

PENSIONS POLICY INSTITUTE

PPPI

**ANNUAL REPORT AND FINANCIAL STATEMENTS
1 FEBRUARY 2013 to 31 JANUARY 2014**

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

Annual Report and Statement of Financial Activity

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All enquiries regarding the Pensions Policy Institute's activities should be addressed to Michael Pomery CVO, Chairman at:

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

Tel: 020 7848 3744
Fax: 020 7848 1786
E-mail: info@pensionspolicyinstitute.org.uk

Website: www.pensionspolicyinstitute.org.uk

Chairman's report



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

This year the PPI Council were delighted to appoint Chris Curry as Director of the PPI, after an open recruitment process. Chris previously held the position of Research Director for 11 years and has been succeeded by Mel Duffield in the new role of Deputy Director. We look forward to their successful collaboration in the coming years.

Throughout 2013-14, the PPI has continued to play a key role in contributing evidence and research to the Government's policy reform agenda. Particular research highlights examined the rationale and distribution of pension tax relief in the UK, and analysed the levels of pension contributions required under the Government's automatic enrolment system to achieve an adequate retirement income. The PPI added to the state pensions debate by publishing a series of Briefing Notes, sponsored by the Nuffield Foundation, on the impact of the Government's single-tier state pension reform. Finally, an event on Defined Ambition was held for our existing members and hosted by new PPI Platinum Supporting Member, JP Morgan.

2014-15 brings a number of new research projects examining the effects of decumulation, the effect of extending working lives, the potential impact of Scottish Independence and a review of the pre-manifesto pensions landscape. 2014 will also see the introduction of a Fundraising and Membership Manager, who will help the PPI to engage more effectively with our Supporting Members.

The PPI could not produce our catalogue of high quality research without the support of a wide range of individuals and organisations. I would like to extend my sincere gratitude to all our current Supporting Members, Governors and 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. New Council Members, Madeline Forrester and Kevin Wesbroom, who joined in June 2013, both bring with them valuable experience and expertise and have already had a significant impact on our Funding Committee.

Finally, I would like to thank Chris Curry and all the PPI staff for their hard work during what has been a year of transition for the PPI. Their efforts have ensured the PPI remained prominent in the pensions debate and we look forward to continuing to drive the pensions research agenda forward throughout 2014-15.

A handwritten signature in black ink that reads "M. Pomery". The signature is written in a cursive, flowing style.

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 2014.

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, resigned 2013)
Chris Curry (ex-officio)	(appointed 2013)
Laurie Edmans CBE	(appointed 2007, re-elected 2013)
Andrew Evans	(appointed 2012)
Madeline Forrester	(appointed 2013)
Michael Pomery CVO (Chairman)	(appointed 2006, re-elected 2012)
Rhoslyn Roberts	(appointed 2002, retired 2013)
Joanne Segars OBE	(appointed 2001, re-elected 2013)
Margaret Snowdon OBE	(appointed 2010)
Paul Stannard	(appointed 2007, re-elected 2011)
Professor Holly Sutherland	(appointed 2010)
Peter Thompson	(appointed 2003, retired 2013)
Anthony Tomei CBE	(appointed 2012, re-elected 2013)
Kevin Wesbroom	(appointed 2013)
David Yeandle OBE	(appointed 2001, re-elected 2012)
Andrew Young	(appointed 2002, re-elected 2011)
Institute Director	Chris Curry (appointed June 2013) Nicola Cleal (resigned June 2013)
Company Secretary	Chris Curry (appointed June 2013) Nicola Cleal (resigned June 2013)
President	Baroness Greengross OBE (appointed 2004)

Governors at 31 January 2014

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

*** President

** Chairman of Council

* Council Members (at 31 Jan 2014)

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, development of the automatic enrolment initiative introduced in 2012, and the implementation of reforms to public sector pensions as set out by Lord Hutton of Furness in his review of public service pensions.

In the Budget in March 2014, the Government announced major changes in the way in which Defined Contribution pensions can be used in retirement.

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 provided written and oral evidence to the Work and Pensions Select Committee inquiry into *The Government's State Pension reform plans*, gave oral evidence to the Pensions Bill Committee and submitted written evidence to the Government's public consultations: *Reshaping workplace pensions for future generations* and *Better workplace pensions*.

PPI research over the last 12-18 months has concentrated on three broad themes:

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

The PPI updates and publishes reference manuals that describe the current pension system in the UK and give key facts and figures on retirement income provision in the UK.

