown Michael Pomery Andrew Young
Remuneration	Chair:	Michael Pomery
	Members:	Duncan Brown 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 5 June 2013, 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 5 June 2013 are: Laurie Edmans CBE, Rhoslyn Roberts, Joanne Segars OBE and Peter Thompson. Rhoslyn Roberts and Peter Thompson will retire from Council but Laurie Edmans CBE and Joanne Segars OBE will stand for re-election.

In addition, in accordance with Article 13.6 of the Articles of Association, the Council appointed Anthony Tomei to become a Council Member during the course of 2012. Anthony Tomei will also stand for election at the AGM on 5 June 2013 alongside Madeline Forrester and Kevin Wesbroom.

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.

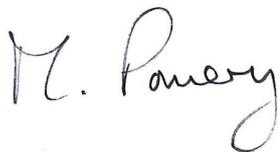
Auditors

A resolution proposing that haysmacintyre be re-appointed as auditors of the company will be put to the Annual General Meeting on 5 June 2013.

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 1 May 2013 and signed on its behalf:



Michael Pomery CVO
Chairman
1 May 2013



David Yeandle OBE
Chairman of the Finance Sub-Committee
1 May 2013

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
	CAF Bank Ltd 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
(ceased banking June 2012)	Cater Allen Private Bank 9 Nelson Street Bradford BD1 5AN
Solicitors	Travers Smith 10 Snow Hill London EC1A 2AL

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

We have audited the financial statements of the Pensions Policy Institute for the year ended 31 January 2013 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 2013 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: 1 May 2013

Statement of Financial Activities for the year ending 31 January 2013 (incorporating income and expenditure account)

	Note	Restricted Funds 2013 £	Unrestricted Funds 2013 £	Total Funds 2013 £	Total Funds 2012 £
Incoming resources					
<i>Incoming resources from generated funds:</i>					
Investment income	3	-	994	994	486
<i>Incoming resources from charitable activities:</i>					
Research	2	122,467	346,748	469,215	474,746
Total incoming resources		<u>£122,467</u>	<u>£347,742</u>	<u>£470,209</u>	<u>£475,232</u>
Resources expended					
<i>Charitable activities:</i>					
Research	5	122,467	246,289	368,756	358,610
<i>Governance:</i>	4, 5	-	80,041	80,041	78,586
Total resources expended		<u>£122,467</u>	<u>£326,330</u>	<u>£448,797</u>	<u>£437,196</u>
Net income for the year	13	-	21,412	21,412	38,036
Total funds at 1 February 2012		-	254,878	254,878	216,842
Total funds at 31 January 2013		<u>-</u>	<u>£276,290</u>	<u>£276,290</u>	<u>£254,878</u>

The Statement of Financial Activities includes all gains and losses recognised in the year. All transactions are derived from continuing activities.

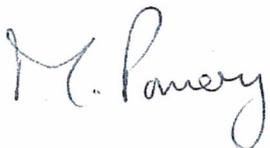
The notes on pages 19-25 form part of these Financial Statements.

Balance sheet as at 31 January 2013**Company Number: 04145584**

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible fixed assets	9		1,491		1,990
Current assets					
Debtors	10	82,311		53,918	
Cash at bank		427,061		389,085	
			509,372	443,003	
Creditors: amounts falling due within one year	11	(234,573)		(190,115)	
			274,799		252,888
Net assets	14		276,290		£254,878
Institute funds					
Unrestricted - General Funds	13		276,290		254,878
			£276,290		£254,878

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 1 May 2013 and were signed on their behalf by:



Michael Pomery CVO
Chairman
1 May 2013



David Yeandle OBE
Chairman of the Finance Sub-Committee
1 May 2013

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

Notes to the Financial Statements for the year ending 31 January 2013

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 2013

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 2013

2. Incoming resources from charitable activity – research				Total Funds 2013 £	Total Funds 2012 £
Research Grants				122,467	80,017
Other income				2,950	2,800
Commissioned research				95,000	175,675
Membership income				248,798	216,254
Total				£469,215	£474,746
3. Investment income				Total Funds 2013 £	Total Funds 2012 £
Bank interest receivable				£994	£486
4. Governance				Total Funds 2013 £	Total Funds 2012 £
Salaries				57,391	56,253
Audit and accountancy				6,910	6,838
Other costs				3,550	3,457
Support costs				12,190	12,038
				£80,041	£ 78,586
5. Resources expended	Direct staff costs £	Other direct costs £	Support costs £	2013 £	2012 £
Research	291,454	21,144	56,158	368,756	358,610
Governance	57,391	10,460	12,190	80,041	78,586
Total	£348,845	£31,604	£68,348	£448,797	£437,196