The *Pensions Primer: a guide to the UK pensions system* provides an overview of the UK pension system and continues to be one of the most frequently downloaded publications from the PPI's website.

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

The PPI has constructed a *suite of micro-simulation models* to analyse long-term outcomes from the current UK pensions system and possible reforms. The original development of the models was funded by the Nuffield Foundation. Each year the PPI conducts a model update exercise in which the latest data are incorporated in the models and the long-term assumptions are reviewed.

The models have recently been developed over the last two years: our individual modelling capability has been expanded with a stochastic investment model and the aggregate model can now model public sector and the private sector pension schemes separately. Future developments will include improved modelling of retirement decisions and transitions into retirement, including the holding of investments beyond State Pension Age. These recent developments have also been funded by the Nuffield Foundation.

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

The PPI completed a research project to analyse the system of *Tax Relief for Pensions Saving in the UK*, and the potential impact of alternative reform proposals. This was a consortium funded project (including Age UK, Institute and Faculty of Actuaries, Partnership and the TUC) and the launch was hosted by the Institute and Faculty of Actuaries.

On 9 May 2013, the Government introduced the Pensions Bill 2013-14 to Parliament. The Bill proposed to implement a new single-tier state pension from April 2016 that will replace the current Basic State Pension (BSP) and the State Second Pension (S2P). The PPI has published a series of briefings during 2013-14, sponsored by the Nuffield Foundation, to provide a detailed, comprehensive and independent analysis of the impact of introducing the single-tier state pension.

The single-tier briefings cover a range of topics including the possible impact of the reforms on a range of individuals, the transition to the single-tier pension, the potential impact of a switch in the pension increase mechanism from triple-locking the pension to applying earnings linked increases, the impact on Defined Benefit (DB) pension schemes, changes to the State Pension Age (SPA) and implications for Government costs and spending.

Theme 3: The future of existing occupational pension provision

The PPI completed the first year of its research series entitled *The implications of the Government's reforms to introduce automatic enrolment into private pension saving*. The PPI is publishing a series of research reports that investigate the potential impact of auto-enrolment into private pension schemes on individuals and their contributions to pension saving but also on the shape of the private pension market.

The first report, *What level of pension contribution is needed to obtain an adequate retirement income?*, was published in October 2013 and the second report, *How can older workers be helped to benefit from automatic enrolment?*, was launched in early 2014. The third and final report entitled *Will automatic enrolment increase pension saving?* will be launched in July 2014.

The first report was jointly sponsored by the ABI and the Defined Contribution (DC) Investment Forum, the second report by Prudential and the major sponsor of the third report is Legal and General. The series as a whole has been sponsored by the Department for Work and Pensions (DWP), B&CE Benefit Schemes and the Institute and Faculty of Actuaries.

In response to the Government's call for evidence on the impact of both the annual contributions limit and the transfer restriction, the PPI published a briefing paper entitled *The impact of the NEST contribution limits and restrictions to transfers*.

Following the introduction of automatic enrolment, the majority of employees are expected to be saving into a Defined Contribution (DC) pension scheme. The PPI Briefing Note *How do charges affect DC pension outcomes?* analysed the impact of charges, charging caps and combination charging structures on pension savings.

The PPI Briefing Note *Defined Ambition in workplace pension schemes* discusses the possible impact of Defined Ambition (DA) pension proposals on Defined Benefit (DB) pension scheme members and assesses the different DA options based on a Defined Contribution (DC) pension structure.

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 106 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.

This year saw the PPI say farewell to the Director, Niki Cleal. The PPI Council would like to thank Niki for successfully leading and managing the PPI over the last seven years. The PPI Council was delighted to announce Chris Curry as the PPI's new Director with effect from the 2013 AGM. Chris has a long history with the PPI having held the position of PPI Research Director for eleven years. Mel Duffield succeeded Chris in the new role of Deputy 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. Kevin Wesbroom is a Senior Partner at Aon Hewitt and a Council Member of the Institute. Aon Hewitt is a Silver Supporting Member of the PPI. Madeline Forrester is Head of UK Institutional Sales at AXA Investment Managers. AXA Investment Managers is a Gold 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. This 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 £178,654 (2013: £209,224) and at the end of the financial year, 31 January 2014, the free reserves were £300,975 (2013: £274,799). 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 2013/14 were funded by regular donations made by Supporting Members. There are three levels of membership: Platinum (£15,850), Gold (£10,550) and Silver (£6,800).

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 31 January 2014 the PPI had 29 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.

The PPI also receive funding for commissioned research projects that meet the stringent PPI objectives and public benefit criteria set out on pages 4 and 5.

In 2013/14, PPI research was commissioned by Age UK, the Association of British Insurers (ABI), B&CE Benefit Schemes, the Defined Contribution (DC) Investment Forum, the Department for Work and Pensions (DWP), the Institute and Faculty of Actuaries, Legal and General, the Nuffield Foundation, Partnership, Prudential and the TUC.

The PPI had eight full-time members of staff by the end of 2013/14 (this included one member of staff coming to the end of a fixed-term contract for maternity cover which had been extended to allow a detailed hand over). The financial objective for 2013/14 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). Currently the PPI's funds are held in cash.

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 policymakers and others with an interest in pensions and retirement income policy to understand the implications of changes in the UK pensions and retirement landscape.

Automatic Enrolment into private pensions

The PPI is now in the second year of this project and is publishing a series of research reports that investigate the potential impact of auto-enrolment into private pensions on individuals and their levels of pension saving but also on the shape of the private pension market. The third and final report entitled '*Will automatic enrolment increase pension saving?*' will be published later in 2014.

The major sponsor of the third report is Legal and General. The series as a whole has been sponsored by the Association of British Insurers (ABI), the Defined Contribution (DC) Investment Forum, B&CE Benefit Schemes, the Department for Work and Pensions (DWP), Prudential and the Institute and Faculty of Actuaries.

Transitions to Retirement

With automatic enrolment now bedding in and with an additional around 9 million employees expected to be saving into a pension by 2018, there has been an increasing focus on the design and quality of Defined Contribution (DC) schemes. So far, this has tended to focus on the issues around 'accumulation', including the level of contributions, the design of default investment strategies, and the level and transparency of charges. With existing DC pension schemes now maturing, and with the first auto-enrolees due to retire over the next few years, the focus is increasingly turning to the 'decumulation' phase and helping DC members to achieve better outcomes and greater certainty at retirement.

In the Budget in March 2014, the Government announced major changes in the way in which Defined Contribution pensions can be used in retirement. Individuals will have significantly more freedom and choice as to how they take their retirement income from April 2015.

Over the next two years (2014-2015) the PPI plans to publish a series of major research reports that will explore transitions into retirement and how members go about turning their pension savings into an income at retirement. Government, parliamentarians, regulators, industry, employers and consumers all have strong and growing interest in this area. These reports should therefore serve as a timely, invaluable and independent assessment of how well-equipped the UK pensions landscape is to support good member outcomes in retirement.

The proposed PPI research reports will cover a number of different aspects of the at-retirement market in the UK, such as:

1. How complex are the decisions that savers need to make at retirement?
2. How should the UK pension systems be evolving to support more flexible retirement?
3. How important is the design of the glide-path for determining outcomes in retirement?

A consortium of major sponsors, including Fidelity, B&CE (provider of the People's Pension) and the Investment Management Association (IMA), will sponsor particular research reports whilst series sponsors, including Age UK, Partnership, The Pensions Advisory Service (TPAS) and The Pensions Regulator, will contribute to the project as a whole.

Extending Working Lives

The PPI, in a consortium with the Institute of Gerontology at King's College London and the University of Toronto, has been awarded a grant for a 3-year research project by the Economic and Social Research Council (ESRC) looking at issues surrounding *Extending Working Lives*.

The UK, like many other countries, has recently announced increases in State Pension Age; a policy change affecting millions of people yet implemented with limited understanding of the consequences. While existing research has mostly focused on the determinants of early retirement, few studies have considered adverse selection due, for example, to earlier poor health. Do these policies harm, benefit or have little effect on the population? To answer this, we need to understand the lifelong drivers and mechanisms affecting the complex relationship between paid work in later life, health and wellbeing.

This research project will focus on:

- 1) Comprehensively understanding the relationship between paid work in later life, in particular beyond current State Pension Age (SPA), and its implications for health and wellbeing; and
- 2) Developing understanding of the social and economic consequences of policies which encourage working at ever later ages.