Notes to the Financial Statements for the year ending 31 January 2013

6. Support costs include	Research Governance		2013	2012
	£	£	£	£
Staff costs	29,258	6,351	35,609	34,863
Office costs	23,336	5,065	28,401	26,426
Other costs	3,564	774	4,338	5,680
Total	<u>£56,158</u>	<u>£12,190</u>	<u>£68,348</u>	<u>£66,969</u>

7. Net income/(expenditure)	2013	2012
	£	£
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	1,294	1,258
Auditor's remuneration - audit services	6,000	5,800
Pension costs	30,537	30,635

During the year, no Council Member received any remuneration (2012 - £NIL).

During the year, no Council Member received any benefits in kind (2012 - £NIL).

During the year, one Council Member received reimbursement of travel expenses £580 (2012 - £321).

8. Staff costs and numbers	2013	2012
	£	£
Wages and salaries	317,205	313,000
Social security costs	36,712	36,137
Other pension costs	30,537	30,635
	<u>£384,454</u>	<u>£379,772</u>

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

	2013	2012
	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 £15,500 (2012: £15,100) on behalf of the higher paid employees.

Notes to the Financial Statements for the year ending 31 January 2013

9. Tangible fixed assets		Furniture, fittings and equipment £
Cost		
At 1 February 2012		15,692
Additions		795
Disposals		-
At 31 January 2013		<u>£16,487</u>
Depreciation		
At 1 February 2012		13,702
Charge for the year		1,294
Disposals		-
At 31 January 2013		<u>£14,996</u>
Net book value		
At 31 January 2013		<u>£1,491</u>
At 31 January 2012		<u>£1,990</u>
10. Debtors	2013	2012
Due within one year	£	£
Debtors	78,040	49,567
Prepayments	4,271	4,351
	<u>£82,311</u>	<u>£53,918</u>
11. Creditors: amounts falling due within one year	2013	2012
	£	£
Social security and other taxes	17,671	15,703
Accruals	7,183	7,347
Deferred income (see note 12)	209,224	167,065
Other Creditors	495	-
	<u>£234,573</u>	<u>£190,115</u>

Notes to the Financial Statements for the year ending 31 January 2013

12. Deferred income	2013 £	2012 £
Deferred income brought forward at 1 February 2012	167,065	126,479
Membership income received in advance	132,974	122,065
Commissioned Research received in advance	56,250	45,000
Grant Income received in advance	20,000	-
Released to Statement of Financial Activities	(167,065)	(126,479)
	<u>£209,224</u>	<u>£167,065</u>
Deferred income carried forward at 31 January 2013	<u>£209,224</u>	<u>£167,065</u>

Grant income received in advance

£20,000 grant income received in advance from Nuffield Foundation relates to prepaid income received in advance of work to be completed during 2013/14.

13. Statement of funds	Brought Forward £	Incoming Resources £	Resources Expended £	Carried Forward £
Unrestricted funds				
General funds	254,878	347,742	326,330	276,290
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Restricted funds				
Nuffield Foundation	-	122,467	122,467	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	-	122,467	122,467	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Funds	<u>£254,878</u>	<u>£470,209</u>	<u>£448,797</u>	<u>£276,290</u>

Restricted Funds

Nuffield Foundation - The PPI was awarded a grant from the Nuffield Foundation to provide an independent assessment of the Coalition Government's final agreed reforms to the 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.

14. Analysis of net assets between funds	Restricted Funds 2013 £	Unrestricted Funds 2013 £	Total Funds 2013 £	Total Funds 2012 £
Tangible fixed assets	-	1,491	1,491	1,990
Current assets	-	509,372	509,372	443,003
Creditors due within one year	-	(234,573)	(234,573)	(190,115)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>-</u>	<u>£276,290</u>	<u>£276,290</u>	<u>£254,878</u>

Notes to the Financial Statements for the year ending 31 January 2013

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 £30,537 (2012, £30,635).

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 £6,800 this year.

17. Operations lease commitments

At 31 January 2013, the Institute had one annual commitment under non cancellable operating leases expiring as set out below:

	2013	2012
Building	£	£
within 1 year		7,864
within 2 - 5 years	7,864	

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