Defined Contribution (DC) Auto-Enrolment (AE) Tracker

The PPI will be producing a regular research publication (sponsored by Threadneedle) that provides updates on the Defined Contribution (DC) and automatic enrolment landscape, with a focus on the number of members saving into DC, their level of contributions and DC assets, and how their assets are being invested. The 2014 publication will set a baseline (and a number of headline summary statistics and scenario projections) that will be updated and augmented on an annual basis. The data on DC is not currently centralised and so this publication would provide a 'one-stop shop' for those looking for key information on DC, as well as highlighting trends and developments in the market and DC investment landscape.

The research will focus on:

- 1) Summary of the DC/AE landscape – levels of DC saving and trends in investment
- 2) Policy and regulatory developments
- 3) Projections for the DC market using PPI modelling
- 4) The outlook and challenges for the DC landscape and investment.

Collective Defined Contribution (CDC)

Once automatic enrolment has been fully rolled out, the number of individuals contributing to a Defined Contribution (DC) pension scheme is likely to increase significantly. In DC schemes, investment, inflation and longevity risks are transferred on to members, rather than employers, which can lead to variations in retirement income. Collective Defined Contribution (CDC) is based on pooling member contributions into a single fund which allows for a degree of risk-sharing between both working age members and pensioners. However, Government or industry intervention may be needed in order to generate the scale required to ensure that risks can be shared in a sustainable

way to provide good outcomes at reasonable costs. Good governance and contribution levels will also need to be considered.

To help inform the forthcoming Pensions Bill, the PPI plans to provide an independent assessment of the potential outcomes from different CDC models compared to a standard DC system.

Political Issues – Scottish Independence, General Election Party Manifestos

Topical political issues in 2014-15 will include the Scottish Independence Referendum and the Party Manifestos ahead of the 2015 General Election. The PPI will be producing Briefing Notes, consultation papers and other evidence in order to inform policymakers and the general public of the potential effects of such issues.

Funding Strategy

The PPI has appointed a Fundraising and Membership Manager, Danielle Baker, who joined the PPI in February 2014 on a part-time basis. Danielle will support the PPI's senior staff in managing the PPI Supporting Member Scheme, retaining existing members and helping to recruit new members. She will also assist the senior staff and Funding Committee in the development of the PPI's fundraising strategy and sourcing of fundraising opportunities.

Financial objective

The PPI's financial objective is to break-even in 2014/15. 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.

Members' (Governors') 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.

Organisational structure and decision making

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.

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 Anthony Tomei
Funding	Chair:	Margaret Snowdon
	Members:	Laurie Edmans Madeline Forrester Michael Pomery Kevin Wesbroom
Governance	Chair:	Paul Stannard
	Members:	Duncan Brown Michael Pomery Andrew Young
Remuneration	Chair:	Michael Pomery
	Members:	Duncan Brown Joanne Segars

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

Council Member elections

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 11 June 2014, 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 11 June 2014 are: Duncan Brown, Margaret Snowdon OBE, Paul Stannard and Andrew Young. All retirees 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 Council's (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 Council Members 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.

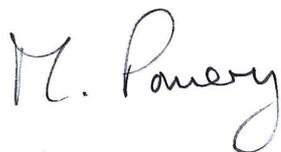
Auditors

A resolution proposing that Haysmacintyre be re-appointed as auditors of the company will be put to the Annual General Meeting on 11 June 2014.

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 2014 and signed on its behalf:



Michael Pomery CVO
Chairman
1 May 2014



David Yeandle OBE
Chairman of the Finance Sub-Committee
1 May 2014

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	Chris Curry
Auditors	haysmacintyre Chartered Accountants and Registered Auditors 26 Red Lion Square London WC1R 4AG
Bankers	Unity Trust Bank Nine Brindley Place 4 Oozells Square Birmingham B1 2HB
	Virgin Money Jubilee House Gosforth Newcastle upon Tyne NE3 4TG
(until November 2013)	CAF Bank Ltd 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
Solicitors	Travers Smith 10 Snow Hill London EC1A 2AL

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

We have audited the financial statements of the Pensions Policy Institute for the year ended 31 January 2014 which comprise of 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 (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's 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 2014 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's 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's Report.



Tracey Young
(Senior Statutory Auditor)
for and on behalf of haysmacintyre, Statutory Auditors

26 Red Lion Square
London WC1R 4AG

Date: 1 May 2014

Statement of Financial Activities for the year ending 31 January 2014 (incorporating income and expenditure account)

	Note	Restricted Funds 2014 £	Unrestricted Funds 2014 £	Total Funds 2014 £	Total Funds 2013 £
Incoming resources					
<i>Incoming resources from generated funds:</i>					
Investment income	3	-	3,111	3,111	994
<i>Incoming resources from charitable activities:</i>					
Research	2	95,475	381,834	477,309	469,215
Total incoming resources		<u>£95,475</u>	<u>£384,945</u>	<u>£480,420</u>	<u>£470,209</u>
Resources expended					
<i>Charitable activities:</i>					
Research	5	95,475	247,989	343,464	368,756
<i>Governance:</i>	4, 5	-	111,232	111,232	80,041
Total resources expended		<u>£95,475</u>	<u>£359,221</u>	<u>£454,696</u>	<u>£448,797</u>
Net incoming resources for the year	13	-	25,724	25,742	21,412
Total funds at 1 February 2013		-	276,290	276,290	254,878
Total funds at 31 January 2014		<u>-</u>	<u>£302,014</u>	<u>£302,014</u>	<u>£276,290</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 21-27 form part of these Financial Statements.

Balance sheet as at 31 January 2014

Company Number: 04145584

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible fixed assets	9		1,039		1,491
Current assets					
Debtors	10	52,680		82,311	
Cash at bank		458,062		427,061	
			<u>510,742</u>	<u>509,372</u>	
Creditors: amounts falling due within one year	11	(209,767)		(234,573)	
			<u>300,975</u>		274,799
Net assets	14		<u><u>302,014</u></u>		<u><u>£276,290</u></u>
Institute funds					
Unrestricted - General Funds	13		<u>302,014</u>		276,290
			<u><u>£302,014</u></u>		<u><u>£276,290</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 01 May 2014 and were signed on their behalf by:



Michael Pomery CVO
Chairman
1 May 2014



David Yeandle OBE
Chairman of the Finance Sub-Committee
1 May 2014

The notes on pages 21-27 form part of these Financial Statements.

Notes to the Financial Statements for the year ending 31 January 2014

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 Council Members 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 as a percentage of direct costs and staff time.

Notes to the Financial Statements for the year ending 31 January 2014

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 Council Members 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 2014

2. Incoming resources from charitable activity – research				Total Funds 2014 £	Total Funds 2013 £
Research Grants				95,745	122,467
Other income				664	2,950
Commissioned research				120,900	95,000
Membership income				260,270	248,798
Total				£477,309	£469,215
3. Investment income				Total Funds 2014 £	Total Funds 2013 £
Bank interest receivable				£3,111	£994
4. Governance				Total Funds 2014 £	Total Funds 2013 £
Salaries				80,068	57,391
Audit and accountancy				7,089	6,910
Other costs				3,468	3,550
Support costs				20,607	12,190
				£111,232	£80,041
5. Resources expended	Direct staff costs £	Other direct costs £	Support costs £	2014 £	2013 £
Research	237,203	42,624	63,637	343,464	368,756
Governance	80,068	10,557	20,607	111,232	80,041
Total	£317,271	£53,181	£84,244	£454,696	£448,797

Governance costs are higher in 2014 due to changes in Senior Management and maternity leave cover for the Finance and Office Manager.

Notes to the Financial Statements for the year ending 31 January 2014

6. Support costs include	Research Governance		2014	2013
	£	£	£	£
Staff costs	43,706	14,154	57,860	35,609
Office costs	18,844	6,102	24,946	28,401
Other costs	1,087	351	1,438	4,338
Total	<u>£63,637</u>	<u>£20,607</u>	<u>£84,244</u>	<u>£68,348</u>

7. Net income/(expenditure)	2014	2013
	£	£
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	1,715	1,294
Auditor's remuneration - audit services	6,200	6,000
Pension costs	<u>28,869</u>	<u>30,537</u>

During the year, no Council Member received any remuneration (2013: £NIL).

During the year, no Council Member received any benefits in kind (2013: £NIL).

During the year, one Council Member received reimbursement of travel expenses £429 (2013: one Council Member received £580).

8. Staff costs and numbers	2014	2013
	£	£
Wages and salaries	310,687	317,205
Social security costs	35,575	36,712
Other pension costs	28,869	30,537
	<u>£375,131</u>	<u>£384,454</u>

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

	2014	2013
	No.	No.
Charitable activities	6	6
Administration	2	1
	<u>8</u>	<u>7</u>

Two (2013: one) employees under administration due to maternity cover overlap.

One* (2013: two) employee received remuneration amounting to more than £60,000 in the year.

The Institute made employer's pension contributions totalling £7,836* (2013: £15,500) on behalf of the employee who received more than £60,000 in the year.

*Due to staff changes at management level

Notes to the Financial Statements for the year ending 31 January 2014

9. Tangible fixed assets		Furniture, fittings and equipment £
Cost		
At 1 February 2013		16,487
Additions		1,263
Disposals		-
At 31 January 2014		<u>£17,750</u>
Depreciation		
At 1 February 2013		14,996
Charge for the year		1,715
Disposals		-
At 31 January 2014		<u>£16,711</u>
Net book value		
At 31 January 2014		<u>£1,039</u>
At 31 January 2013		<u>£1,491</u>
10. Debtors: Due within one year	2014	2013
	£	£
Debtors	44,431	78,040
Prepayments	7,682	4,271
Accrued income	567	-
	<u>£52,680</u>	<u>£82,311</u>
11. Creditors: amounts falling due within one year	2014	2013
	£	£
Social security and other taxes	12,456	17,671
Accruals	12,989	7,183
Deferred income (see note 12)	178,654	209,224
Other Creditors	5,668	495
	<u>£209,767</u>	<u>£234,573</u>

Notes to the Financial Statements for the year ending 31 January 2014

12. Deferred income	2014 £	2013 £
Deferred income brought forward at 1 February 2013	209,224	167,065
Membership income received in advance	135,904	132,974
Commissioned Research received in advance	42,750	56,250
Grant Income received in advance	-	20,000
Released to Statement of Financial Activities	(209,224)	(167,065)
	<u>£178,654</u>	<u>£209,224</u>
Deferred income carried forward at 31 January 2014	<u>£178,654</u>	<u>£209,224</u>

13. Statement of funds	Brought Forward £	Incoming Resources £	Resources Expended £	Carried Forward £
Unrestricted funds				
General funds	276,290	384,945	(359,221)	302,014
	<u>276,290</u>	<u>384,945</u>	<u>(359,221)</u>	<u>302,014</u>
Restricted funds				
Public Sector Pensions and Model Development	-	20,000	(20,000)	-
Nuffield Foundation – Single-Tier Pensions	-	75,475	(75,475)	-
	<u>-</u>	<u>95,475</u>	<u>(95,475)</u>	<u>-</u>
Subtotal	-	95,475	(95,475)	-
	<u>-</u>	<u>95,475</u>	<u>(95,475)</u>	<u>-</u>
Total Funds	<u>£276,290</u>	<u>£480,420</u>	<u>(£454,696)</u>	<u>£302,014</u>

Restricted funded projects

1. Public Sector Pensions and Model Development funded by The Nuffield Foundation

During 2013-14, the PPI completed two grant projects that had commenced in 2012-13. One was awarded to provide an independent assessment of the Coalition Government's final agreed reforms to the public sector pensions. The second was a two-year grant to further develop the PPI's suite of models to ensure that they remain fit-for-purpose and can accommodate recent policy changes in both the private and public sector pensions.

2. Single-Tier State Pension Reform funded by The Nuffield Foundation

The Nuffield Foundation awarded the PPI a one-year grant to research the impact of the Government's single-tier state pension reform.

All restricted funds were expended within the financial year.

Notes to the Financial Statements for the year ending 31 January 2014

14. Analysis of net assets between funds	Restricted Funds 2014 £	Unrestricted Funds 2014 £	Total Funds 2014 £	<i>Total Funds 2013 £</i>
Tangible fixed assets	-	1,039	1,039	1,491
Current assets	-	510,742	510,742	509,372
Creditors due within one year	-	(209,767)	(209,767)	(234,573)
Total	-	<u>£302,014</u>	<u>£302,014</u>	<u>£276,290</u>

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 £28,869 (2013: £30,537).

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 £6,900 this year. Kevin Wesbroom is a Senior Partner at Aon Hewitt and a Council Member of the Institute. Aon Hewitt is a Silver Supporting Member of the PPI and contributed £6,900 this year. Madeline Forrester is Head of UK Institutional Sales at AXA Investment Managers and a Council Member of the Institute. AXA Investment Managers is a Gold Supporting Member of the Institute and contributed £10,550 this year.

17. Operations lease commitments

At 31 January 2014, the Institute had one annual commitment under non cancellable operating leases expiring as set out below:

	2014 £	2013 £
Building		
within 1 year	-	-
within 2 - 5 years	<u>7,864</u>	<u>7,864</u>

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